

HOME SERVICE ECONOMIC REPORT: SPRING EDITION

JULY 2020

Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States[1]. Tens of thousands of plumbers, residential cleaners, landscapers, and more, keep track of jobs and charge their customers for work using Jobber. As the leading job tracking and customer management platform used by more than 90,000 home service professionals, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment.

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INTRODUCTION

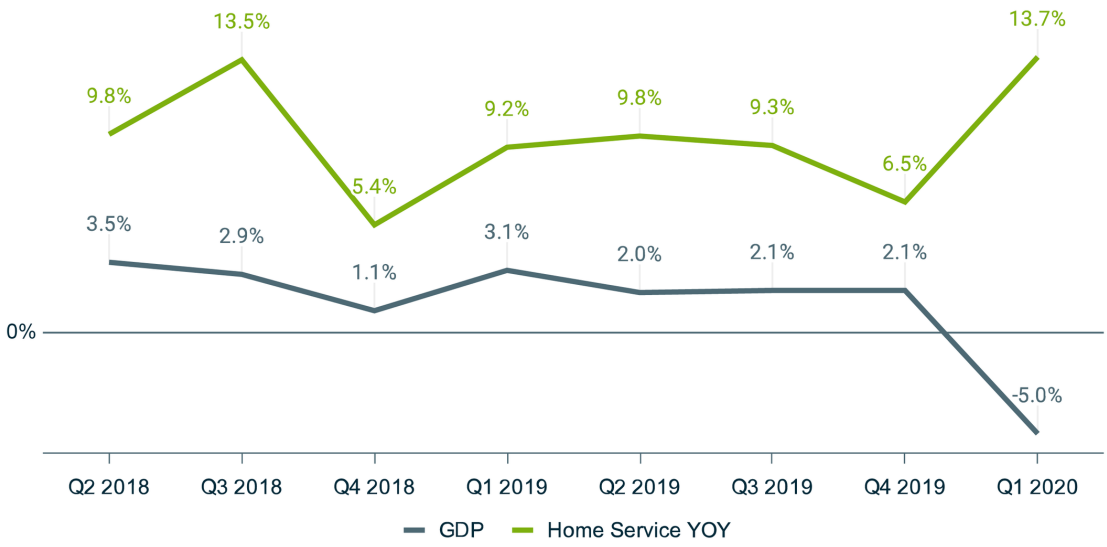
Even as states across the country have started to re-open their economies, the economic impact of COVID-19 continues to linger. The Home Service category was not immune to the spread of the pandemic, as well as the ensuing shutdown. There was a drop in revenues in March and into April as consumers and businesses were mandated to change their behaviors. Through the end of May and into June the category has begun to recover

This report will analyze the performance of the Home Service category this past quarter in key areas such as revenue growth, consumer demand, and employment. To help put the performance of the category into context, the report will show some comparisons to other major categories, such as Grocery Stores, Clothing Stores and Restaurants. Finally, it will highlight the types of businesses that operate within Home Service, and dive deeper into the performance of key segments such as Cleaning, Contracting, and Green businesses.

HOME SERVICE CATEGORY PERFORMANCE

The Home Service category has seen consistent positive growth over the last two years. In 2018, the typical Home Service business grew around 11% year-over-year and 9% in 2019. To compare, the overall U.S. GDP grew 2.9% in 2018 and 2.3% in 2019. In Q1 2020, this difference was even more evident as the typical Home Service business grew by 13.7% while the GDP fell to -5%.[2]

GROWTH IN MEDIAN REVENUE YOY VS GDP

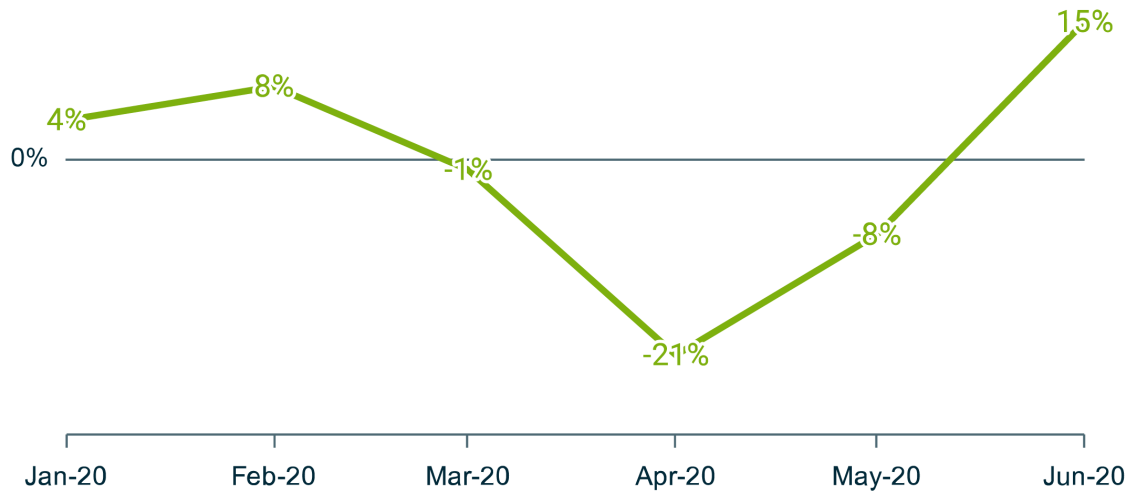


IMPACT TO DEMAND AND REVENUE

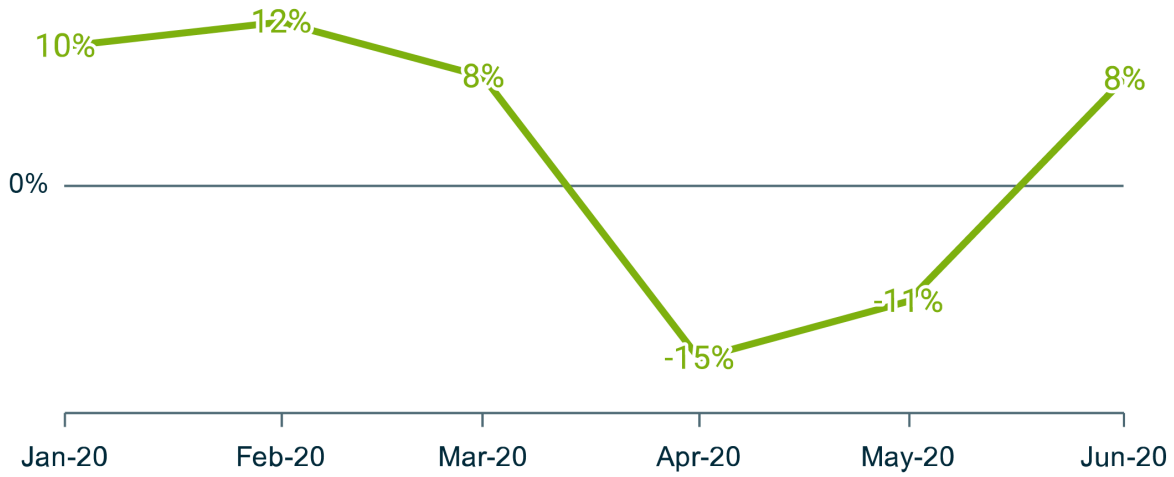
At the start of 2020, Home Service saw a positive growth trend. However, when states across the country began implementing stay-at-home directives to contain COVID-19, the category overall experienced a noticeable decline in new work being scheduled in March, which worsened in April. New work being scheduled is an early indicator of the health of these businesses, and a proxy for consumer demand. This decline in new work caught up to these businesses in April as they experienced a sharp decline in revenue of 15% year-over-year, roughly a drop of 25% from where they were expected to be based on earlier performance.

From May onwards, new work scheduled started to show signs of recovery, and hit a record high for the year in June, with 15% growth year-over-year. This same recovery has started to reflect in median revenue with a small improvement in May, followed by 8% growth year-over-year in June. With new work scheduled increasing towards the end of Q2, it's reasonable to assume revenue will also increase for Home Service businesses towards the start of Q3 2020.

NEW WORK SCHEDULED YOY - HOME SERVICE



MEDIAN REVENUE YOY - HOME SERVICE



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EMPLOYMENT IMPACT

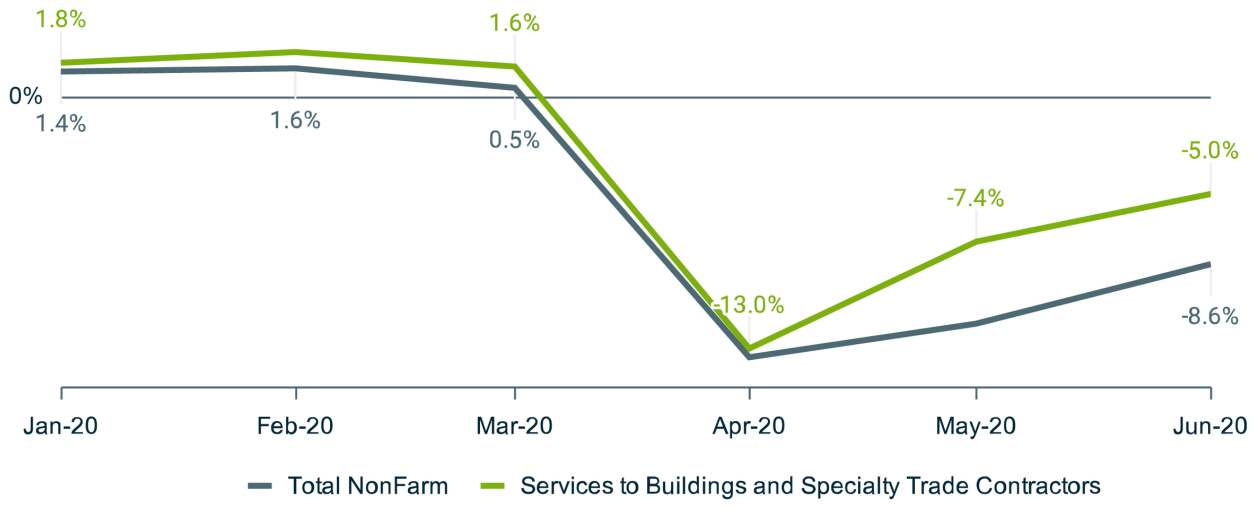
The U.S. unemployment rate has generally seen a positive trend for the past five years, but this changed quickly as the pandemic hit and states across the country started to implement stay-at-home orders. In April, unemployment shot up to a record high of 14.7% largely as a result of COVID-19 related layoffs. Since then, there has been an improvement in this rate related to the re-opening of the economy. The rate improved to 13.3% in May, and further to 11.1% in June.[3]

To assess employment in the Home Service category, we look at how it compares to Total Nonfarm employment.[4] Although the Home Service category spans a vast amount of industries, two North American Industry Classification System (NAICS) categories make up a large portion of the businesses in this category. 'Services to Buildings and Dwellings' refer to most businesses that make up Cleaning and Green businesses such as pressure washing and landscaping, while 'Specialty Trade Contractors' refer to Contracting businesses such as plumbing and HVAC.

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At the start of the year, Home Service saw positive growth on a year-over-year basis from January to March, and outpaced the employment growth in Total Nonfarm. As stay-at-home orders came into effect towards the end of March and into April, employment fell in Home Service by 13% year-over-year. This was just slightly better than the overall effect on Total Nonfarm. Since then, May and June have seen a positive trend in employment recovery overall, while Home Service employment has rebounded even faster.

EMPLOYMENT RATE YOY



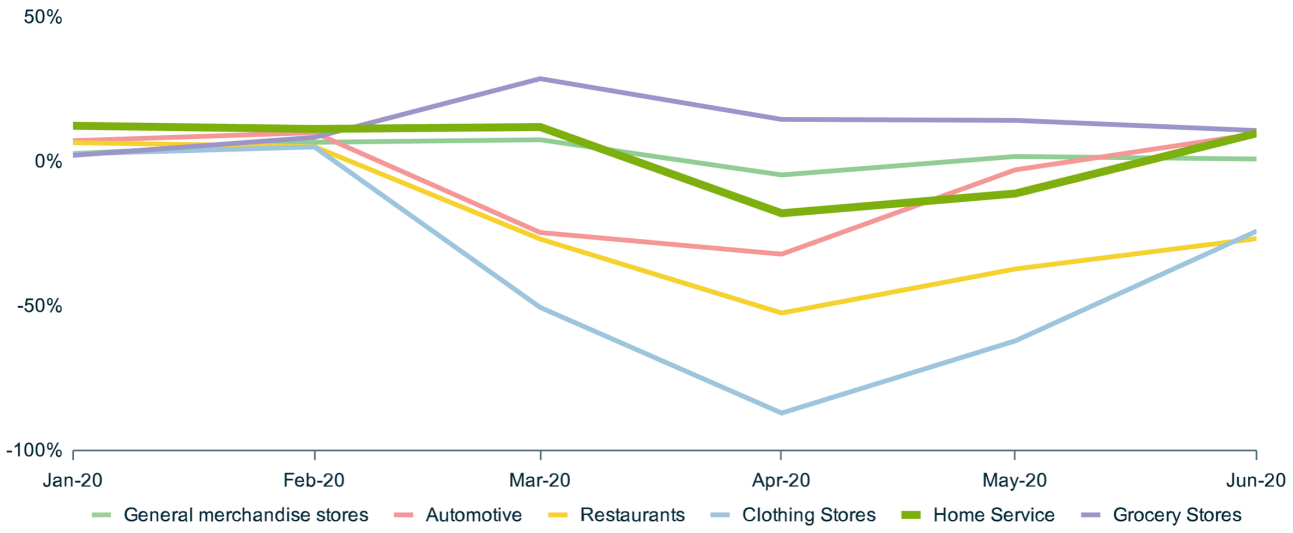


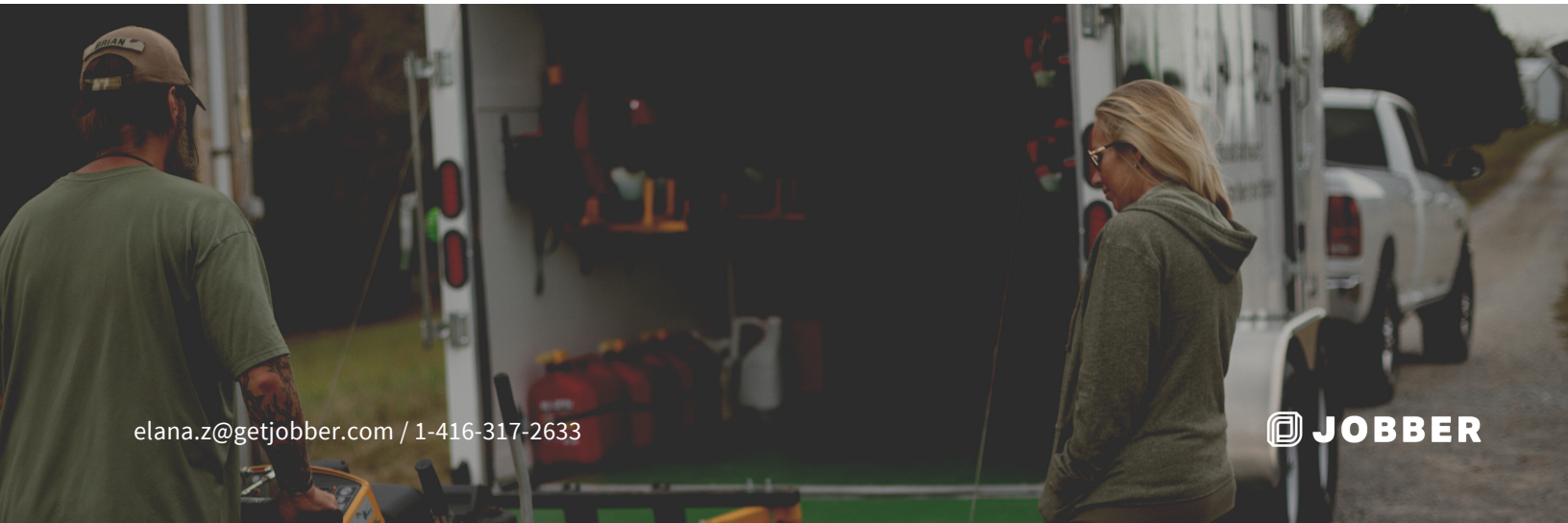
HOME SERVICE COMPARED TO OTHER CATEGORIES

REVENUE

Using U.S. Census Bureau data, we see that a lot of major categories experienced similar positive revenue growth at the start of 2020. As the COVID-19 pandemic entered the country and the ensuing policy changes impacted the economy, there was a lot of volatility starting to occur in March. Home Service was still relatively stable throughout Q1.[5]

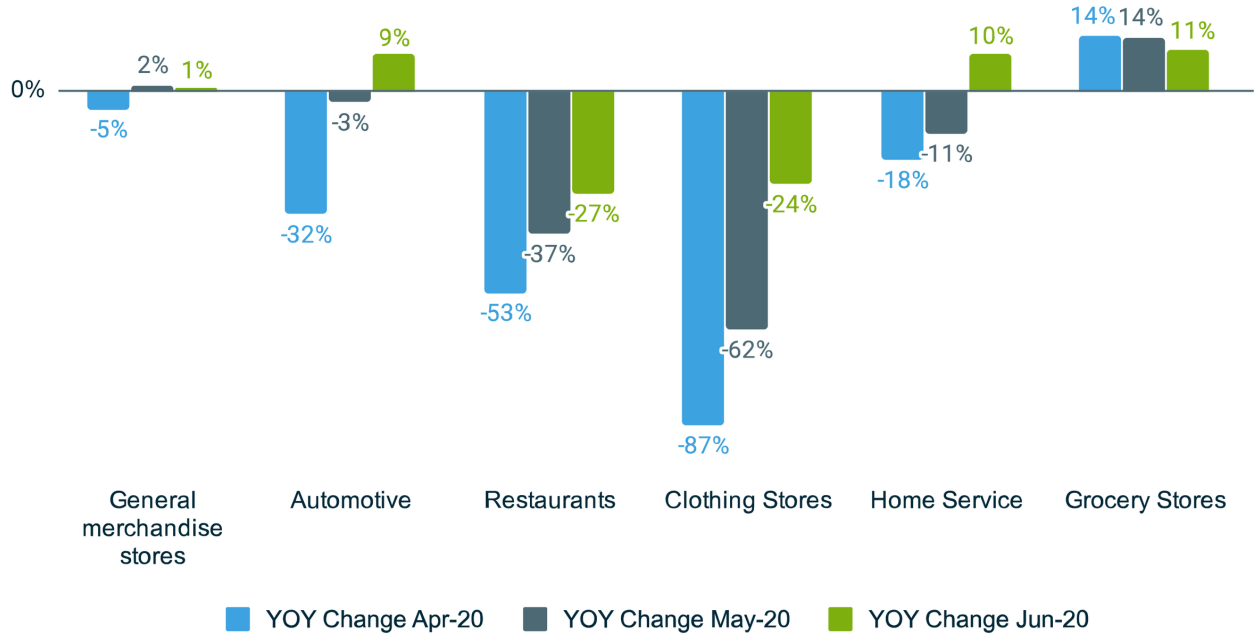
REVENUE COMPARISON YOY





As we look deeper into Q2 2020, it's clear that Home Service businesses were less impacted by the COVID-19 pandemic compared to other categories. Although most categories apart from Grocery Stores experienced a decline in April, Home Service didn't fall quite as much as others such as Restaurants or Clothing Stores. There was also a recovery across the board in May, and Home Service has managed to get back to positive year-over-year growth in June.[5]

CATEGORY COMPARISON YOY (Q2 2020)





CONSUMER SPENDING

Data from the U.S. Bureau of Economic Analysis has been used to evaluate consumer spending in these different categories. Although there's no specific expenditure type that directly aligns with Home Service spending as a whole; 'Furnishings, household equipment, and routine household maintenance' is a category that can be used as a proxy.

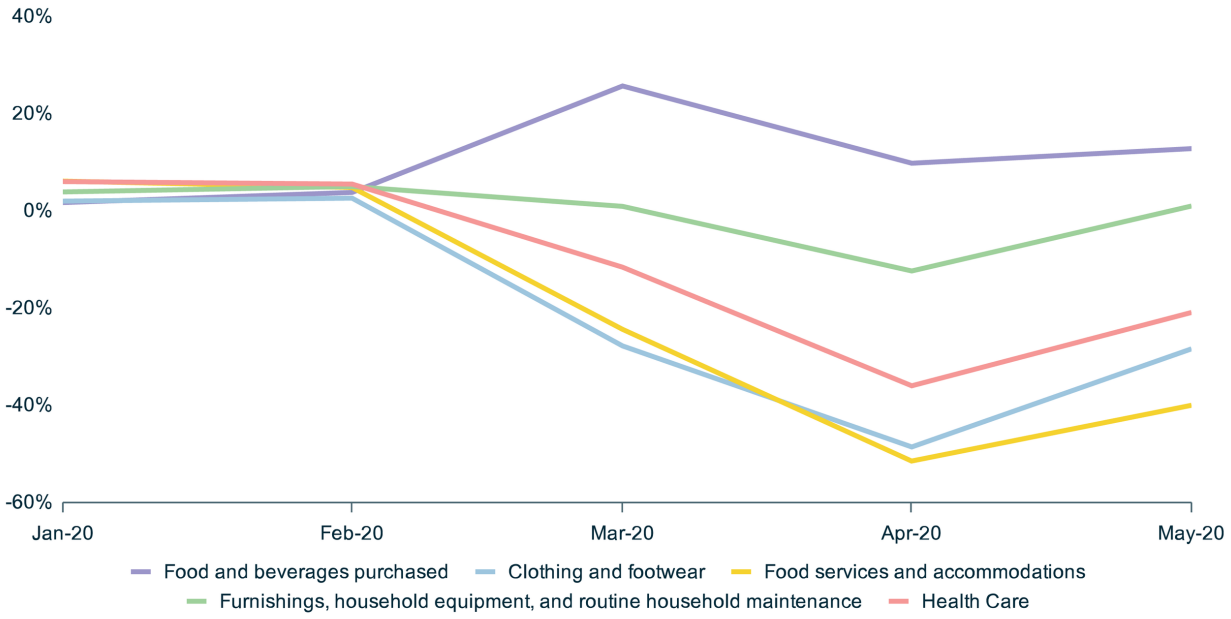
As seen below, all expenditure types were seeing positive growth early in the year. Similar to revenue growth, there was significant volatility in consumer demand in March, as we saw spending increase suddenly in Food and Beverage, which is directly correlated with Grocery Store sales. This is indicative of behaviors seen during the lockdown as people stockpiled on items early on, but then this type of spending stabilized in April and May.

On the other hand, there was a sudden decrease in spending on items such as 'Clothing and footwear' and 'Food services and accommodations', which is directly related to Apparel sales and Restaurants / Hotels. As a lot of these businesses shut down in many states in April, this dynamic is to be expected. Even Healthcare, which is non-discretionary in nature, took a big dip in April as outpatient services such as physicians, dentists, and paramedical services either shut down or saw reduced business. All of these expenditure types saw recovery in May. Based on the trends we've seen so far, we expect the upward trend to continue throughout the end of Q2 and into Q3, though the data will only become available at the end of July.



'Furnishings, household equipment and routine household maintenance' did see a slowdown in March, followed by a sharper decline in April; but it also recovered quickly in May, back towards positive year-over-year growth in consumer spending. This is directly correlated with how the Home Service category has performed over the past quarter, and is indicative of the non-discretionary nature of work that many home service businesses provide.[2]

CONSUMER SPENDING COMPARISON YOY





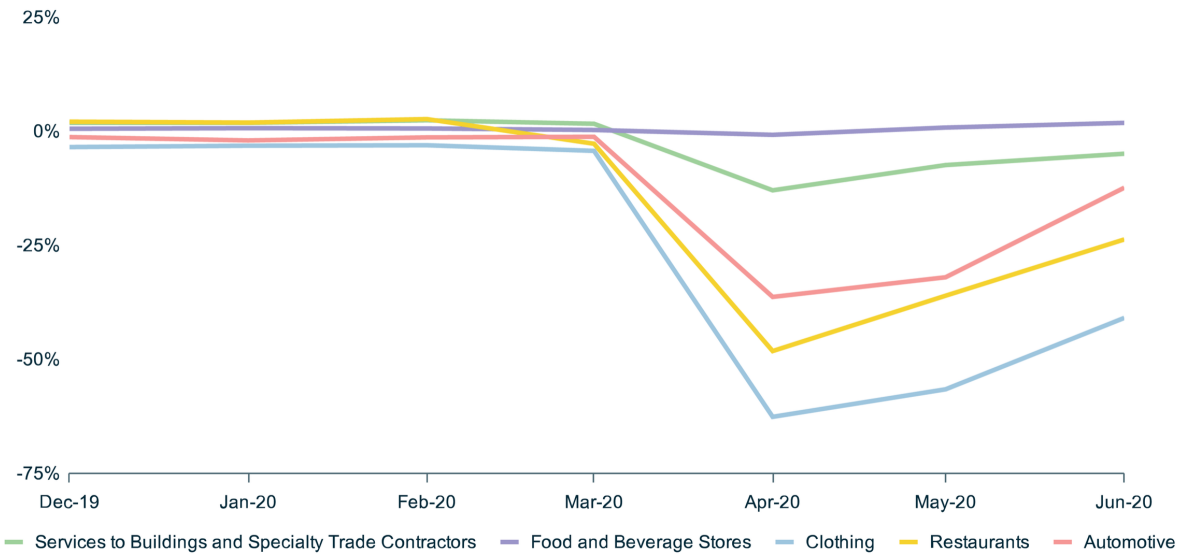
EMPLOYMENT

As explained earlier, the NAICS categories of 'Services to Buildings' and 'Dwellings and Specialty Trade Contractors' make up a significant portion of businesses within the Home Service category.

Similar to revenue growth, employment across all categories, with the exception of Food and Beverage Stores, dropped sharply in April. This directly correlates with Grocery Store sales, which have stayed strong throughout the pandemic. On the other hand, Clothing stores were impacted the most as their retail locations were completely shut down in many states. In the case of Restaurants, many of them continued to operate with fewer employees as they saw an increase in their take out sales while in-person dining was shut down.

Home Service has been more resilient in comparison to most other categories as many services provided by these businesses tend to be non-discretionary, such as plumbing or pest control. There's also a significant amount of work that can be done externally in industries such as lawn care and landscaping. After a moderate decline in employment in April, there has been a significant improvement in May and June as the economy has started to re-open across the country.[4]

EMPLOYMENT COMPARISON YOY





HOME SERVICE SEGMENT BREAKDOWN

As the Home Service category consists of a large variety of businesses, it's helpful to segment the data to better understand the impact of the pandemic on different kinds of industries. To do this, the data has been split into three segments: Cleaning, Contracting, and Green businesses.

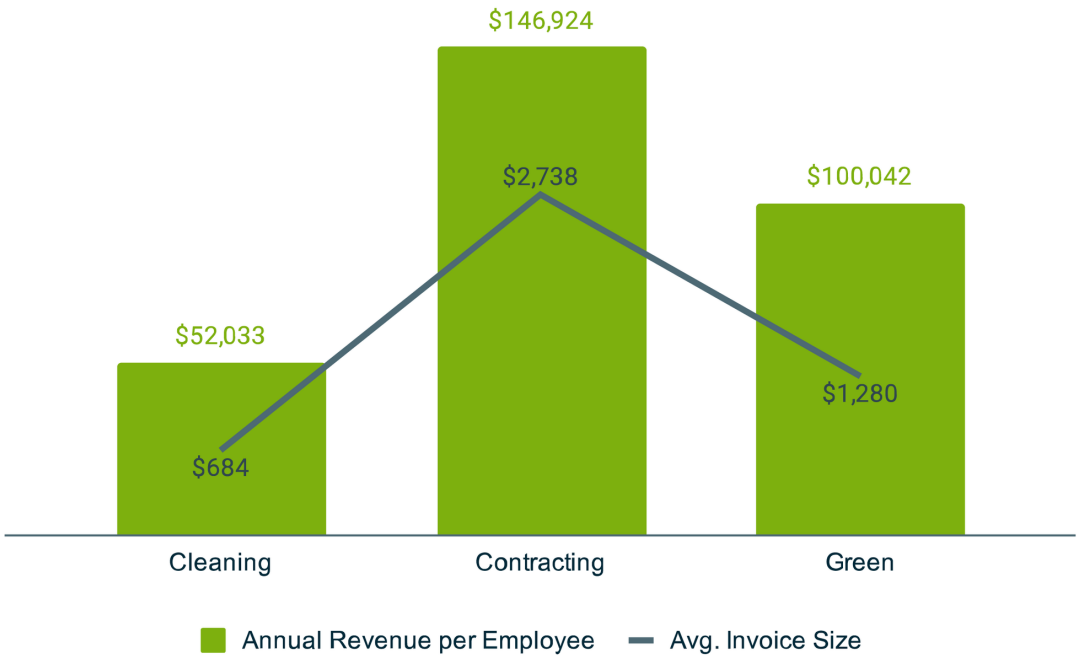
These segments are made up of a variety of industries. The Cleaning segment consists of businesses such as residential cleaning, commercial cleaning, pressure washing, and more. Contracting consists of construction contractors, plumbers, electricians, and more. Lastly, the Green segment is made up of businesses that provide lawn care, landscaping, and other related outdoor services.

Not only do the businesses within these segments perform very different kinds of work, they also have very different economic realities. According to data from September 2019 to June 2020, a typical SMB Home Service business generates more than $90,000 per annum per employee. The chart below illustrates the difference between these segments as it relates to that metric, as well as the average invoice size of the work done within each of those segments.

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Since many of the businesses that fall under the Contracting segment require licensing to operate and do contracting work, they tend to charge higher amounts to be able to pay their skilled workers fairly. They also often have expensive equipment and supplies they need to use to complete work. On the other hand, many businesses within the Cleaning segment don't have such requirements, so the barrier to entry in starting these businesses is much lower. Businesses in the Green segment tend to require a varied set of skills based on the industry, and they also experience heavy seasonality that can be a challenge.

AVG. ANNUAL REVENUE PER EMPLOYEE





CLEANING

The Cleaning segment consists of industries such as residential and commercial cleaning, window washing, and pressure washing. These businesses are typically non-seasonal, but they do see a small spike for spring cleaning. Many services under the Cleaning segment are not considered essential throughout the U.S., and many of them are also performed indoors where social distancing is harder to follow. Businesses in this segment experienced the most significant decline when stay-at-home directives were issued.

This segment was seeing stronger than average revenue growth at the start of the year, but it also saw new work scheduled decline earlier than others. In March, new work declined by 12% year-over-year, and it fell even further to 34% year-over-year in April. This started to affect revenues quickly, as March revenues only grew by 4% year-over-year, much lower than the early 2020 trend. In April, revenues fell by over 35% compared to the same time in 2019. From where these businesses were earlier in the year, revenue has seen a decline of more than 45%, with residential cleaning being the worst hit.

In the recent months, however, there has been an improvement in new work being scheduled for these businesses. May was still negative year-over-year but saw a significant recovery, and June actually grew by 11% year-over-year. This has resulted in a significant rebound in revenues, with June essentially reaching the same levels as last year. With new work scheduled rebounding positively, revenues for this segment should return to a positive trend at the start of Q3.

SMB CLEANING BUSINESS PROFILES

1-10 employees

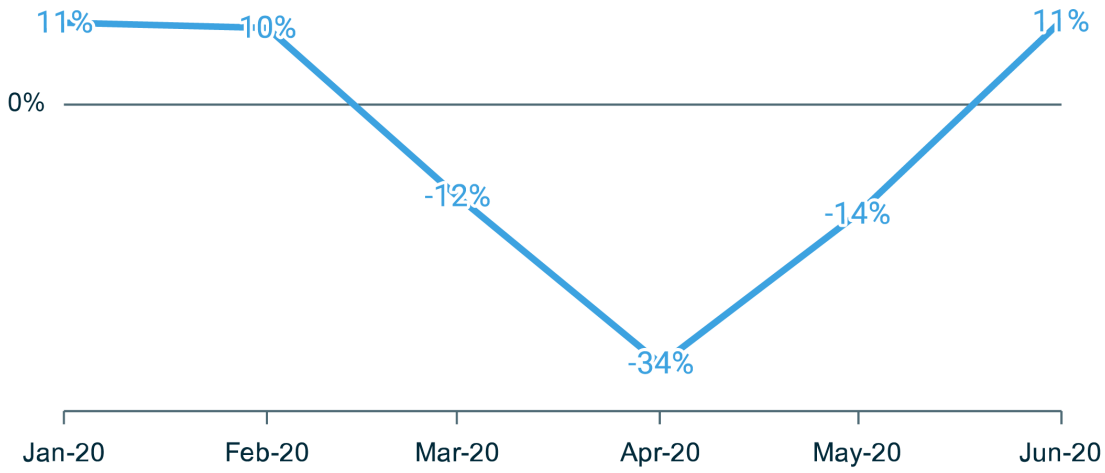
$16K	avg. monthly revenue
91	avg. jobs completed

10+ employees

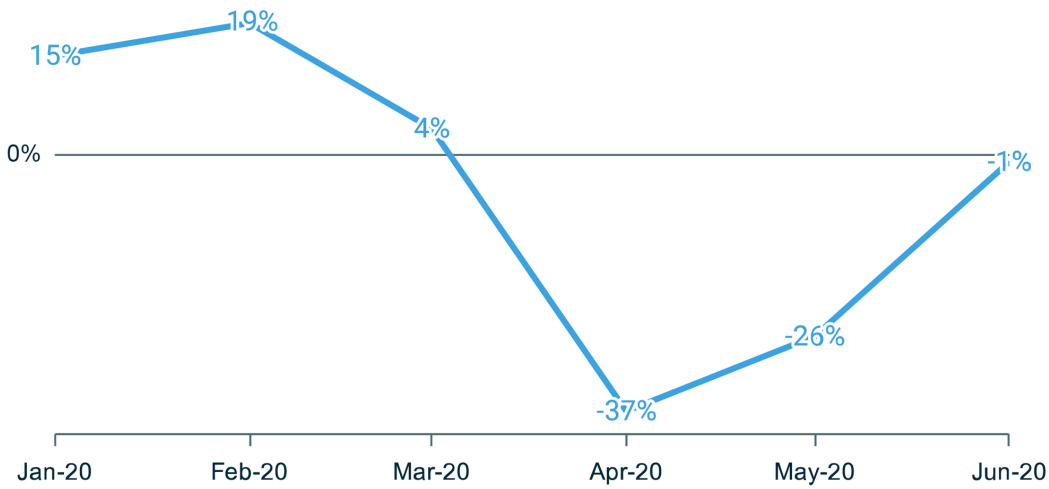
$52K	avg. monthly revenue
302	avg. jobs completed

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NEW WORK SCHEDULED YOY - CLEANING



MEDIAN REVENUE YOY - CLEANING





CONTRACTING

The Contracting segment consists of industries such as construction, electrical, plumbing, and HVAC. Professionals in Contracting require specialization and are licensed in many geographies. They also tend to do fewer jobs but the revenue from each job is much higher on average compared to Cleaning and Green. Several industries within this segment were designated as essential throughout the country, which allowed many of these businesses to endure the economic hardships of the pandemic better than most.

These businesses were seeing industry-average growth earlier this year. However, similar to the Cleaning segment, Contracting saw a steep decline in new work being scheduled when the stay-at-home orders came into effect, particularly in April when new work scheduled declined by 23% year-over-year. This impacted revenues in both April and May where growth fell to -15% year-over-year, which was roughly 25% below where they were expected to be.

New work being scheduled quickly turned around in May, and spiked up in June to 14% year-over-year growth, which was a record high in 2020. This has led to a great recovery in revenue growth in June, with 10% growth year-over-year. This turnaround is faster than what Cleaning has seen, and it's impressive to see the segment return to pre-COVID levels within two months. As new work scheduled continues to improve, this segment is poised well entering Q3.

SMB CONTRACTING BUSINESS PROFILES

1-10 employees

$44K avg. monthly revenue

54 avg. jobs completed

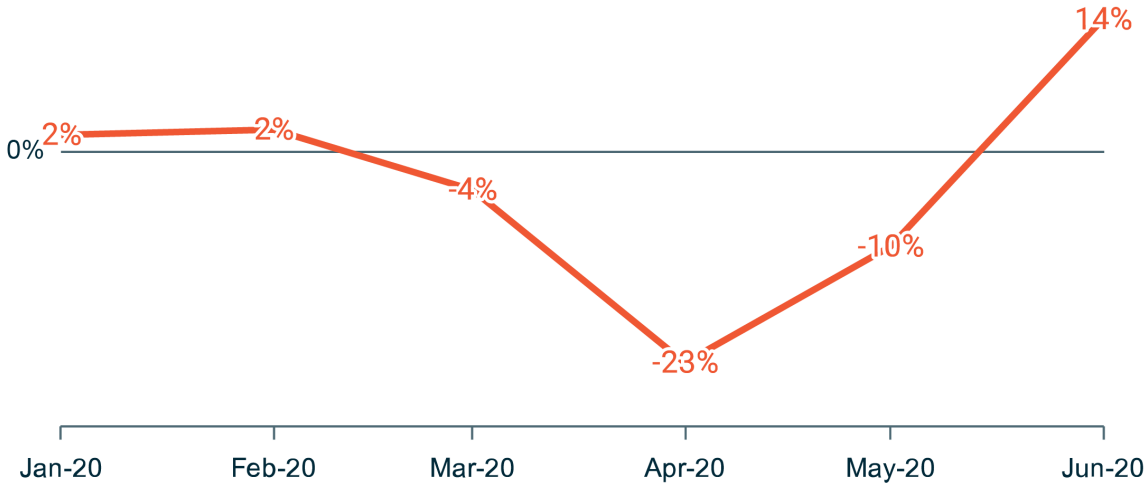
10+ employees

$133K avg. monthly revenue

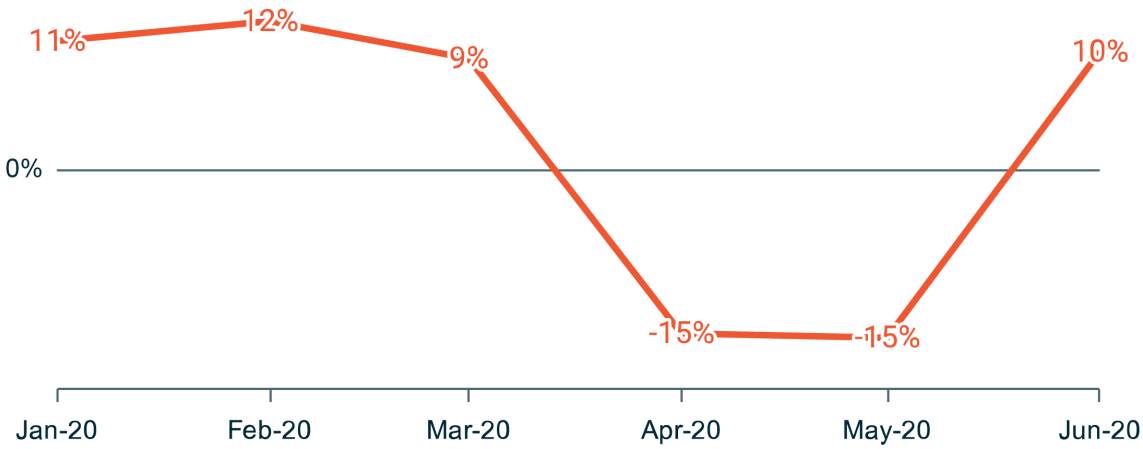
182 avg. jobs completed

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NEW WORK SCHEDULED YOY - CONTRACTING



MEDIAN REVENUE YOY - CONTRACTING





GREEN

The Green segment consists of industries such as lawn care, landscaping, and other related outdoor services. These businesses tend to be seasonal, and generally do a lot of work in the spring season. Some services in the Green segment such as tree care require specialization and have tight regulations, while others have low barriers to entry similar to residential cleaning.

The 'essential' classification of these businesses varied by state when stay-at-home orders were implemented. Although also affected, Green businesses have fared relatively better during these times presumably because most of their work tends to be outdoors, where social distancing rules are easier to follow. However, this is the time of year where these businesses usually generate most of their revenue, and the data does show some missed opportunity due to this pandemic.

This segment started the year slowly, but saw great growth in new work being scheduled in February and March. Then as the pandemic and ensuing policies came into effect, new work scheduled dropped significantly to -7% year-over-year in April. This resulted in revenue growth falling from an average of around 10% year-over-year earlier in the year to flat revenue growth in April and May.

There has been a turnaround in new work scheduled in May, however, and June saw a record high of 26% growth year-over-year. Revenue growth has already rebounded back to pre-COVID levels of 10% year-over-year in June. As these businesses enter Q3 with more new work than they expected, they'll also be poised well for positive revenue growth.

SMB GREEN BUSINESS PROFILES

1-10 employees

$25K avg. monthly revenue

121 avg. jobs completed

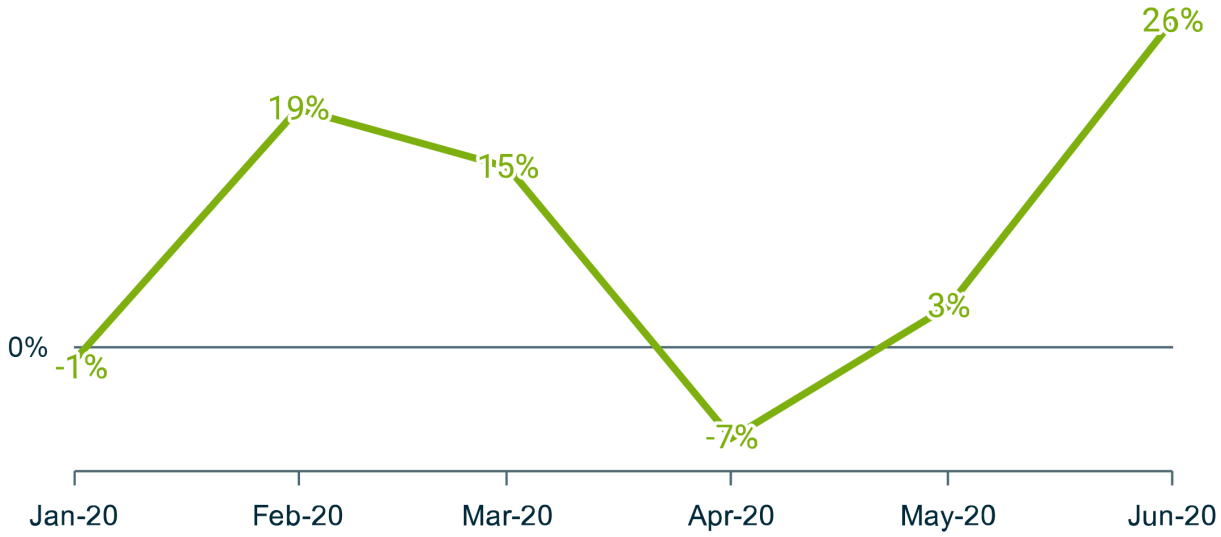
10+ employees

$94K avg. monthly revenue

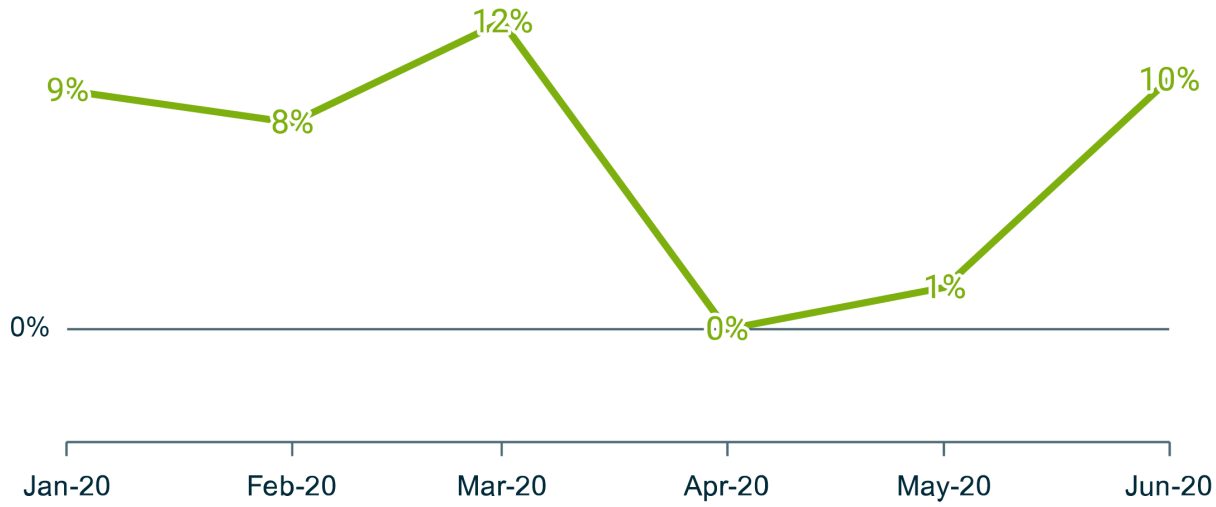
315 avg. jobs completed

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NEW WORK SCHEDULED YOY - GREEN



MEDIAN REVENUE YOY - GREEN





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FUTURE OUTLOOK

Although there has been a significant improvement in economic activity towards the end of Q2 2020, it's impossible to predict what the ongoing and ultimate impact of COVID-19 will be. Many major categories continue to experience historic losses and an uncertain future. Although consumer demand and revenues are starting to rebound, it's unclear how long it will take for the economy to truly recover. Specifically, it's hard to predict how long it will take for the historic unemployment rate to return to normal levels, as businesses across all categories start redefining how they operate.

Home Service as a category has endured better than most others across all the key economic indicators we have assessed: consumer demand, employment, and revenues. This past quarter, many Cleaning, Contracting and Green businesses made remarkable recoveries and are well on their way to pre-pandemic performance. However, many others have unfortunately been unable to endure the downturn and have had to shut down their operations.

Although there has been a positive economic turnaround for Home Service towards the end of Q2, COVID-19 cases in the country have been rising at the same time, and it remains to be seen what the impact of this may be. If states across the country start to re-enact stay-at-home orders, or other economic restrictions, this could make for an uncertain Q3 across all categories.

DATA SOURCES & METHODOLOGY



[1] The small business data provided is from the U.S. Small Business Administration Office of Advocacy. The specific metrics shared are from a Research Summary published by the organization as well as an annual FAQ they provide.

[2] The GDP and consumer spending data is sourced from the U.S. Bureau of Economic Analysis. GDP growth metrics are used from the latest release published, and year-over-year change in consumer spending is calculated from personal consumption expenditure data published on the website.

[3] Unemployment rates are extracted from U.S. Bureau of Labor Statistics.

[4] The employment growth metrics are provided from FRED Economic Data, who sourced their data from the U.S. Bureau of Labor Statistics. We combined employment statistics for' Services to Buildings and Dwellings' under "Professional and Business Services" with Specialty Trade Contractors under "Construction" to create an equivalent for the Home Service category.

[5] All category data outside of Home Service comes from the U.S. Census Bureau's advance monthly retail trade report. The year-over-year change in Median Revenue has been used as a proxy for the Home Service category data point, which is the Home Service equivalent to 'same-store sales growth'. As a result, we believe this to be a conservative estimate for the category as a whole because it doesn't include new business starts, while the U.S. Census Bureau's trade report includes all sales from new business starts as well as same-store sales.

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