

**FRANCHISE 1·2·3**



# HOME SERVICES Franchise

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## Industry Report

**A Look at How This Industry  
Is Evolving Post-COVID**



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# 1

## INTRODUCTION



The home services industry covers a wide range of areas, from residential cleaning to floor installation, and from pest control to plumbing and much more. These are the businesses that carry out the large or small jobs we all need done on our properties from time to time, so it is no surprise to see that they make up a significant share of the economy and provide employment to millions of workers.

This industry can be defined as providing services to residential homeowners, which covers everything from repairs and maintenance to improvements and installations. A large percentage of these services are delivered by small businesses, often with just a few employees working for them and with no business premises needed. This makes it one of the key types of small business driving the American economy.

The nature of home services makes this industry ideal for franchisees. It provides the opportunity that many people are looking for to start their own business on their own terms and maybe even work from a home base.

As a type of business that is always in demand, these franchises offer the chance to receive a regular income that is relatively unaffected by economic conditions in the country and often doesn't need a large start-up investment.

Like most other parts of the American economy, the home services sector has been affected in the last couple of years due to the COVID-19 pandemic and the restrictions we have all had to deal with. We will look at the main factors in depth later on, but it is worth pointing out that some of the effects this has caused are surprising, and certainly not all of them are as negative as you might have expected.

All of this means that right now is a great time to take a look at what this industry is all about, how it has been affected, and what the future might hold. Let's start with a look at what exactly it covers.



# 2

## THE SIZE AND SCOPE OF THE INDUSTRY



It is no surprise to see that this is one of the biggest, most valuable industries in the US. If we go back to 2018, Verified Market Research confirmed that the home services market in the US was worth \$105.5 billion and is projected to reach over \$219 billion by 2026, thanks to an impressive growth rate of 35.8%. Another set of figures tells us that Americans spent around \$407 billion on home improvements in 2019, which is based on total home improvement expenses.

Research by Angi suggests that there are [141.5 million homes in the United States](#), of widely varying shapes, sizes, conditions, and ages. The same source suggests that there are around 2.7 million home services businesses operating in the country.

The most notable aspect of this industry is that the high demand carries on year after year. Houses get older and need to be modernized, damage needs to be fixed, people need to renovate to cope with their changing circumstances, and so on.

Wider economic factors may sometimes lead to changes in demand for home services, although not as drastically as in other industries. A [report from the Joint Center for Housing Studies of Harvard University](#) suggested that recession may cause a 10% downturn in home improvement spending in 2020 following close to a decade of sustained growth.



However, there are various factors to take into account. The level of home sales is one of the main indicators of how much will be spent on improvements, as new owners will often look to make changes to a property that they buy.



Other parts of this industry reflect different economic and social factors. For instance, home cleaning services are more highly sought after when people are money-rich but time-poor, meaning that it makes more sense for them to pay someone else to carry out this job rather than do it themselves. Bearing this in mind, it is easy to see why this industry has been growing, as people increasingly look for ways to make the most of their leisure time in their busy lifestyles.

The franchise business model makes up a high percentage of the sector, largely due to the fact that it is an extremely suitable industry for franchisees. It typically has low entry barriers, modest start-up costs, and no need for huge amounts of expensive machinery or large numbers of staff.

Home service businesses are often listed as being the best types of franchises to start for the reasons we have just looked at. Homeowners want a company that they can trust to look after their home, which is why they may be swayed by the name of a business that is familiar to them and that they know they can trust. No one wants to put their home in the hands of a business they have doubts about.

Some sources suggest that there are close to six million American professionals working in this industry right now. While this figure may seem high, keep in mind that numerous sectors combine to create a massive industry.



# 3

## A GENERAL OUTLOOK



The home services sector is a part of the economy that is less heavily affected by issues such as the overall political or economic situation. People need their homes looked after, cleaned, and repaired no matter what else is going on in the world around them.

The market has been growing steadily for at least a decade, with a crucial factor being an increasingly large percentage of the population actively looking for ways to make the most of their leisure time. Paying a small business to carry out work at home often seems more attractive to someone who is financially stable but lacks the time to enjoy their earnings in the way they would like.

Of course, there are certain factors that influence the exact size of the market and the trends at any given time. For example, a booming housing market is probably going to help boost this industry. The [prices of houses in the US](#) have been going up steadily since the recovery from the 2008 crash, and that is good news for anyone who is keen to supply services to homeowners.

As in so many other aspects of life, we can't underestimate the power of the internet and social media. How many of us have carried out improvements at home after being inspired or influenced by something we have seen online?

Among the key home design influencers, we can see the likes of Jess Kirby, Justina Blakeney, and Erin from My Texas House. The top influencers in this area have hundreds of thousands of followers on social media and they encourage us to make our homes more beautiful. Some of their tips are simple to follow, but others are best done with the help of a professional.

While it is difficult to put the impact of home design influencers into numbers, it is safe to say that we now have easy access to more home renovation and improvement ideas than ever before. A great number of solutions can be found at your fingertips if you want to change the layout of your home, add a pool, or do anything else to improve your property.





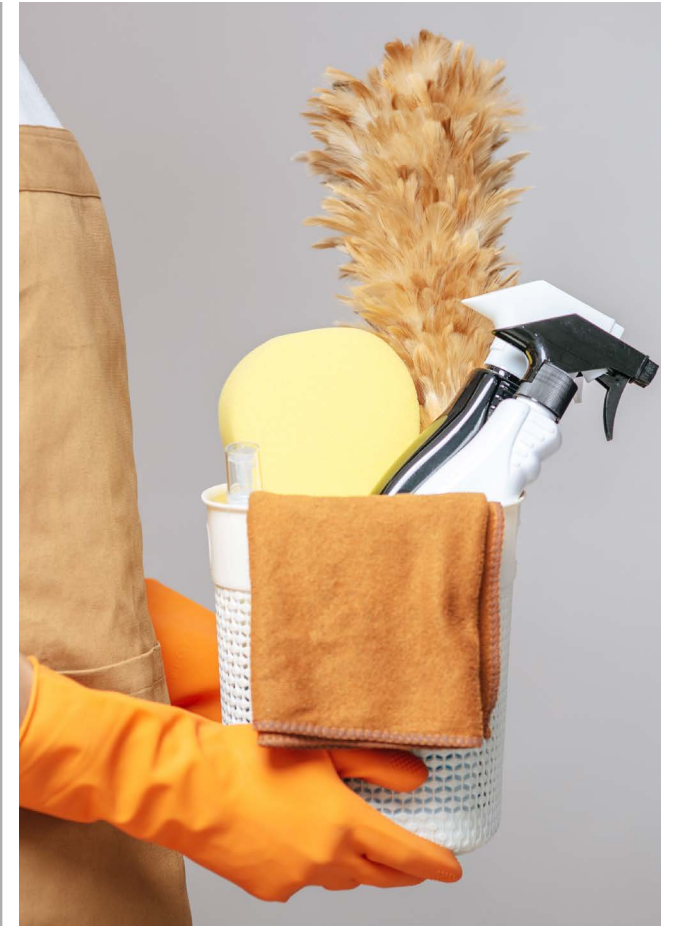
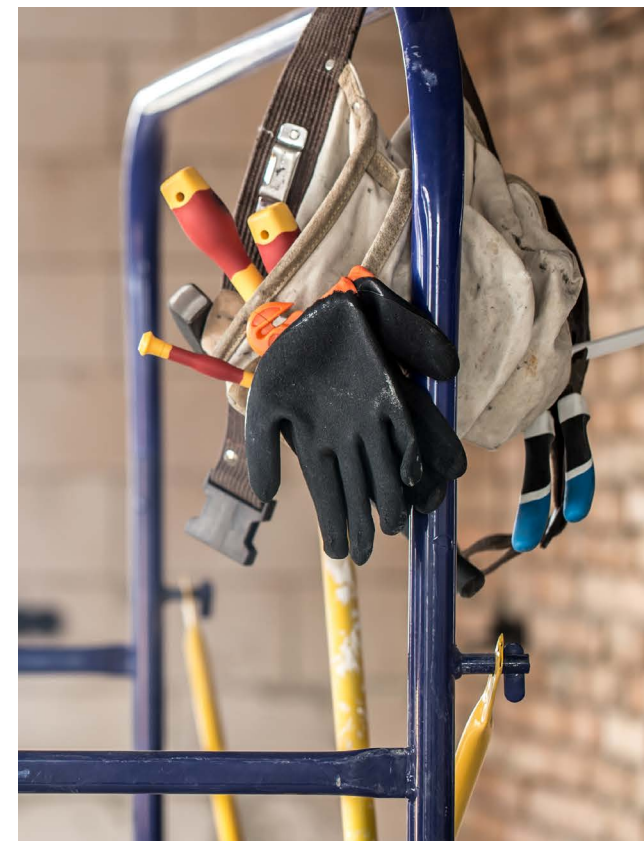
Has this changed the way that we look at our houses? It seems certain that it has, as we now find it a lot easier to visualize new ideas and discover how to make the changes that we want to see. Lack of inspiration is no longer something that holds us back when we start to think about what we could change about our properties.

When we combine this easy accessibility to inspiration with the lifestyle changes we have undergone due to COVID-19, the mixture has taken us into a new reality where the appearance and practicality of our home is more important to us than ever before. It is no wonder that so many people now focus so much of their money and energy on trying to obtain their perfect home.

The latest technology and the changing way that we care for our homes are other factors that also have to be taken into account. While the home services industry is viewed as a traditional sort of business, it also offers possibilities for taking advantage of new technology and current trends to build up a successful business that appeals to a variety of tastes.

An analysis of online on-demand home services provides us with a way of understanding the future of part of the market, as the level of online transactions is easier to see than the offline equivalent. Research carried out by Technavio reveals that they expect this sector to grow at a rate of close to 53% up to 2024, as new startups join the market all over the world.

This doesn't mean that the traditional, offline home services market is likely to disappear. However, it does underline the trend for using technology to deliver a faster service, as many customers now prefer to use their smartphone to get quotes and order services for their homes.



People may see something online that inspires them to make changes and want to hire a company to do it right away. This makes it a slicker, faster-moving type of business than it used to be, which is good news for anyone looking to get started in this area. Customers will often know exactly what they want to do before they even speak to the company they want to hire to make it happen.

In general terms, this is a part of the economy that has been around for a long time and shows no sign of slowing down. As long as people have homes to look after, a large percentage of them will look for professional services that make it easier to do this.

# 4

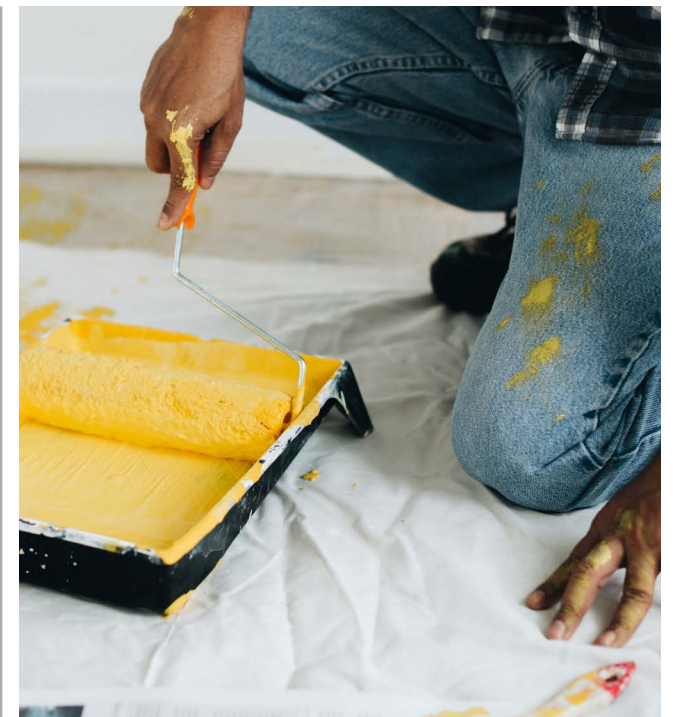
## THE DIFFERENT SEGMENTS OF THE HOME SERVICES INDUSTRY



There are several different types of businesses that fit into this industry, offering a variety of services to residential property owners. The following are the main types of home services that you are likely to come across, but it is by no means an exhaustive list.

» **Home cleaning.** These are sanitation services carried out in residential homes to keep them looking good and safe to live in. The cost of these services varies widely, according to factors such as the location and the thoroughness of the service. Some companies look to stand out from the crowd by emphasizing the fact that they are extremely speedy, eco-friendly, low-cost, or have some other unique and appealing quality. The make-up of the local population, the types of homes in the surrounding area, and the average income all need to be taken into account when assessing the possible success of a business of this nature.

» **Home decoration.** In this case, the work is done with the intention of making the property look better and fit the style of the current owner more closely. A look at the average hourly price in the US for hiring an interior designer gives us an estimate of between \$50 and \$200. The exact figure varies widely depending upon the location and the reputation of the designer. Some companies may simply carry out the work asked for, while others will play a bigger role in the creative process as they look to turn the client's dreams into reality.



» **Landscaping.** This is a service carried out in the exterior area of the property, using plants, rocks, and other materials. This can either make it more suitable for the tastes of the residents and the activities they have in mind, or else increase the value of the home. The National Association of Landscape Professionals reports that this sector generates \$93 billion in revenue every year, with over a million employees working for landscaping companies. Landscaping can cover everything from basic lawn care to tree removal, up to the complete overhaul of a home's outdoor space.



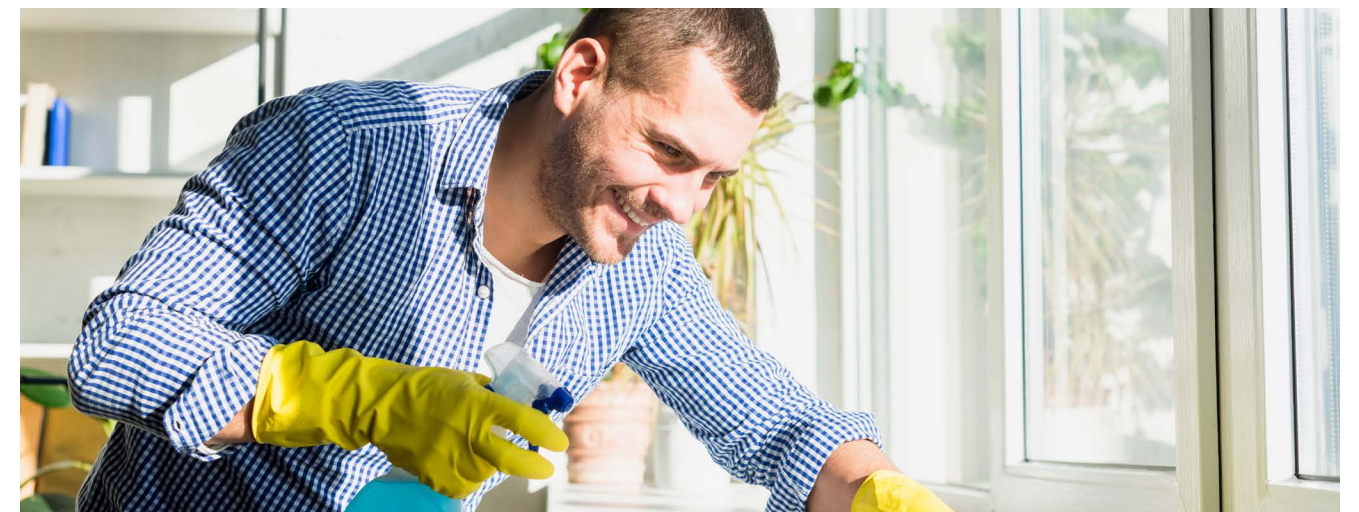
» **Renovation.** This sort of work can help increase a property's value and it may also be carried out to adapt a home to the current owner's tastes and lifestyle. A full home renovation is a large undertaking, so you will want to be sure that you, or the employees you hire, have the skills, experience, and cash flow to complete any job of this type that you take on. The US Census Bureau's American Housing Survey showed a total of [\\$552 billion spent on home improvements](#) on around 115 million projects between 2017 and 2019.

» **Repair and maintenance.** Many of the issues that affect a property can be resolved by contracting the right type of repair or maintenance service. A Consumer Affairs study of 2019 showed that the [most common home repairs](#) involved plumbing (27.94%) followed by air conditioning (23.67%) and refrigerators (22.77%). They list California, Massachusetts, and Pennsylvania as the top three states where most home repairs are carried out. Some online research suggests that the hourly rate for this service is often between \$45 and \$85, while the companies also tend to make money by buying products at a wholesale rate and charging customers the standard price.

» **Restoration.** A property may need this service after being damaged by a major incident such as a fire or flooding. It may also be undertaken on older properties that have fallen into disrepair due to a lack of suitable maintenance over a long period of time. The number of people looking at big restoration projects in a certain area can vary according to factors such as whether the housing market is booming and pushing up prices, making projects like this more viable as a way of making money on a property. Extreme weather conditions and other natural disasters can also lead to a surge in demand for house restoration services.

» **Pest control.** The latest numbers show us a pest control market worth over \$9.3 billion in the US in 2019. A solid growth rate of over 5% has been estimated for the period up to 2025. It covers the removal of any type of bird, animal, or insect that is considered undesirable because of the risk of damage to the property or health issues for the residents.

» **Floor laying.** In the US, this is reported as being [a \\$29 billion industry](#) with over 123,000 businesses dotted across the country. Types of flooring that need professional installation include wood, linoleum, carpet, and tiling. Some maintenance work opportunities may arise, but this kind of small business will typically focus on installing new types of flooring. While individual homeowners may make up the bulk of an installer's workload, establishing an agreement with a new home developer or apartment owner's association can help bring in a steady flow of business.



» **Other areas.** This broad-ranging sector includes the likes of pool cleaning, junk removal, and house painting services. Any kind of work that makes a home nicer to live in or increases its value can be considered part of the home services industry.

A company may specialize in a very specific area—such as laying wooden floors or renovating bathrooms—or they may offer a wide range of services that cross over into more than one of the areas we have looked at.

# 5

## CUSTOMER DEMOGRAPHICS



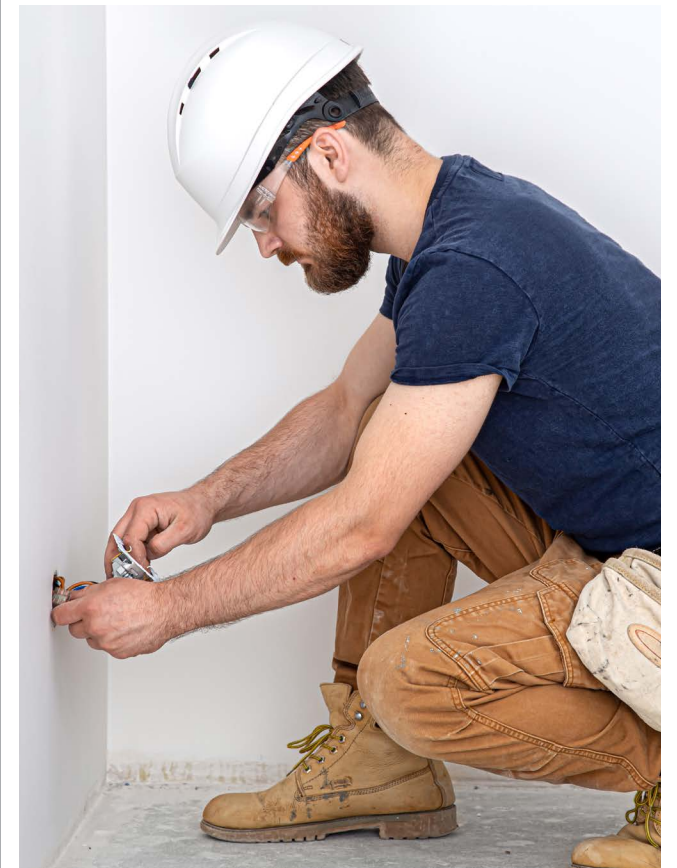
Who pays for the home service jobs we just looked at? These services are needed by just about every homeowner at some point. Even someone who is confident about carrying out work on their home may prefer to hire a professional due to a lack of time, proper equipment, or other reasons.

Turning our attention to the main customer segments, we can see that the following groups of homeowners are among the most typical consumers of the home services industry.

» **People who value their time.** With time now the most precious commodity for a growing percentage of the population, it is no surprise that many people are looking for service providers to free up more time for them. Time poverty is an increasingly pressing concern for people who are financially successful but don't have the time to enjoy their earnings. This is why time anxiety, or time stress, is now more common. Home service companies provide one possible solution by freeing homeowners from some of the recurring tasks that eat into their day or from carrying out major tasks that they simply don't have time for.



» **Property owners who want to increase the value of their homes.** Rather than moving up the property ladder by buying a more expensive home, some families decide to invest money in improving their current house. While this can be done on a DIY basis, hiring a team of professionals to do it is often seen as being a faster, more professional approach that provides better and more personalized results.



» **Homeowners with changing needs.**

Not everyone is happy moving homes whenever their needs change. This is why modifications such as extra bedrooms and larger bathrooms are commonly requested. Being able to modify an existing home to meet their needs can prove to be less expensive and a lot less hassle than looking for somewhere new to live. Growing families, people who start working from home, and those who want to rent out their property are among the most common clients in this group.

» **People who lack home maintenance skills.** Looking after a home requires a lot of different skills, and that's even before we look at the idea of improving it. Many people haven't learned how to do all of these jobs well, meaning that they are happy to hire someone else to do them on their behalf.

» **Certain age demographics.** A Harris Poll revealed that [42% of millennials are embarrassed](#) by their lack of home maintenance skills, while 60% feel under pressure to make changes to their houses that would impress their friends. More mature homeowners will typically have gained a range of basic skills over the years and may be comfortable with a range of jobs. This level of independence may drop as they get older and find that they are no longer quite as capable of doing all these things. Of course, the people in the middle of the age range may be too busy working and raising their families to dedicate as much time as they would like to jobs at home.

» **Anyone who gets bored with monotony in their living space.** Rather than moving from one new home to the next, this sort of person could find that it suits them to renovate their house regularly, adding new rooms, or altering the layout and design to suit their needs and keep the place interesting to live in.



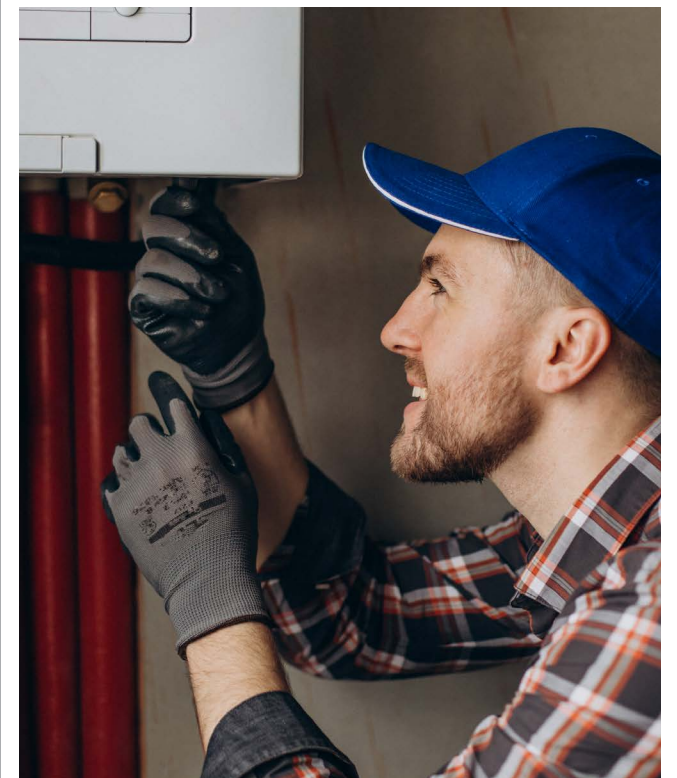
» **Someone who lives in an older property.** It is no surprise that older homes need more work carried out on them. In many cases, the owner will decide to make changes as they are needed, replacing old plumbing or wiring and modernizing the bathroom or kitchen one at a time. This makes this group excellent recurring customers for the industry.

» **Anyone looking to flip a house.** House flipping has become massively popular in recent times, as it gives a way to buy a cheap property, renovate it, and sell it for a higher price. The people who do this successfully will often carry out a lot of the work on their own, but they might find that they need to hire a team of experts for certain specialist work.

Of course, this short list doesn't cover everyone who might contract home services at some point. A significant percentage of the American population will look for a home services provider at one point or another.

How do they find the right service provider for their current needs? Advertising has always been a key factor in this industry, as having a powerful reputation is one of the best ways of getting customers to trust in a business.

This is one of the reasons why the franchise model is so suitable in home services. The franchisee starts their new business with a well-known, trusted name to back them up. It helps to lower advertising costs and means they can often expect to gain customers right away.





The number of people running an online search before choosing a provider varies according to the exact service needed, from 54% for plumbing up to 75% for pest control. [Mobile searches are also growing](#), with a sharp increase in searches for terms such as "local" and "near me"

The majority of people don't have a specific company in mind when they start searching for home services, yet 78% of mobile searches lead to a purchase in 24 hours or less. This shows that having a website that can be easily found and offering a fast response are crucial for any business owners hoping to succeed.

Another factor to take into account is the age of the housing stock in the region where a business is located. The average age of a home in the US is over 40 years old, although this varies by region, as do the most common types of property and other important factors. The older the properties in the area, the more likely it is they will need maintenance, restoration, or renovation work at some point.

Newer homes need less maintenance, but their owners may hire home services companies to add a personal touch such as a landscaped exterior or new flooring.

There are some key differences between inner-city services and those based in rural areas too. If you base a home services company in the center of a large city you might find that the most active segments of the market are apartment cleaning and pest control, with a large number of relatively small jobs available. On other hand, in a suburb that is popular with young families, the highest level of demand could be in improving and modifying the properties to meet their changing needs. If the area has a lot of older houses, then plumbing problems and other types of maintenance could be commonplace.

If you work in a rural setting, you may need to travel farther to carry out jobs, while in the city you could find all the work you need a lot closer to your base. Having said this, the traveling time between locations could be the same or longer in the city, due to the traffic conditions, even if the distances are shorter.

This underlines the need to fully research the demographics of each area where you are thinking of opening a home services franchise. Factors such as the average income and the average home age will help show you what to expect.



# 6

## THE IMPACT OF COVID-19 ON THE INDUSTRY



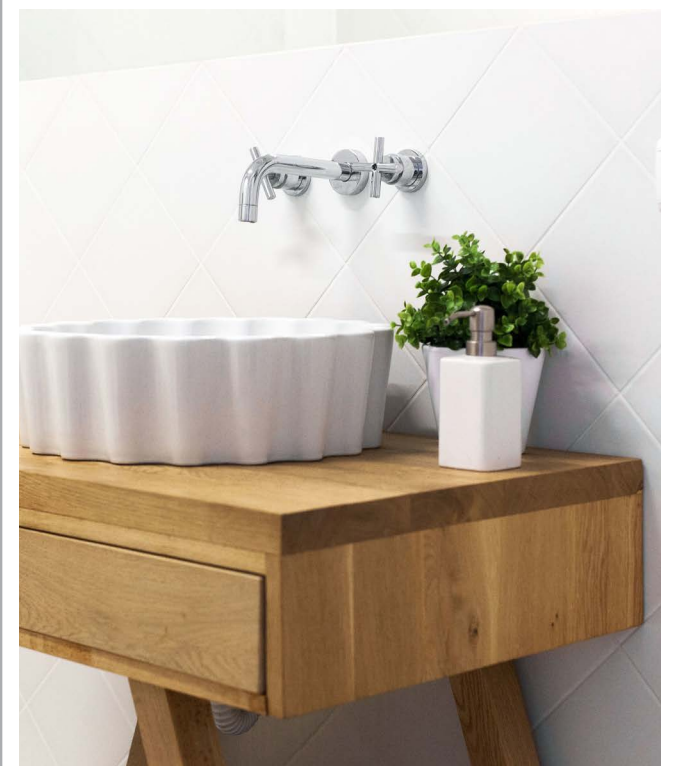
There is no doubt that the COVID-19 pandemic has had an effect on the home services industry since 2020. However, this subject isn't as clear-cut as when we look at the impact of the virus in some other industries which have suffered more dramatically.

Since home services cover such a wide range of areas, the impact has been different in each case. Some have witnessed a loss of earnings but with strong hopes of bouncing back quickly due to the level of pent-up demand that has been created. Others have managed to carry on pretty much as before even in the midst of the pandemic.

Why has the effect been so varied across this industry? To work this out, we need to look at issues such as the way the pandemic and the restrictions changed how we view our houses and how we now prefer to spend our time in them. Among the key points to consider are the following.

» **More time spent at home.** One of the major changes in our lifestyle since 2020 has been in the way that many of us now spend more time at home. This can be due to working remotely or simply choosing to enjoy online entertainment and home cooking more than before. According to the Bureau of Labor Statistics, this resulted in the average person spending two more hours at home each day in 2020 compared to 2019.

As a result, there has been an increase in the amount of time spent on house management, housework, and lawn care, among other things. It is easy to imagine that it has also led to many of us identifying issues to be resolved and taking more interest in the appearance of our homes, which could lead to an upsurge for home services in the future. Quite simply, the more time you spend at home the more important it becomes to your lifestyle and the happier you will be to spend money on it.

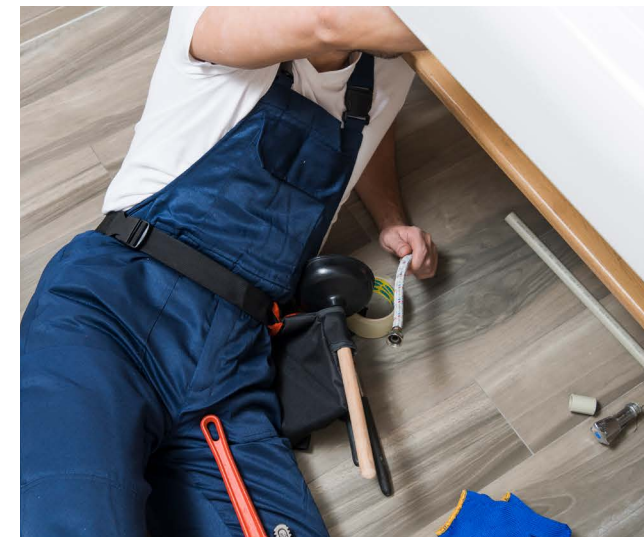


» **More DIY jobs.** On the face of it, the trend for carrying out more DIY work at home should be bad news for the home services industry. Some surveys report that [half of respondents carried out jobs](#) during lockdown, completing four on average and with four more outstanding. Perhaps the lasting legacy of this shift in attitude will be beneficial for the home services sector, as more people pay greater attention to their home and hire experts for the jobs they lack the time or knowledge to take on themselves. There is room in this industry for people to carry out a percentage of the work on a DIY basis while hiring the experts for the rest of the things they want done.

» **A huge spike in online searches.** An increase in the number of people interested in carrying out home improvements was noted in 2020. There were [330 million Google searches](#) carried out in the US on home improvement jobs between July and September 2020. This was close to 50% more than the numbers from the year before and covered a broad range of different types of work. This has undoubtedly led to a large number of Americans discovering new ideas for their houses to inspire them, whether it is on social media or on home improvement blogs. Combined with the points we have just looked at, this adds up to a significant change in the way that we look after our homes and adapt them to our tastes.

» **Rising house prices.** One of the most unexpected outcomes of the pandemic has been the way that American house prices have risen strongly, driven along by low interest rates and a sharp increase in demand. For example, the data from April 2021 shows the [fastest rise in prices in three decades](#), at 14.6% on a year on year basis. This has led to a surge of interest among homeowners looking to increase or preserve the value of their homes. In addition, the average American homeowner [gained \\$9,800 in equity](#) in the second quarter of 2020 alone, giving them more access to a possible funding source for home improvements. If the housing market remains buoyant like this, we can expect a variety of home services to also remain high in demand.

» **A greater emphasis on cleaning and hygiene.** While it is difficult to measure exactly how much the public's attitude to cleanliness and hygiene has changed, there is no doubt that the coronavirus has brought to our attention [a lot of valuable new information](#) about how long viruses linger on different surfaces and what we can do to remove them. This has created a situation in which we place far more importance on this aspect than in the past, as we are now aware of some of the biggest dangers of not keeping our homes hygienically clean.



» **More home cleaning knowledge.** The [annual spring cleaning survey by the American Cleaning Institute](#) revealed that 37% of Americans say that they now have more knowledge of home cleaning thanks to the pandemic. Interestingly, 69% of people planned for a spring clean this year, which is down 8% from 2020. But this appears to be due to the fact that 55% of Americans are now cleaning their homes more thoroughly throughout the year, which reduces the need for a thorough spring clean once a year.

» **Less contact with other people.** Revenue in the residential cleaning services sector was expected to [fall by 5% in 2020](#). The drop in demand in this case is mainly due to people cutting out unnecessary contact with people outside their household bubbles to protect against COVID-19. While this has had an impact on profits levels, it is seen as purely a temporary matter and 2021 has already seen something of a return to normality as restrictions have been eased and people better understand how to live with the virus. Of course, home services companies have had to adapt to the changing circumstances by finding new ways of carrying out their jobs while decreasing the risk that close contact brings.

» **A greater understanding of how to use our leisure time.** One of the greatest lasting effects of the pandemic is likely to be the way that it has forced us to reevaluate how we use our leisure time and what is most important to us. It is possible that this leads to a rise in the number of people hiring various types of home services, as they realize that their time is the most valuable asset that they possess. This kind of business is one of the clearest examples of how spending some money on hiring a professional can help you free up time for other things.

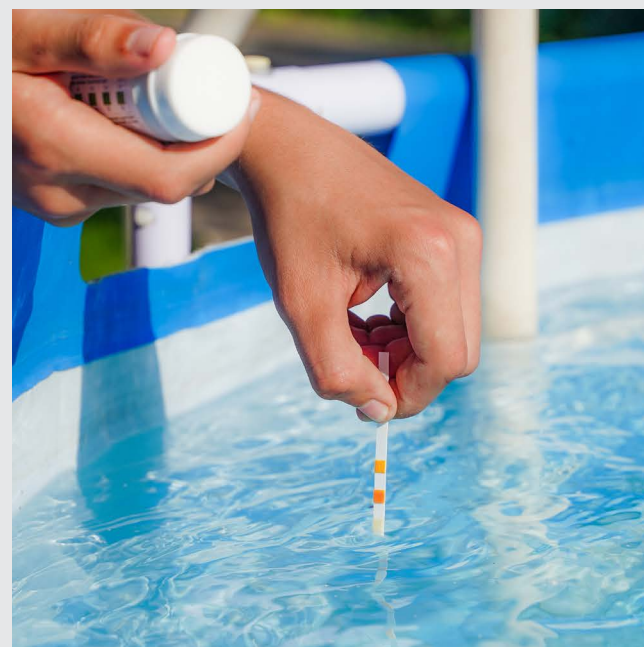


» **More savings.** Having considered all of the previous points, it seems clear that people haven't lost the desire to clean their homes or improve them. However, the way that we have had to change our lifestyles so drastically in the last year has led to a temporary drop in the sector. Yet, we can also see that the personal savings rate for Americans [reached a record level of 32.2%](#) in April 2021. This could mean that there is greater spending power in the future for the jobs that need done around the house. The level of demand that has built up during the period of the toughest restrictions should mean that there are now a lot of people who are considering how best to spend some of their savings on making their homes better.

For a lot of the American home-owning population, one or more of these factors will have changed the way they think about their homes and how they use them. Even someone who has been relatively untouched by the health and financial issues generated by the pandemic may have a new way of looking at the world because of it.

## 6.1 A Closer Look at the Impact in Each Type of Business

The issues we have just looked at can have different effects on the various parts of the home services sector, with some of them negative and others positive. Yet, the same combination of factors doesn't apply in every case, meaning that different types of business will be more affected by some of the issues than by others.



To better understand how each of these factors has affected the home services industry, we can look again at each of the different types of business, this time focusing on details of the COVID-19 impact.

» **Home cleaning.** Since early 2020, there has been a far greater focus on maintaining safe, healthy homes and offices. While the toughest restrictions meant cleaning service providers were unable to get out to work, it is possible that this simply produced pent-up demand, as people waited for the right moment to hire the services that would free them from these regular cleaning tasks. Green cleaning services, artificial intelligence, and automated, robotic tools are among the most interesting developments expected here, but all the signs point toward a solid future for the traditional home cleaning industry too, with a 6% growth rate predicted in the next five years.

» **Home decoration.** A [growth rate of 4% is expected](#) in the next five years, partially as a result of our new lifestyles where we spend more time at home and have identified changes that we would like to make. Online shopping makes it easy to find new products and materials, but increased access to social media has raised the bar and caused many of us to seek professional services to guarantee better results. Rather than being a short-term trend, this bears the hallmark of a shift in our way of thinking that should prove to be long-lasting.

» **Landscaping.** The ability to spend time outdoors in a pleasant setting has proved to be a blessing during the last 18 months or so that we have been forced to stay at home. This has meant that many homeowners have discovered the value of their outdoor spaces for the first time and have decided to make them more suitable for spending time in. Homeowners have been spending more time and money on looking after their yards, but the need for professionals to help out has led to a [predicted growth rate of 4.5%](#) up to 2025. Another factor in this sector is the lack of skilled workers, which had started to become a problem even before the pandemic struck, increasing demand for quality services and knowledgeable professionals.



» **Renovation.** One situation that has been repeated across the world since 2020 is the need to find a way of working comfortably at home. One out of every four Americans are expected to [work from home in 2021](#), and this number could carry on rising in the next few years. Because of this, many people have been forced to look at new ways of organizing their space to include a home office of some sort. The extra time spent at home may also have brought other potential changes to light for the first time. Spending more time at home has the effect of letting us see more clearly the things that we should probably look to change in the future.

» **Repair and maintenance.** A possible issue for some people is that they have neglected some routine maintenance work because of the unusual set of circumstances in the last couple of years. This could have been due to illness, lack of income, a desire to avoid close contact with others, or for some other reason. In these cases, the lack of maintenance work may have led to other issues that need to be resolved as soon as possible. In addition, the extra time spent at home from 2020 onward will probably have resulted in greater wear and tear together with more damage to certain items.

» **Restoration.** While specific numbers are hard to come by, it seems clear that the pandemic has changed the way we think about where we live. The demand for rural properties grew in 2020, as more people decided to head away from the crowded cities. Not all of the people who made this move will have taken on a restoration project, but the idea of doing so has certainly caught the imagination of many people. Perhaps the fact that we have been forced to spend more time at home has caused many Americans to look at where they live and decide that renovating a house to their own criteria is the smartest move.

» **Pest control.** As this area was designated as a critical service by authorities, it suffered less upheaval or restrictions than was seen in other industries. It is possible that the current increased focus on hygiene leads to greater demand for pest control. Interestingly, some surveys in 2020 noted that there had been a greater increase in pest activity in American homes. Among the possible reasons given for this is that we have been generating more waste by spending more time at home. One of the major changes in the industry has been an increase in the requests for exterior rather than interior control, but this hasn't seriously affected the earning potential, according to online sources.



» **Carpet cleaning.** This area suffered a drop in 2020, mainly due to the loss of business from large commercial clients. However, a [4.5% increase is expected in 2021](#), which will make it an industry that generates close to \$5 billion in the US. There are currently over 35,000 businesses of this type, employing some 63,000 people.

These are just a few examples of how the COVID-19 impact has reached the home services industry in the last couple of years. The complexity of the current situation means that other effects of the pandemic could take more time to become apparent, though.

Overall, it seems clear that some areas of the industry have benefited from the current circumstances, but others have suffered a temporary drop. While uncertainty remains over certain aspects of the near future, there is nothing to suggest that COVID-19 will produce lasting damage to the sector.

# 7

## FINANCIALS: AN OVERALL VIEW



The first step toward opening a new franchise is in making sure that it is a financially sensible opportunity. In any type of industry, this means looking at all of the figures. Since the home services industry covers different types of work, it is important that you focus on the services you plan to offer.

Having said that, there are also some areas that cover the home services industry in general. Therefore, the best approach is to take a general look at the financial side of the overall home services factor and then drill down into greater detail where possible.

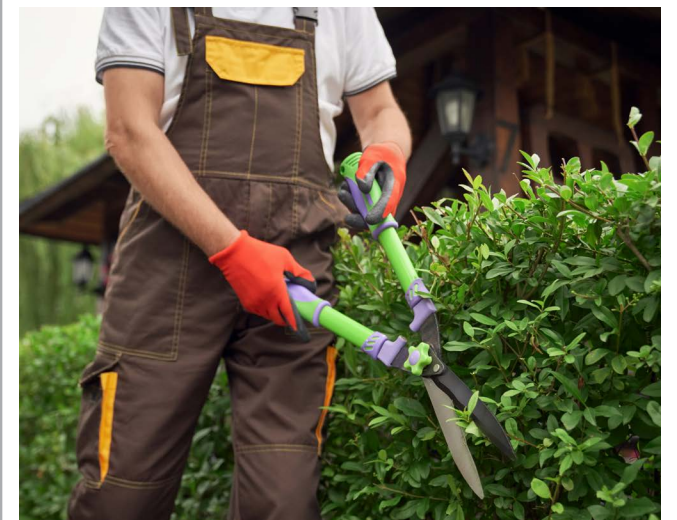
### 7.1 Average Investment and ROI

As you would expect in such a diverse industry, the cost of getting started is different in each case. For example, the cleaning franchise sector is highly regarded for relatively low entry barriers. They are often listed among the lowest cost franchises, alongside other home services like pest control and building maintenance.

Overall, one of the major advantages in this type of franchise is that there are relatively few start-up costs. Compared to other business opportunities, there is less expensive equipment and fewer staff needed.

The fact that these small businesses can often be run from home with no commercial premises needed is another plus point in terms of lowering the initial investment and ongoing overhead costs.

At the opposite end of the scale, if you plan to carry out big home renovation projects you possibly need to budget for a greater starting cost in terms of equipment, tools, and staffing. Other home services may be more expensive due to a higher initial franchising fee. Some franchises cost \$100,000 or more initially while the most inexpensive options can cost under \$10,000, so there are different options to suit each type of investor.



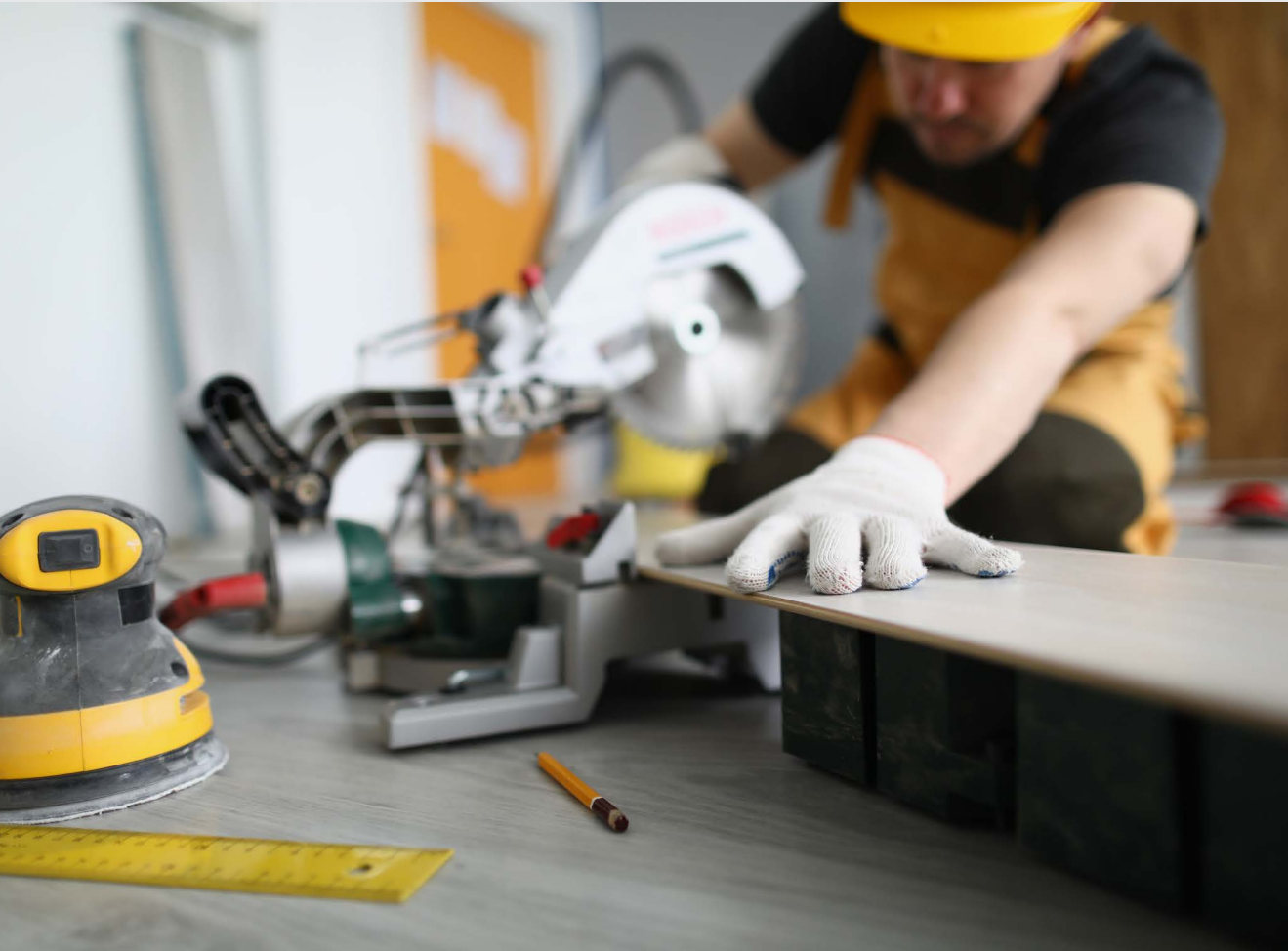
The home services sector has a strong reputation for delivering consistent profits, too. As we have seen already, these are businesses that tend to be in constant demand and that the majority of people need to use at one point or another.

Carrying out research in your local market is always the best idea. However, we have pulled together some general figures to give you a feel for the overall sector and what you might expect to earn.

» The [average cost of cleaning a home](#) runs from between \$90 and \$150, with the hourly rate varying between \$25 and \$90.

» The pest control market was worth \$9.3 billion in 2019. If we divide that total by the numbers of operators in the US, we get an average annual revenue of \$485,000 per company. Profit margins are listed as between 7% and 20%, according to some sources.

» Some recruitment sites suggest that the average American cleaning franchise owner earns over \$77,000 annually, with the maximum reported salaries breaching the \$200,000 barrier. This suggests that there is a good opportunity to turn the initial investment into a regular income stream.



» A general look at the [profit margins](#) in different types of American businesses in 2018 reveals that maintenance services (30% gross profit and 10% net profit) remained one of the top areas. Construction comes further down the list on this broad look at the economy, with an average 19% gross profit margin resulting in 5% net profit.

» The flooring business is also recognized as having [high profit margins](#), with up to 45% earned by big companies who both sell flooring and install it.

Some of these areas involve carrying out a lot of relatively small jobs, such as cleaning homes or getting rid of pests. Others are more likely to require a long time spent on each job, as is the case with large home renovations. This makes your understanding of how long each job takes crucial. You need to set the right price to make a profit and properly schedule each job based on the timeframe needed to complete it successfully.

One of the first steps is to see what other, similar businesses in the same area charge for the jobs you plan to offer. You need to set appealing prices that attract clients while giving you the chance to earn a good profit at the same time.

The length of time needed to see a return on your investment will vary according to the amount you have invested and the type of work you are doing. Some industries will allow you to recover your initial investment quickly, while others are more about a gradual, sustainable approach where earnings build up over time. Balancing your investment with your anticipated earnings is key. Financial performance representations, if available, can be found in a franchisor's franchise disclosure document.

## 7.2 Average Overhead and Operational Costs

Working out the profits tends to be reasonably easy in any of the small businesses we have looked at. You will have figures for the price you charge for the work you carry out, as some of the areas we looked at in the last section plus local research should give you an idea how much you will expect to earn on these jobs. The smaller the range of services you offer, the easier it should be to work out the earnings you expect to generate over time.



After that, you need to know the costs involved in running the business. Home services generally have a relatively small number of overheads that are easy to calculate.

The comparatively low cost of overheads is one of the main reasons why the home services industry remains a popular choice. Since the cost of premises is often the largest single cost for a new business, the fact that home services can be offered with no central office or showroom is a massive advantage. If you can work from home, this keeps the costs down and means that a reliable van or truck may be your biggest expense.

Naturally, the type of equipment or machinery needed to start a home services business varies according to the exact work to be carried out. However, in many cases there is a relatively limited amount of spend needed in this respect. This will become clearer as we look in detail at some of the most common types of business.

Some supplies are usually also needed, whether that is paint, cleaning materials, flooring, cement, or other materials. The more types of work you carry out, the greater the range of supplies you will need. However, you can purchase the supplies before each job rather than accumulating a large amount of stock in advance. The other option is to invest in a greater amount of supplies and take advantage of the best wholesale prices by buying in bulk. Keep in mind that you will need to consider where and how to store this inventory should you decide to go this route.



If we look at the example of a home cleaning business, the main start-up costs are likely going to include supplies, insurance, equipment, and marketing. Compared to other types of businesses, this can work out as a fairly modest sum totaling around \$10,000 to \$20,000, including the franchise fee, although it is worth mentioning that it also depends upon the size of the business you want to start. If you want to aim high and cover a large territory, you will need to invest more at the start.

A home renovation business may require more of an up-front investment, as you will need a complete set of tools, transportation, and a comprehensive set of insurance policies. This is likely to push up the initial investment to \$50,000 or more. This figure rises if you offer major renovations, while you might keep it lower if you focus on smaller jobs or on renovating certain rooms with a more limited set of supplies.

Pest control equipment and supplies aren't hugely expensive, meaning that the cost of a van is going to be the biggest cost for many of the new companies offering this service. These vehicles start at around \$30,000 when bought new. Chemical sprayers, baits, and traps are also vital pieces of equipment that can vary quite widely in price. If you want to use a green angle on your business, you will see that natural or organic chemicals cost more than synthetic versions.

A plumbing business requires licenses that can cost up to \$2,000 annually, with the right tools for the job adding about \$5,000 to the overall cost. Once again, the cost of transportation is usually the largest initial cost, so if you already have access to a van or truck, this can lower the investment needed.



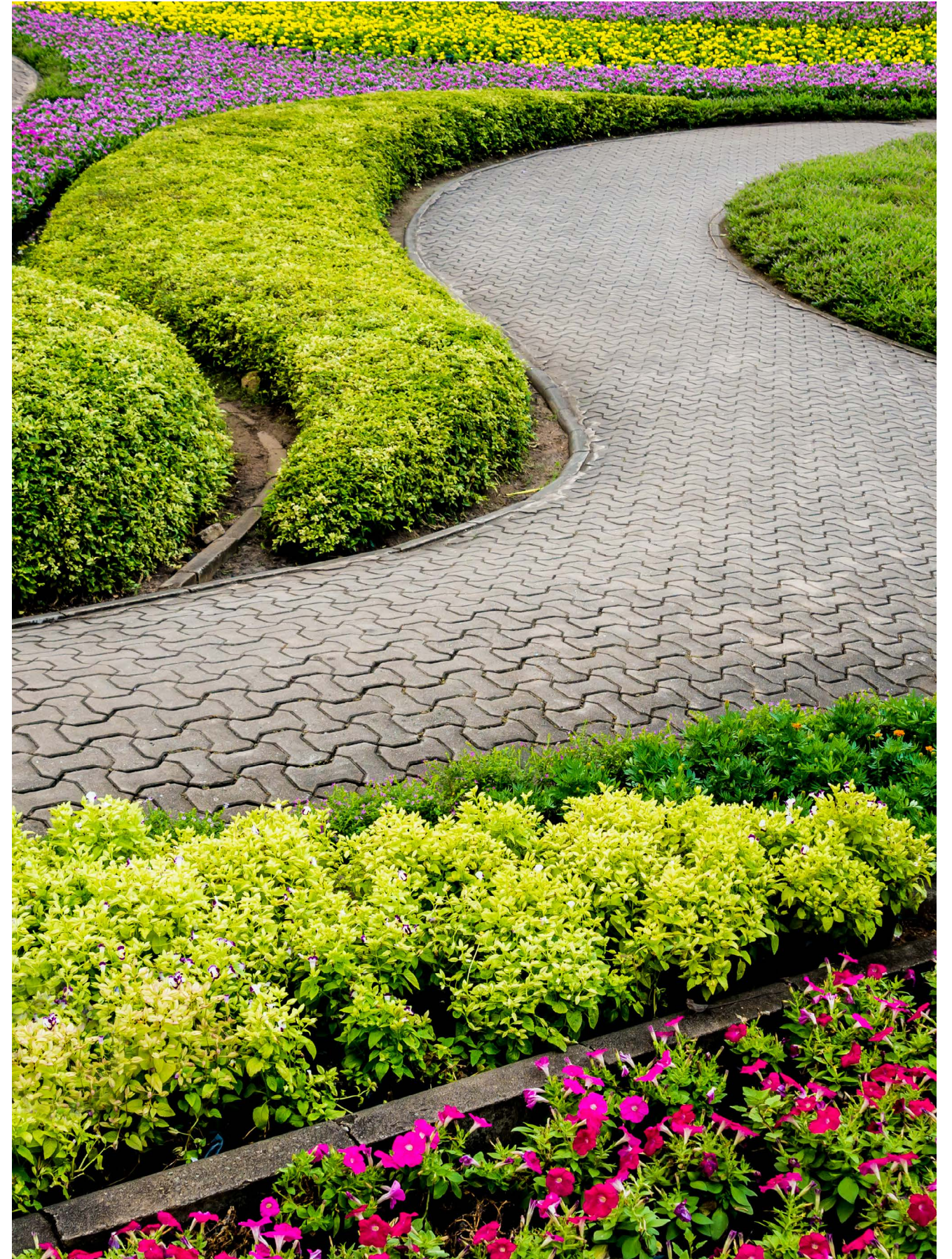


Landscaping and painting are another couple of types of franchises that tend to be quite inexpensive to get started with, unless you plan to take on large jobs that require big teams of staff or lots of specialist equipment. You could start by just buying the supplies you need for each job, which will allow you to earn from your first clients before investing further in the business.

As for the cost of the franchise fee needed to open a business under a trusted name, this varies in each of the sectors that make up the home services industry. It is a good idea to consider the benefits of choosing a well-known brand or one that offers a greater level of support when weighing up the options and the costs involved in them.

A franchise with a bigger reputation and a longer history may charge a higher franchise fee or royalty fee, so you should weigh up the different factors carefully. Some brands also offer a greater level of support than others, giving you a helping hand in things like training and marketing materials to get you started confidently and smoothly.

For more information on franchise fees and franchisor support, see the company's Franchise Disclosure Document. You can access this in the Franchise123 [Franchise Directory](#).



# 8

## THE PERKS OF A HOME-BASED BUSINESS



We've already discussed how a home-based business reduces overhead costs. Yet, this is far from the only benefit to be gained from working from home. It can also help you to enjoy life more and to find a way of running your business that truly suits you.

When thinking of a home-based business, we often imagine someone doing an office job or working with technology, spending all day using a PC or smartphone to communicate with their colleagues or clients. Yet, other types of businesses can be run in this way too. For example, you could run a pest control service or a flooring installation service from your home, advertising online and heading out to jobs as needed, with no need for a central office location.

The same applies to just about any type of home service franchise that we have looked at here. You can carry on working from home and visiting clients without the need for a central office location in these sectors. That is a huge benefit for a lot of people who want to start a new small business but don't want the cost and inconvenience of having to rent an office or storefront, which usually comes with additional construction and design costs.

Working from home is a genuine lifestyle change that could make you view your work in a very different light. The following are some of the main advantages you might like to bear in mind.

» **The lack of commuting.** Research has shown that long daily commutes are one of the things we most [dislike about work](#). Spending hours each day going over the same route and getting stuck in traffic in the same places is one of the factors that makes work seem like an endless grind. Working from home instantly frees us from the time, expense, and boredom involved in commuting. You may still need to travel, but this will involve trips from your home to client properties rather than consistently getting gridlocked in rush hour traffic each day. It is also possible that you mainly stay at home and have employees conduct home visits and complete services.





» **Office-related expenses.** It isn't just the cost of renting commercial premises that we need to take into account here. The office's utility bills and taxes are other expenses that can be avoided if you work from your home. In addition, a FlexJobs study suggests that remote [workers save \\$4,000 per year](#) on areas like transportation, eating out, and clothing. Transition to working from home is a complete lifestyle change, so this is an opportunity to consider what other areas you might make savings in.

» **A better work-life balance.** This is perhaps the most difficult point to define, as each person's idea of the perfect work-life balance will be unique. However, what seems clear is that a majority of workers find that being at home gives them a better balance and more flexibility in their working days. Being able to enjoy lunch with the family, spend time with pets, and do the other things you get pleasure from should add to your enjoyment of life. It can help make each new day seem more enjoyable, rather than being a daily grind.

» **More flexibility in where you live.** Working from home is also the perfect way of becoming location-independent for some people. If you don't have to go to a fixed place of work every day, it becomes easier to spread your wings and look at new places to live. As long as you are within traveling distance of your customer base, there is nothing to stop you from moving somewhere that better suits your lifestyle.

» **More eco-friendly.** We can't forget the environment in all of this. Commuting long distances every day and heating or cooling an office are things that have a serious effect on the planet. On the other hand, by staying at home you could be lowering your carbon footprint. For visiting the properties of your clients, you could even look at electric vans and other environmentally friendly transport choices if this is a priority for you.



» **A healthier life.** Maybe the biggest benefit of all is the chance to feel healthier. Working at home can help in a number of ways, from giving you more time to cook healthy meals and snacks at home to lowering your stress levels by letting you feel more relaxed. You might also find that you have more opportunity to exercise during the day thanks to the time you save on commuting.

» **Mental health benefits.** Having a relaxed lunch in the garden, watering your plants, and setting up a work area that suits you are all examples of benefits to working from home that are easy to forget about. Yet, they are all areas that can help us feel better about life and lead to less work-related stress. There is no reason to believe that running your own small business has to be constantly stressful and take over your whole life.

Any type of business is going to provide a series of advantages and disadvantages. If you like the idea of setting up a home office, a home services franchise could give you this opportunity while still providing a strong business model.

# 9

## CONCLUSION: THE HOME SERVICES INDUSTRY CONTINUES TO PROVIDE A SOLID FRANCHISE OPPORTUNITY

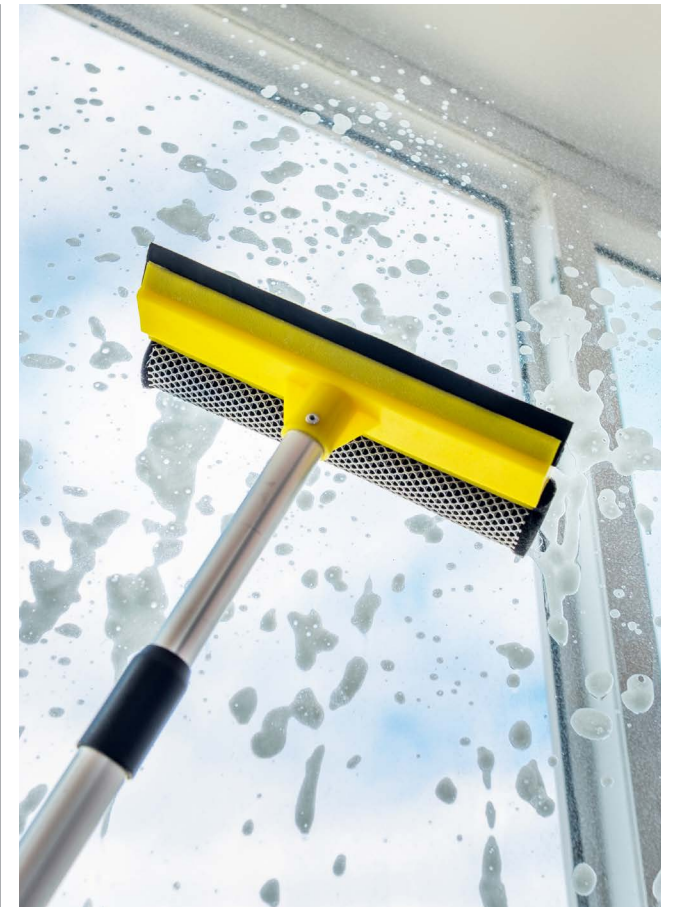


The home services industry is such a huge part of the American economy that it is easy to take for granted. If you stop to look at the figures, you will quickly realize that it can be a highly profitable way of working that is right for a great number of people who want to be their own bosses.

While COVID-19 has affected the sector since 2020, it hasn't caused the catastrophic drop in revenue seen in other industries. The outlook is still extremely bright and it could be the perfect choice for someone who is looking for the benefits of running their own business under the franchise model.

A summary of this vital sector of the economy reveals the following key points to consider when looking at the possibility of opening a new franchise.

- » The home services industry covers a wide range of businesses that have traditionally been profitable and highly sought after.
- » The COVID-19 impact has varied in different businesses, with factors such as an increasing interest in home improvement and a greater concern over hygiene, causing demand levels to increase.
- » The pent-up demand that has been created needs to be satisfied and could result in a significant uptick in the near future.



- » The booming housing market and a growing trend for home improvements and design changes should continue to provide impulse in this market.
- » Essential services like emergency repairs, home maintenance, and pest control have been virtually unaffected by the pandemic.



- » The ability to work from home is a major benefit with many home service businesses, and the recent surge of interest in this way of working should ensure that more people are keen to try it.
- » The franchise model provides a sensible way of entering this industry with the backup of a recognized brand and the support that they offer to their franchisees.

- » This can be a low-cost way to start a small business, with many franchises offering a low initial investment.
- » Profit margins are typically high in these types of businesses.

The home services sector is sure to remain one of the key elements of the American economy. These are essential services that we all need to look for from time to time, so it is easy to see why they continue to be a popular choice among those entrepreneurs looking to start a new franchise.



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