

Clean up profits

There are profits to be realized by renting to cleaning companies.

Written by Gary Pelfrey

Canada's economy appears to have weathered the recession far better than that of the United States. Further, reports now indicate that it is set to rebound faster and more forcibly than the U.S., primarily because of its ample natural resources and because its banking and investment system took on fewer risky investments than those in many other countries.



The cleaning industry is a quiet giant, with gross revenues of around \$10 billion a year. Some prefer to rent equipment on an as-needed basis.

But despite a superior position both during and after the brunt of the recession, Canada has still suffered the impact of these uncertain times, and many have learned the lessons to be taken from such an experience. Many Canadian businesses are now far more cautious about expanding their operations and making large investments or purchases. This caution has also taken hold in the professional cleaning industry. It's an industry that Canadian rental organizations could benefit from knowing a little more about.

Many people give little notice to the professional cleaning industry. One reason for this is that the majority of cleaning work is performed at night or on weekends, when most people are away from work and school locations.

In fact, the professional cleaning industry is a quiet giant. From huge corporations to mom-and-pop businesses, it is estimated that the professional cleaning industry is valued at about \$10 billion dollars in Canada – possibly more. This is based on the annual sales of manufacturers, distributors, and others in the industry.

Further, as a result of the recent recession, the cleaning industry is now exploring the benefits of renting cleaning equipment rather than buying it. This makes the industry a prime business opportunity for astute rental companies who can provide cleaning tools and equipment on an as-needed basis.

Many building service contractors (BSCs) and in-house cleaning professionals who would previously

have purchased (or in some cases leased) new floor machines, automatic scrubbers, or carpet extractors are now reconsidering making such purchases. Committing to such a large purchase is difficult when a business is trying to conserve cash, and many find leasing too binding and ultimately too expensive.

This leaves renting cleaning equipment as a viable alternative, especially on an on-call or as-needed basis – as happens frequently in the professional cleaning industry. For instance, carpets in office settings are typically cleaned one to possibly three times per year. The portable carpet extractor needed to do that type of cleaning can easily be a \$3,000 to \$5,000 investment, possibly more. During times of financial uncertainty and tight budgets, renting a carpet extractor is far less costly, making it not only a viable alternative for many BSCs, but a savvy decision as well.



Renting carpet cleaning equipment can be an attractive option for some cleaning companies.

The same can be said of automatic scrubbers, which may also be necessary only a few times per year. Additionally, cleaning equipment such as wet/dry vacuums (often used for cleaning up after flooding), air movers (which help dry carpets and floors after cleaning or flooding), and ozone generators (which help eliminate odors) are generally employed on an as-needed basis.

While rental companies will certainly find the professional cleaning industry worth investigating at this time, it is fair to ask if this will still be the case in the months and years to come. At this time, the answer seems to be a resounding yes. Once BSCs have become comfortable with renting their cleaning equipment, there are many reasons why they would be likely to select renting over purchasing and leasing:

- **Emergencies:** Many cleaning crews are called in specifically to handle emergencies, and these situations can prove very lucrative for cleaning contractors. However, keeping an assortment of industrial wet/dry vacuum cleaners, air movers, ozone generators, extractors, and other machines on hand while waiting for that emergency call can prove costly. This makes renting equipment a very logical option.
- **Addressing temporary needs:** As referenced earlier, many facilities request certain nonemergency cleaning tasks – from window cleaning to carpet extraction – only a handful of times per year. In these situations, it is simply more cost effective for BSCs to rent equipment rather than buy.

- **Cash flow:** It is estimated that as much as 90 per cent of a BSC's costs are tied to labor. In this business environment, cash flow can become a critical issue, especially when it comes to meeting payroll. Renting equipment helps conserve dollars needed elsewhere to meet expenses.
- **Test-driving the product:** Rental car agencies know that many of their cars are actually rented by people who are considering the purchase of a similar vehicle. The same holds true of cleaning professionals, who may want to rent a floor machine or carpet extractor just to give it a "test drive."
- **Tax benefits:** In most cases, rental equipment is a fully deductible operating expense that does not involve depreciation or any other complicated tax formulas.

What do rental companies need to know about the cleaning industry to reap the profit of this trend toward renting? Cleaning is very labour intensive; as a result, cleaning professionals are always on the lookout for cleaning equipment that is both easy to operate and reduces cleaning times. Anything that helps them do their jobs faster while maintaining quality will be high on their lists.

Rental company owners should take the time to investigate the different types of cleaning tools and equipment available from the various cleaning equipment manufacturers. Selecting durable, high-quality equipment from established, reputable manufacturers will prove cost effective and help create a loyal customer base of BSCs that can grow and grow over the years.

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