

Cleaning Industry: Facts, Figures and Key Market Trends



Market Snapshot Benelux

ISSA[®]

Advancing Clean.
Driving Innovation.

DTO Research
Cleaning Markets



Introduction of ISSA as a partner



About ISSA

With more than 9,000 members ISSA is the leading trade association for the cleaning industry worldwide and includes distributors, manufacturers, manufacturer representatives, building service contractors, in-house service providers and associated service members.

Professional cleaning is an investment in human health, the environment, and an improved bottom line.

As a trade association ISSA is committed to helping its members change the way the world views cleaning.

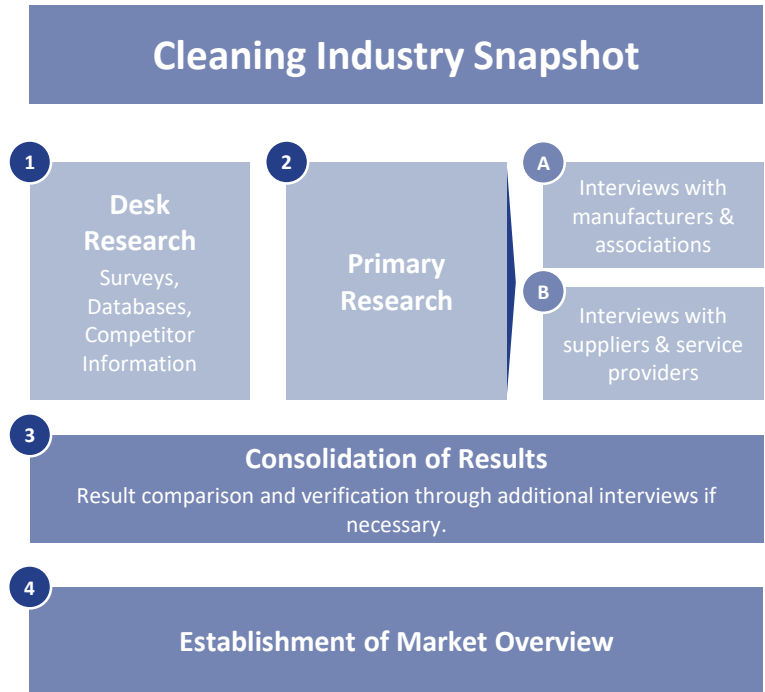
„As an association it is our goal to make the professional cleaning industry in Europe and worldwide more transparent. With this second snapshot we analyse the cleaning market in Benelux. This is a further step to help you better understand the scale of opportunity and allocate your resources more appropriately.“

Regina Henrich – ISSA European Manager



How was the data collected

- Co-initiator and partner of this study is the ISSA, a globally operating association for the cleaning industry.
- The data for this market snapshot was collected through secondary data analysis and qualitative expert interviews.
- The survey period took place from April 3rd through May 4th 2018.
- A total of 45 guided interviews were conducted.
- The target group for the survey is made up of manufacturers, associations, suppliers, consultants and service providers.
- The relevant segments of this market overview are cleaning machines, equipment, chemicals, and services.





What is affecting the industry?

- Robotics is one of the topics which is discussed in the Dutch market, but the market penetration is still very low. A very high price and the relatively small buildings in the Netherlands might be limiting factors.
- New products are mainly launched by manufacturers without the integration of cleaning companies. This is the reason why many new products do not meet the customers demands.
- The market is described as very progressive and the market players are open-minded.
- Due to the high level of competitive pressure, the factor cost for the suppliers is crucial. Sustainability is an important topic and the degradability of cleaning chemicals is considered to play a key role.
- Currently, the desire for standardized statutory rules and guidelines is expressed. Standardization would result in universal use of products.
- Product registration in the Netherlands is widely supported by authorities in order to accelerate the process.
- The structure of the Dutch cleaning market is characterized by a large number of small traders.
- It is noticeable that the cleaning services are largely outsourced. Potential customers prefer cleaning services from local providers.





What is affecting the industry?

- The structure of the cleaning market in Belgium is characterized by a small number of traders.
- In addition to professional cleaning, service companies differentiate each other by developing new business areas.
- The topic of outsourcing in the cleaning sector does not play a central role.
- Product registration in Belgium is more complex than in the Netherlands.
- The country is a pioneer in changing designated cleaning times, which has resulted in a transparent process. Cleaning is directly visible to many end customers as cleaners work during regular hours.
- The service providers in the cleaning industry are under enormous cost pressure.
- Tenders for public projects lead to enormous price pressures among competitors. The effort and benefits of participating in a tender often do not pay off for small companies in particular.
- It is more lucrative for private-sector companies to work in Belgium since cost pressure is significantly lower and higher margins are achievable.



Cleaning Industry: Facts, Figures
and Key Market Trends

Benelux

1. Segment Perspectives The Netherlands

- a. Cleaning Machines
- b. Cleaning Equipment
- c. Cleaning Chemicals
- d. Cleaning Services

2. Segment Perspectives Belgium

- a. Cleaning Machines
- b. Cleaning Equipment
- c. Cleaning Chemicals
- d. Cleaning Services



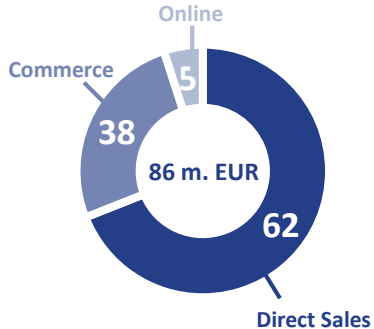


Cleaning Machines

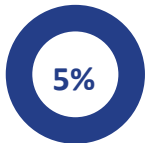
Overview - Facts, Figures and Key Market Trends



Market Overview



Growth



Suppliers



Potential

Further increasing innovation potential
Demand for service and digital solutions

Current Trends and Development

- The design and construction of the machines play an increasingly important role. The machines should be smaller and lighter.
- In the future, a wireless power supply of the machines, such as batteries, is sought after.
- Longevity (quality) is defined by the market participants as one of the most important characteristics.
- The machines are increasingly being connected to intelligent systems such as monitors, robotics and automation.

Customer Purchasing Decision Criteria

- The key decision-making criteria for procurement is made up of the price, the services and the sustainability of the products.
- Simple machine handling (for example through displays) and ergonomics are, in addition to the flexible financing options, key criteria when buying.
- Notably, key customers place particular value on the digital networking between machines.

Sources: Interviews DTO Research





Cleaning Equipment

Overview - Facts, Figures and Key Market Trends



Market Overview

- The market is described as very heterogeneous and confusing.
- Without an exact product consideration a size estimation is rather not meaningful.
- It is mainly procured through trade.

Growth



Suppliers



Potential

Moderate for existing products
No significant product innovations expected

Current Trends and Development

- Due to the conservative attitude of users, the equipment segment is considered to be less innovative.
- Microfiber products continue to be a dominant cleaning technology.
- Cleaning equipment is often characterized by their *one-time use* feature.
- Developments in environmental protection are being driven forward by both regulators and customers and are therefore considered to be a factor that is increasing in importance.

Customer Purchasing Decision Criteria

- Employees' experience with the product: Simple application and operation of the products minimizes training expenses and errors in the cleaning process.
- While quality is the focus for equipment and machines, price plays a decisive role for consumer products.
- Cleaning companies have a low acceptance for new innovative products. New cleaning methods and innovations are negatively affiliated with additional costs for product training.

Sources: Interviews DTO Research



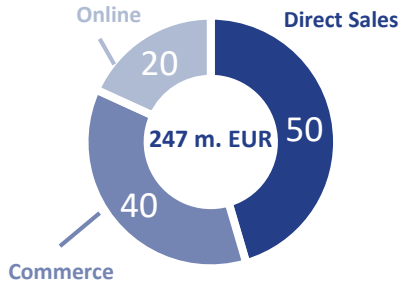


Cleaning Chemicals

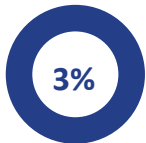
Overview - Facts, Figures and Key Market Trends



Market Overview



Growth



Suppliers



Potential

Sustainable detergents have a growing potential
Classic cleaning detergents are rather stagnant

Current Trends and Development

- The topic of sustainability is becoming increasingly important. The ingredients used should be as natural as possible.
- The manufacturers of chemicals intend to optimize the concentrates to ensure more efficient use of the products by the cleaning personnel.
- Eco-labelling in connection with occupational safety and health promotion are becoming more dominant.
- Targeted training and courses are intended to sensitize employees in handling the chemicals, encouraging them to pay better attention to their health and the environment.

Customer Purchasing Decision Criteria

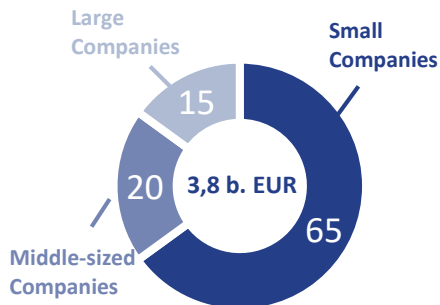
- A stable market situation is ensured by relatively constant consumption and more efficient dosing of cleaning chemicals.
- Effectiveness (area output), quality and costs remain decisive factors when purchasing classic cleaning agents.
- Market research shows that customers primarily prefer products from foreign manufacturers for cleaning.
- In addition, customers have a relatively low rate of switching to other providers. The reasons for this are long-standing relationships and trust in the manufacturers, as well as binding contracts.

Sources: Interviews DTO Research

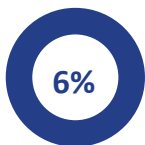




Market Overview



Growth



Suppliers



Potential

Growth potential mainly through differentiation
More attractive models to eliminate staff deficiencies

Market Characteristics

- In the Netherlands, the percentage of outsourced cleaning services is approximately 85 - 90.
- Compared to other European countries, the Netherlands is a highly developed and advanced country in terms of cleaning services.
- The entire market is strongly price-driven and customer's do not have a good overview regarding the price-structuring of services.
- Personnel expenses remain the largest cost item (approx. 95%), while the share of cleaning chemicals and equipment in total costs is relatively low at 3% and 2%.
- There is a high proportion of low-skilled lateral entrants and a high level of fluctuation. Many companies in the cleaning industry currently have the problem of recruiting qualified personnel.

Current Trends and Development

- There is increasing consolidation in the services market, with the result that small cleaning companies are being acquired by medium-sized and large companies. In figures, studies show that the number of acquisitions in 2016 was 15 and increased to 22 in 2017.
- There are two strategies for cleaning companies to achieve higher margins. One option is represented by specialized cleaning, for example in facades and aircraft. The other group of providers is characterized by all-round facility services (e.g. security and catering).
- The use of automation and robotics is often used as a prestige project at airports or railway stations, but continues to be the exception for cleaning companies, especially since the surface area size in buildings are usually unsuitable.

Sources: Content DTO Research



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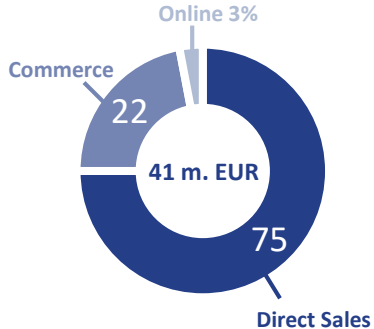


Cleaning Machines

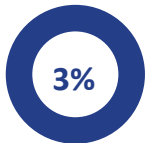
Overview - Facts, Figures and Key Market Trends



Market Overview



Growth



Suppliers



Potential

Further increasing innovation potential

Current Trends and Development

- Robotics is also greatly discussed in Belgium, but market penetration is very low. Although new technologies are being developed by the manufacturers, there has yet to be a successfully matured market launch.
- A high pricing structure is a further explanation for the low market penetration of robotic systems.
- Newly developed battery-powered machines enable a more structured cleaning process, as the charging time can be made more efficient.

Customer Purchasing Decision Criteria

- The most important criteria to be met are longevity and quality.
- Compared to the Dutch market, Belgium market players show a significantly reduced demand towards sophisticated cleaning machinery.
- In turn, this may indicate a promising potential, mid-term, in a non-saturated market.

Sources: Interviews DTO Research





Cleaning Equipment

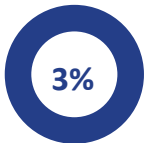
Overview - Facts, Figures and Key Market Trends



Market Overview

- The market is described as very conservative.
- Without an exact product consideration a size estimation is not very meaningful.
- Products are mainly procured through suppliers.

Growth



Suppliers



Potential

Moderate for existing products
No significant product innovations expected

Current Trends and Development

- Due to a rather traditional attitude towards novel technologies, users tend to rely on well established products.
- Thus, the market is to be characterized as less innovative in comparison to the Netherlands.
- The market is rather consolidated and dominated by few large distributors.
- The leading distributor holds a market share of more than 50 percent. Reasons for the dominant market position are strongly demanded value added services, as well as private label brands.

Customer Purchasing Decision Criteria

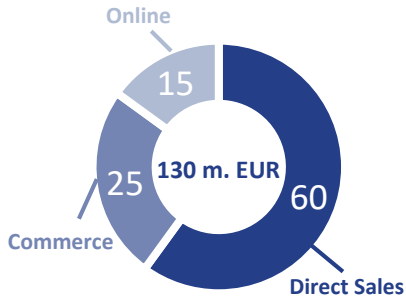
- Due to the short shelf life and often unique use of products, price is identified as a determinant criteria.
- Easy-to-use products reduce training expenses along with faulty usage and are therefore strongly demanded.
- Products are made available through distributors and are rarely bought directly from manufacturers.

Sources: Content DTO Research

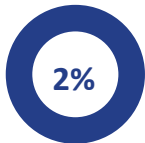




Market Overview



Growth



Suppliers



Potential

Sustainable detergents have a growing potential
Classic cleaning detergents are rather stagnant

Current Trends and Development

- In the case of cleaning chemicals, great importance is attached to sustainability. A stronger pursuit of sustainability goals is driven through legislation.
- When choosing a product, customers are often indifferent to the special characteristics of the product.
- The price is named as the most important criteria for the purchase decision as long as the low-cost product variants fulfil their purpose.

Customer Purchasing Decision Criteria

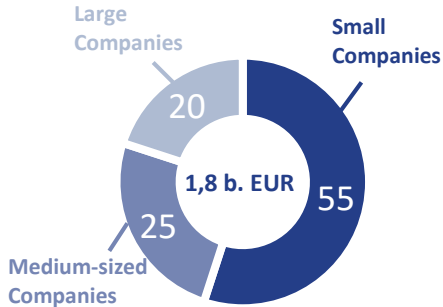
- A stable market situation is ensured by relatively constant consumption and more efficient dosing of cleaning chemicals.
- Similar to the Dutch market, foreign products are preferred over domestic products.
- Tenders are the prevalent method of procurement in Belgium. Defined tender criteria is more diverse and often includes sustainability and certification.

Sources: Interviews DTO Research, Detic 2018

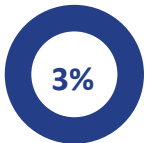




Market Overview



Growth



Suppliers



Potential

Outsourcing rate can be increased

Market Characteristics

- The percentage of outsourced cleaning services is approximately 50 to 55 in Belgium.
- The employment share of women in the cleaning market is 57 percent.
- The main problems in the market are a high cleaning staff fluctuation rate and the lack of communication skills. There is also a high fluctuation of cleaning companies in the Belgian market, which makes it difficult to find sufficiently qualified personnel.
- There is little acceptance among cleaning personnel for innovations in cleaning instruments.
- With the help of daytime cleaning, working hours are made more attractive and the greatest possible transparency is created for the customer.

Current Trends and Development

- One of the most important trends for building cleaners is the management of costs.
- Improving customer/demand management while creating the right conditions for demand management in terms of culture, competencies, attitude and behavior of employees.
- New technologies, data and automating processes have a major impact on facility management.
- For differentiation from the competitors, it is necessary that the cleaning companies improve the quality of the provided services and used products.

Sources: Content DTO Research





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Contact ISSA

ISSA EMEA
Anni-Eisler-Lehmann-Str. 3
55122 Mainz

+49 6131 / 636 782-0

emea@issa.com

www.issa.com/emea

DTO Research Cleaning Markets



Contact Cleaning Markets

Michael Di Figlia
DTO Research – eine Marke der DTO Consulting GmbH
Benrather Schlossallee 33
40597 Düsseldorf
Germany

+49 211 / 179 660-0

info@dto-research.de

www.dto-research.de