

## **PRESS RELEASE**

### **UK Contract Cleaning Market - 2006**

AMA Research has published a new edition of its comprehensive review of the UK Contract Cleaning Market. The report has been extensively updated and looks in detail at recent industry trends, as well as current market size and future opportunities and threats, and represents an invaluable aid to sales and marketing professionals in, or interested in the industry.

The report also contains in-depth reviews of key market sectors including the performance of the contract cleaning market within each of the market sectors. Also included is a review of the key cleaning contractors and an indication of market shares. In addition, the report analyses separately the market for commercial cleaning equipment in terms of market size, trends, key influences, key suppliers and distribution.

Emphasis is given to both qualitative and quantitative assessments of market developments, with interpretation of relevant data to give alternative viewpoints on future prospects. This **100+** page report includes 37 tables and charts is packed with relevant and useful information and analysis, and is available now, giving excellent value for money at only **£595**.

#### **Editor's Note**

Enclosed is a summary of the report for your information. We are happy for you to publish selected passages of information or statistics, in your magazine.

Further details on the report or on AMA Research are available from the address below.

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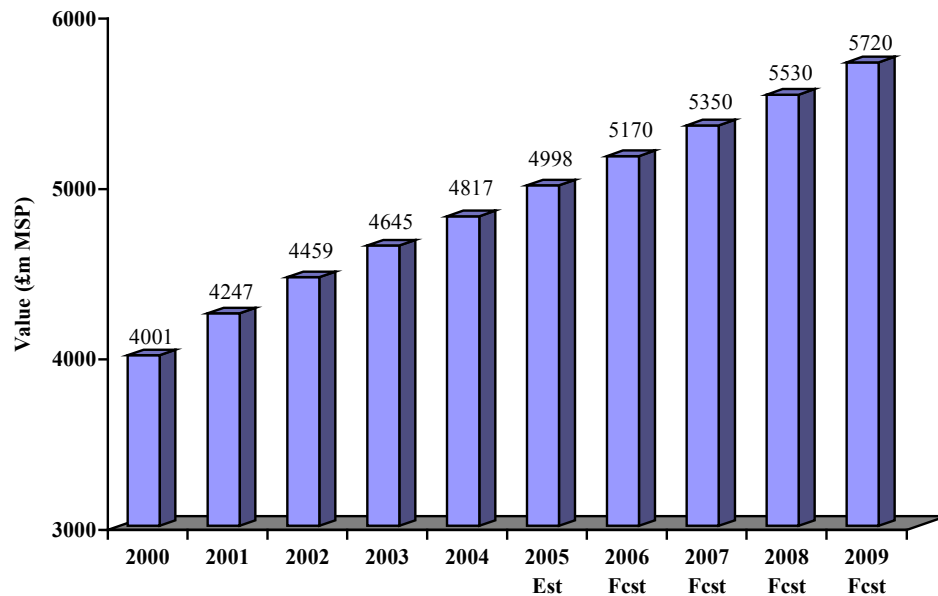
It would be appreciated if a copy of the review could be forwarded to AMA Research.

# UK CONTRACT CLEANING MARKET –2006

## SUMMARY

The market for contract cleaning has experienced strong and sustained growth over the last 5 years, as illustrated in the table below.

### The UK Market for Contract Cleaning 2000-2009 at Current Prices



*Source: AMA Research/Trade Estimates*

It is estimated that the market reached an estimated value of £5bn in 2005. Performance levels have varied between the end-user sectors, with the healthcare, local authority and leisure sub-sectors, for example, experiencing higher annual growth rates than the transport and industrial markets.

Key drivers for growth are:

- The continued trend towards outsourcing of non-core services
- Increasing focus on standards of hygiene and cleanliness, particularly in the healthcare and food hygiene sectors.
- A buoyant construction market

Factors affecting the contract cleaning market negatively include:

- The general economic climate and a downturn in the transport and leisure sectors.
- The recent volatility in the financial services and IT sectors.
- Increased levels of competition in the contract cleaning market.
- An increase in labour costs.

The contract cleaning market is becoming increasingly difficult to define, due to the trend in recent years towards 'one-stop' multi-service provision. This has led to some consolidation in the industry, also affecting the market negatively.

It is estimated that the contract cleaning market will continue to grow by around 3% per annum until 2009, though growth rates will vary substantially between market sectors. Sectors expected to show the strongest growth are healthcare, food hygiene, local authority and leisure.

The level of outsourcing within the contract cleaning market has increased steadily since the early 1990's and it is now estimated that around 55% of cleaning operations are contracted out, though this varies between market sectors. There are, however, limitations to the maximum level of outsourcing that can be achieved, as smaller businesses and organisations tend to undertake the majority of cleaning themselves.

The commercial sector remains the largest sector for contract cleaning services by far, accounting for 44% of the market by value. In general, sector shares in the market have been stable. Growth in the health sector has been particularly strong in recent years, and as a result the health sector share has increased slightly, whilst the transport sectors share has declined slightly during the period as a result of difficult conditions in this sector during the last 3-4 years.

The number of companies within the cleaning services category has continued to increase, initially at a rate of between 5-7%, though since 2003 the rate of increase has slowed to around 3% in 2005, with the vast majority being small companies.

Recent key features of the supply structure for contract cleaning services include:

- An increase in market concentration among the larger companies.
- Continuing diversification of services leading to more services being offered.
- An increasing integration of services, with companies able to provide complete building services under one contract.

Leading IFM (Integrated Facilities Management) and multi-service providers include **ISS UK, MITIE Cleaning Services, Rentokil Initial, OCS Group** and **Mowlem Pall Mall**. It is estimated that these companies jointly account for around 20% of the market. Leading contractors for whom cleaning is the sole or core activity include **Carlisle Cleaning Services, Blue Diamond Cleaning Services, Atlas Cleaning, Vebego Services, TC Cleaning Contractors** and **Lancaster Office Cleaning**, though the market is still very fragmented.

Specialist companies are important in certain sectors, such as transport, food hygiene and health. Cleaning franchises are slowly taking market share in the retail, leisure and entertainment sectors in particular. Leading franchises include **Service Master, Dublcheck** and **Jani-King**.

The total UK market for non-domestic cleaning equipment and materials is estimated to be worth around **£900m** at manufacturers selling prices in 2005. This figure includes sales to both the in-house and contract sectors. The market is fairly mature, and has been growing at a rate of 3-4% during the last few years, though certain products, such as powered cleaning machines, have experienced higher growth rates. Hygiene related products such as soaps, gels and wipes have seen an increase in demand as a result of the MRSA outbreak and expectations of higher levels of hygiene generally.

However, the market has been affected negatively by a continued depression in certain end user markets, and is also experiencing an increasingly competitive climate, which has led to increasing levels of consolidation among leading manufacturers. An increase in distributors' own brand products on the market may also have affected market values. It is estimated that the market for commercial cleaning equipment and materials will continue to grow at a rate of 3-4% until 2009, with growth possibly becoming stronger towards the end of the forecast period, providing the economic climate improves.

The product mix for the overall market for commercial cleaning equipment is difficult to establish due to the wide variety of end use markets involved, but it is estimated that powered cleaning machines account for approximately 25% of the market by value, with cleaning chemicals accounting for an estimated 65% and manual cleaning equipment for around 10%.

Leading suppliers of powered cleaning machines include **Numatic International, Karcher UK, Nilfisk ALTO, Dowding and Plummer Ltd, Truvox International Ltd, Walter Broadley Machines, Earlex, Lincoln Floor Ltd, Hako Machines and Wetrok Ltd**. Key suppliers of commercial and industrial cleaning chemicals include **JohnsonDiversey, Ecolab Ltd, Deb Ltd, Premiere Products Plc and Prochem Europe Ltd**. **Robert Scott and Sons, Scot Young Research, Ramon Hygiene Products, Addis Housewares, Freudenberg Household Products and Contico Manufacturing Ltd** are leading suppliers of manual cleaning equipment.

It is estimated that the vast majority of products are distributed through general supply channels, such as industrial products distributors, stationery suppliers, FM supply operations and retail operations. Specialist cleaning distributors are estimated to account for around 18% of the distribution market. Direct sales account for around 12%, with virtually all of this generated by sales of powered cleaning machines. Key distributors of cleaning equipment include **Bunzl Outsourcing Services, King Distribution & Services** and networks of independent distributors such as **Jangro** and **Nationwide Hygiene Supplies**. In this sector, equipment is also often taken out on loan from manufacturers or hired out from distributors and tool hire outlets.