

## Custodial Services Overview

Custodial services are needed across all types of organizations, including commercial businesses, institutions like universities and hospitals, government agencies, and large-scale residential facilities such as apartment complexes. Organizations may choose to perform these services in-house or contract them out. When purchasing custodial services, there are many techniques to manage costs and satisfy customers.

## Custodial Service Options

There are two main ways for organizations to get cleaning services for their facilities:

### 1. Commercial custodial service providers:

- Commonly known as janitorial service providers
- Typically under a long-term contract to provide full-scale housekeeping services

### 2. In-house custodial services:

- Custodians are employed directly by the organization
- Workers are often hourly and many have part-time positions

Across Federal, state and local governments, custodial services are typically outsourced. In other organizations, such as universities, in-house operations are more common.

Both outsourced and in-house custodial services generally include an extensive set of services. For example, for an office building, cleaning services such as mopping, vacuuming, waste management, sweeping, clearing of filtration systems, etc. are provided, for the following parts of the building and more:

- Kitchens
- Restrooms
- Meeting Rooms
- Office Building Lobby
- Private Offices
- Cubicle Areas/Desks

## Market Overview and Industry Trends

There has been a growing trend toward outsourcing functions such as custodial services that do not require high-skill levels and have become expensive to perform in-house and can detract from management attention from core mission focus areas. The custodial services market is extremely fragmented. In the United States, there are over 40,000 franchised custodial service companies and hundreds of thousands of small operators with a combined revenue of over \$50 billion. Major custodial service providers include divisions of companies, private companies and franchises. The 50 largest companies

generate about 30% of the revenue. Figure 1. lists the leading commercial cleaning franchises and non-franchise firms:

**Figure 1. Leading Commercial Cleaning Firms**

ABM Industries	Pritchard Industries
Anago Cleaning Systems	Red Costs
Bonus Building Care	Service Master
Clean Net USA	Stratus Building Solutions
Coverall North America	UGL UNICCO Services
Jan-Pro International	Vanguard Cleaning Systems
Jani-King International	

Commercial, industrial and government entities that contract operators to clean facilities are the primary markets for this industry. In particular, the education, health and medical industries are outsourcing many cleaning needs, which will provide sustained growth for the industry. The industry thrives when office vacancy rates are declining and nonresidential construction activity is picking up.

## State of Competition

Given a fairly standard set of requirements, the commercial custodial services industry has attracted numerous players and is a very competitive market.

Large custodial services companies have a more robust administrative function, which limits issues related to invoicing / payments, increases flexibility of janitorial staff to ensure coverage, and facilitates reporting. Additionally, large providers can use their scale to negotiate labor rates with unions and purchase products and supplies in larger volumes – leading to additional savings. On the other hand, small companies are most effective competing in local markets, especially for other small businesses and residential customers. Small firms tend to differentiate based on specialized services and focused customer service in a local market. As such, custodial service is a ripe category for small business set-asides.

## Distribution Value Chain

The value chain of the commercial custodial services industry is one of the least complex. The company providing the service, small or large, delivers it directly to the end customer, whether it be hospitals, universities, governments, commercial businesses.

## Demand Management and Cost Saving Strategies

Organizations should focus on a few key elements in their contracts in order to drive savings and efficiency, with particular emphasis on appropriately managing demand for the organization:

Optimize cleaning tasks and frequencies

- Optimize cleaning time by having custodians perform one function, such as cleaning all the trash in the building rather than doing all the different types of cleaning in each office
- Assign certain tasks to certain days, i.e. all vacuuming happens on Mondays and trash removal occurs every other day

Determine cleanliness level for different types of spaces

- Not all spaces in a building have to be cleaned to the same level of cleanliness or with the same frequency
- If an organization is trying to cut down on cleaning costs, leadership should discuss and prioritize different areas of the building, i.e. bathrooms should be cleaned more often than low use conference rooms

Stagger custodial shifts where applicable

- Custodians are often inefficient when they are trying to work around people
- For example, rather than cleaning office buildings during normal office hours, it may be faster to clean in the evenings when most people have left

Find optimal custodial FTE staffing

- Determine how many FTEs are required to clean an organization’s facilities using information such as the square footage, desired level of cleanliness, and different types of spaces to estimate how long it should take to clean the space
- Consider using both part-time and full-time employees

If an organization places emphasis on socioeconomic goals, it could be worth considering a small business procurement strategy. Custodial services are an ideal area to contract with small businesses because:

- Many custodial services firms are small or disadvantaged businesses
- There are low barriers to entry because of low start-up costs and low skill requirements

Custodial Services Contract Types

There are a variety of ways to structure contract types depending on the needs of the organization at hand.

Fixed-price contracts, which are more typical due to the predictable nature of custodial services, all the costs associated with the service are baked into the cost that the organization pays. See Figure 2.

Figure 2. Contracted Custodial Services TCO



However, there are some deviations from this type of contract where organizations may choose a “time and materials” contract. This means that the organization pays the contractor based on the number of hours worked and for the cleaning supplies and equipment required to do the work. This type of contract can be useful because:

- For some organizations, custodial requirements can vary significantly from week to week, making fixed price arrangement impractical
- Large organizations can more efficiently procure the supplies and equipment that are needed by leveraging their scale to negotiate lower prices from vendors

Figure 3. shows the cost structure of this arrangement.

Figure 3. Contracted Custodial Services without supplies and equipment TCO



If an organization chooses to have an in-house custodial function, the Total Cost of Ownership is as follows in Figure 4.

Figure 4. In-House Custodial Services



Other Considerations

For many organizations, determining whether to outsource the custodial function or maintain an in-house team is an important decision. Some questions to consider when making this decision are:

- Is facility management a core competency?
- What method will provide the best service for the organization?
- What is the cost structure of each method?
- What is the availability of custodial service providers in the region?

Sources: Censeo expertise; “Cleaning Industry Analysis 2016–Cost & Trends”, Franchise Help; Web.; “The U.S. Janitorial Services Industry”, PR Newswire, Web.; “The Top 10 Commercial Cleaning Franchises”, Entrepreneur, Web.; “Janitorial Services Business 2012”, SBDC Net, Web.; “Janitorial Services Business 2015”, SBDC Net, Web.; “Purchasing Janitorial Services”, IBIS World, Web.

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