JOBBER HOME SERVICE ECONOMIC REPORT

2023 Q1

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Introduction

Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States[1]. As the leading operations management platform for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 200,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.

This report investigates how past recessions and economic slow downs have impacted Home Service in order to predict future trends and performance. It also analyzes the performance of the Home Service category in Q1 2023, and dives deeper into the performance of key segments such as Green, Cleaning, Contracting, and Construction businesses.

Takeaways:

- The Home Service category has continued to demonstrate resilience in the face of a general economic slowdown.

- Historically, *maintenance* spending remains stable regardless of the economic climate, while *improvement* spending shows higher growth but with more volatility. In a minor slowdown, *discretionary* spending slows but stays positive while *replacement* spending is more resilient in both a minor and major recession.

- Home Service businesses across all segments—Green, Cleaning, Contracting, and Construction—have successfully maintained positive revenue growth in Q1 2023, but at a slower pace than in 2022. It must be acknowledged that the year-over-year growth here comes against a quarter last year that already saw phenomenal year–over-year growth vs 2021.

- The Green segment experienced a Q1 revenue growth of around 5-10%, which bodes well as it enters the busy summer season.

- Median revenue growth stayed positive for the Cleaning segment, despite a decline in new work scheduled in the months of February and March after a positive January.

- Contracting services were able to leverage increased pricing power to generate year-over-year revenue growth of 12% in January, before flattening in February and March.

- Construction businesses grew year-over-year revenues in Q1, while new work scheduled decreased by approximately 20% compared to the same time last year.

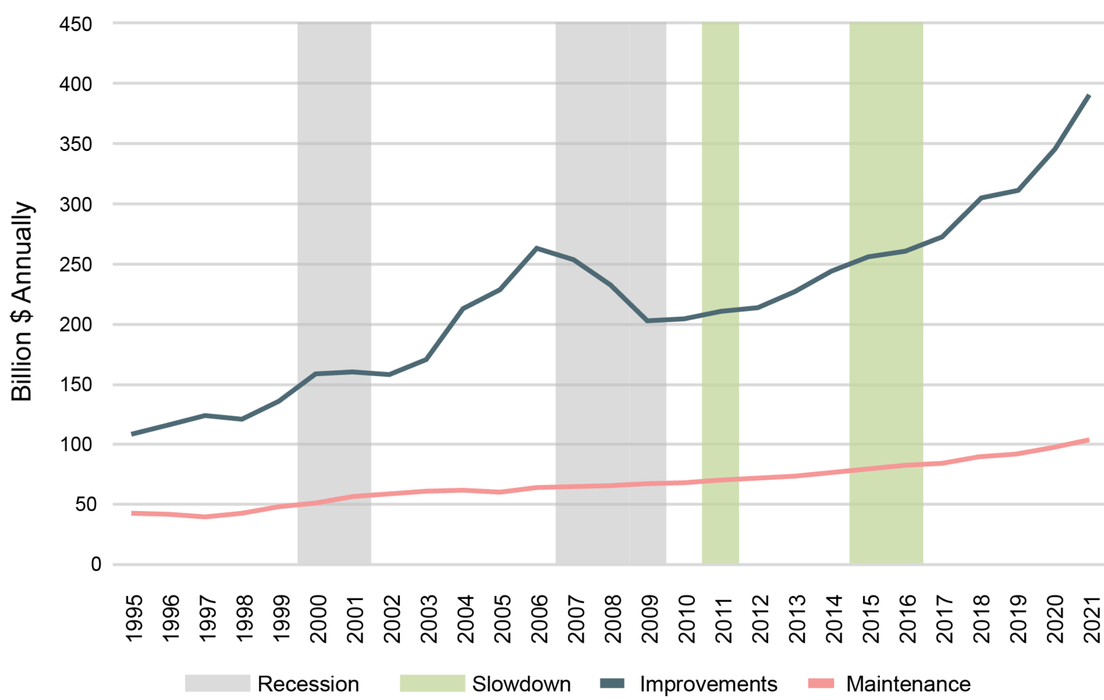
The Impact of Economic Slowdown on Home Service

Economic recessions and slowdowns can affect various industries differently. Looking back at Home Service businesses during the dot-com crash in 2001, the Great Financial Crisis of 2007/08, and economic slowdowns in 2011 and 2015/16, we see varied impacts.

Using historical data from the American Housing Survey (AHS) and Harvard University's Joint Center for Housing Studies (JCHS)[2], we observe that the $500 billion home remodeling industry divides into *maintenance* (20%) and *improvement* (80%). *Maintenance* includes necessary jobs like plumbing or HVAC repair, *improvement* encompasses upgrades to property, often professionally done.

Observing these expenditures over time, *maintenance* spending remains stable regardless of economic climate, while *improvement* spending shows higher growth but more volatility. This volatility was most evident during the 2007-2009 financial crisis.

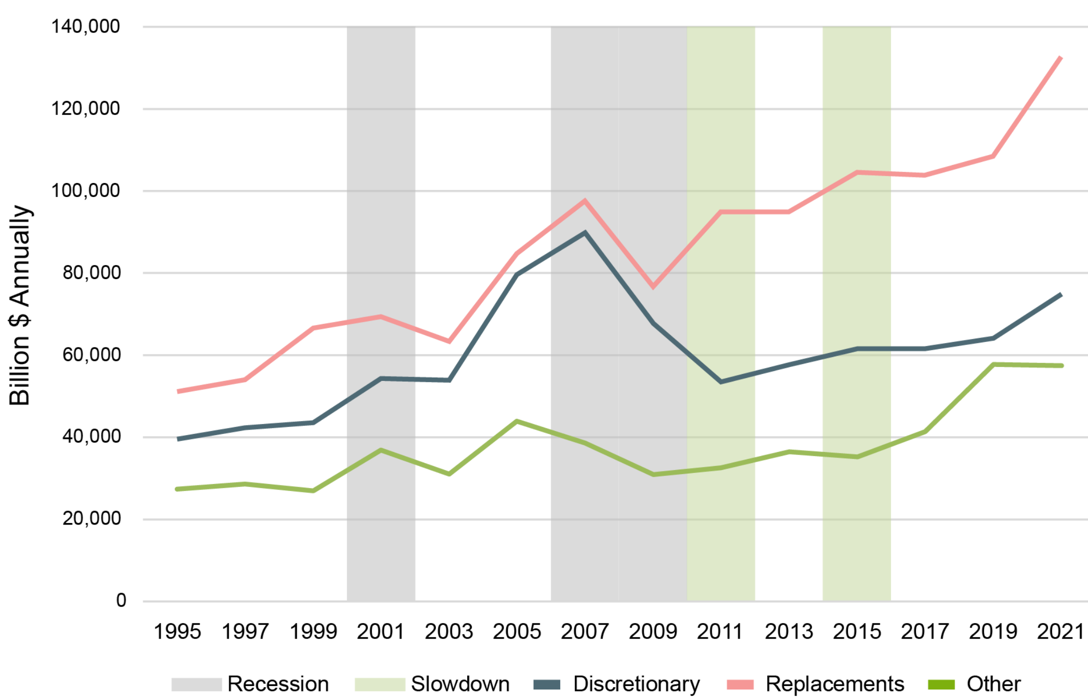
Maintenance and Improvement Spend (1995-2021)[3]



Dividing *improvement* spending into *replacement*, *discretionary* and *other* categories, we see different trends. *Replacement* spending remains resilient in downturns, likely due to the aging U.S. housing stock. *Discretionary* spending, being optional, is more sensitive to economic shifts, while other, tied to disaster repairs, is inherently volatile.

These trends inform potential scenarios for future economic slowdowns. In a minor slowdown, *replacement* and *discretionary* spending may slow but should stay positive. In a minor recession, growth may slow, but overall growth should stay positive. In a major recession, all sectors may contract, but *replacement* spending might prove more resilient. Understanding these scenarios helps businesses prepare for different economic situations.

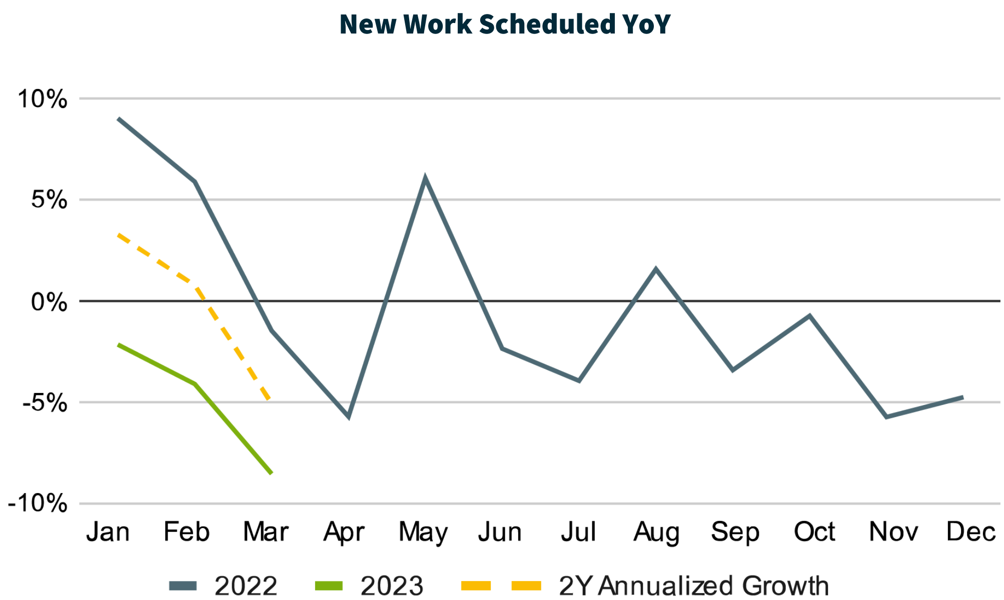
Professional Improvement Spend (1995-2021)[3]



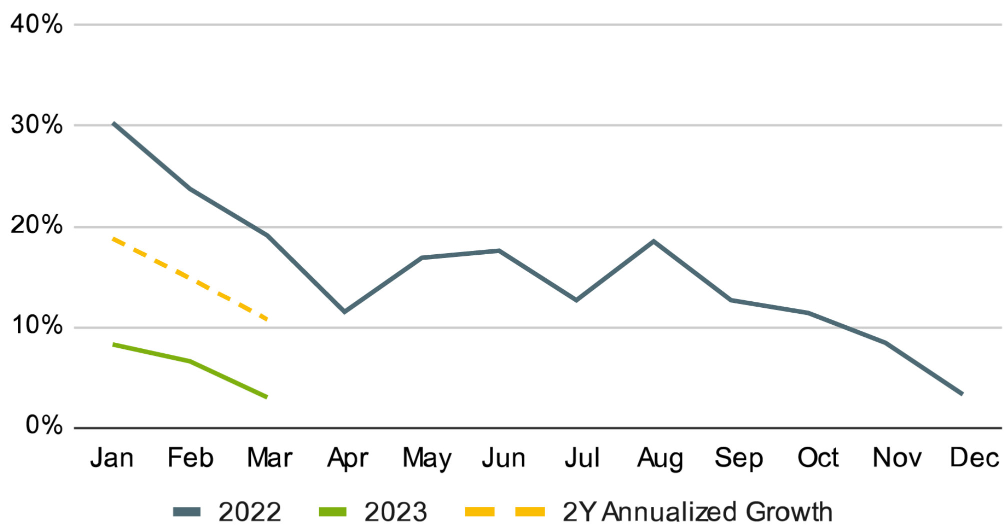
Consumer Demand

New work scheduled overall is down in Q1 2023 as the general economic slowdown is impacting home services businesses, although less than other parts of the economy. Median revenue growth is slowing, but still grew by approximately 3% in March relative to last year. This is due to increased average invoice sizes compared to last year, reflecting inflation.

As a reminder, we're comparing growth to Q1 last year, which was a very strong quarter for Home Service professionals with median revenues growing 20-30% year-over-year during that time. On a two-year compound annual growth rate (CAGR), median revenue grew between 10-20% in Q1.



Median Revenue YoY



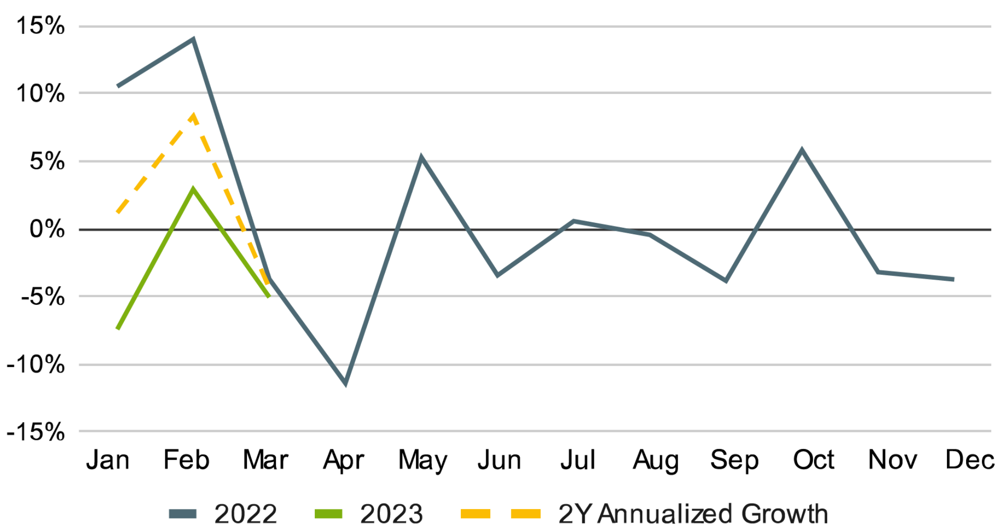
Home Service Category Performance

In this section, we explore the recent trends in new work scheduled and median revenue growth across four key segments: Green, Cleaning, Contracting, and Construction.

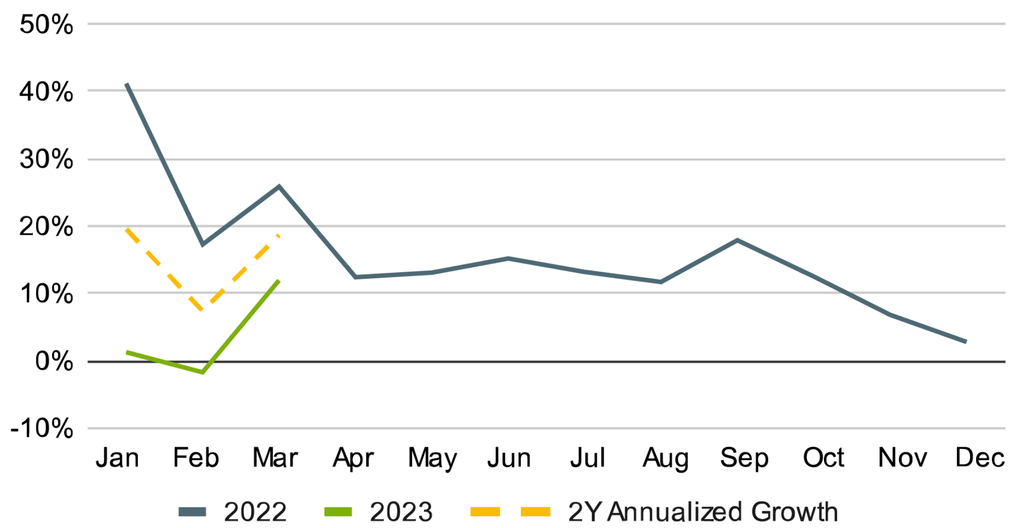
Green

The Green segment includes lawn care, landscaping, and other related outdoor services. Despite new work scheduled showing a decline of about 5% (except for February, which actually grew slightly) compared to the same period last year, revenue growth remained positive. This resilience highlights the steady demand for these services, with revenue growth for Q1 2023 clocking in around 5–10%. This bodes well for this segment as we head into the busy summer season.

New Work Scheduled YoY — Green



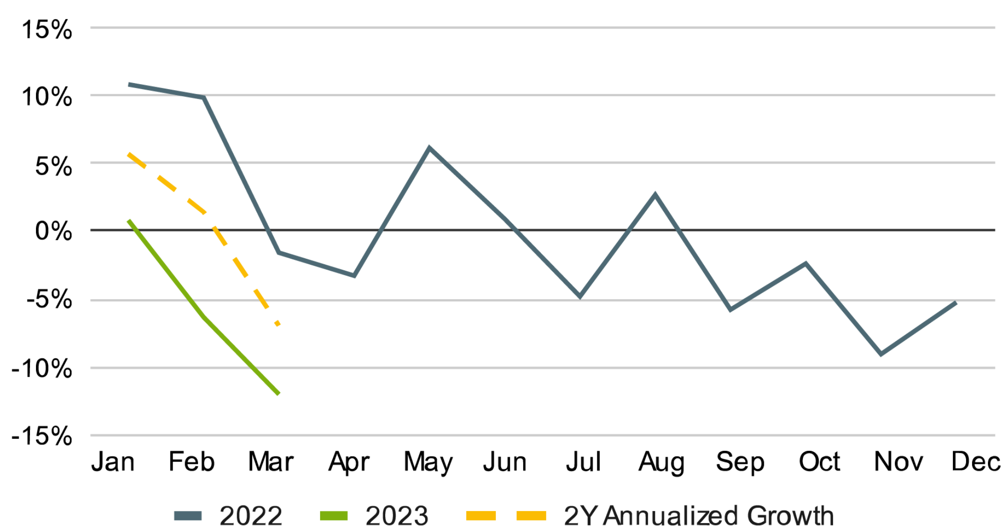
Median Revenue YoY — Green

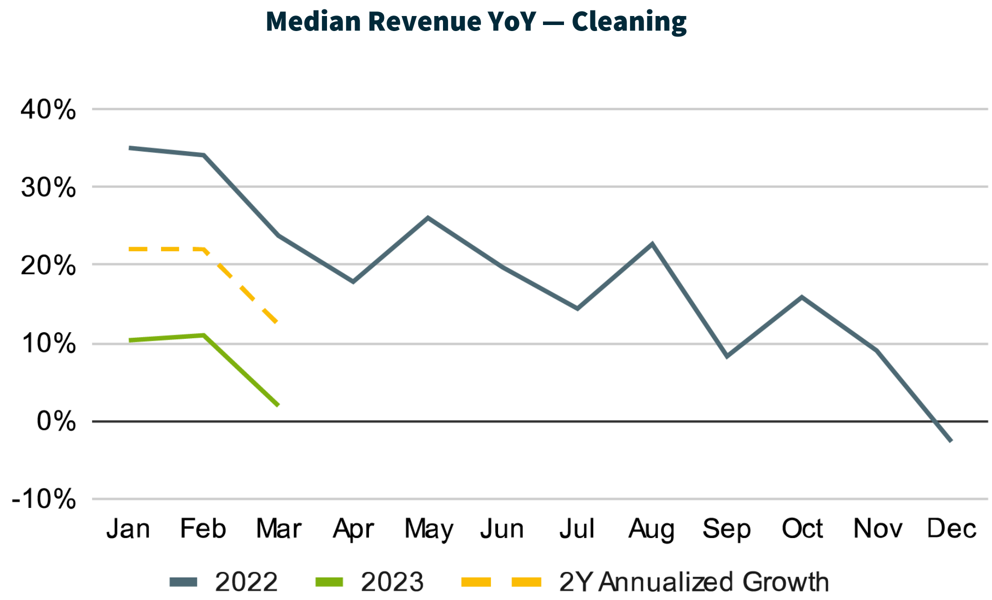


Cleaning

Cleaning services encapsulates residential and commercial cleaning, carpet cleaning, junk removal, and other similar services. The segment started the year with a slight uptick in new work scheduled in January, but this was followed by declines of 6% and 12% in February and March, respectively. Despite the dip in new work, median revenue growth stayed positive. This reflects the ability of business owners to increase prices and maintain margins.

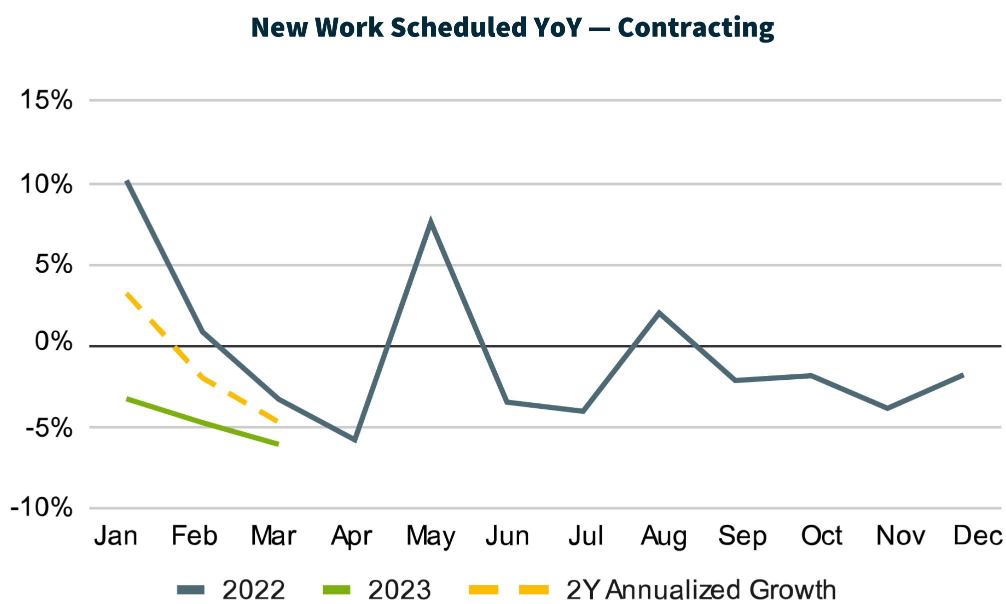
New Work Scheduled YoY — Cleaning



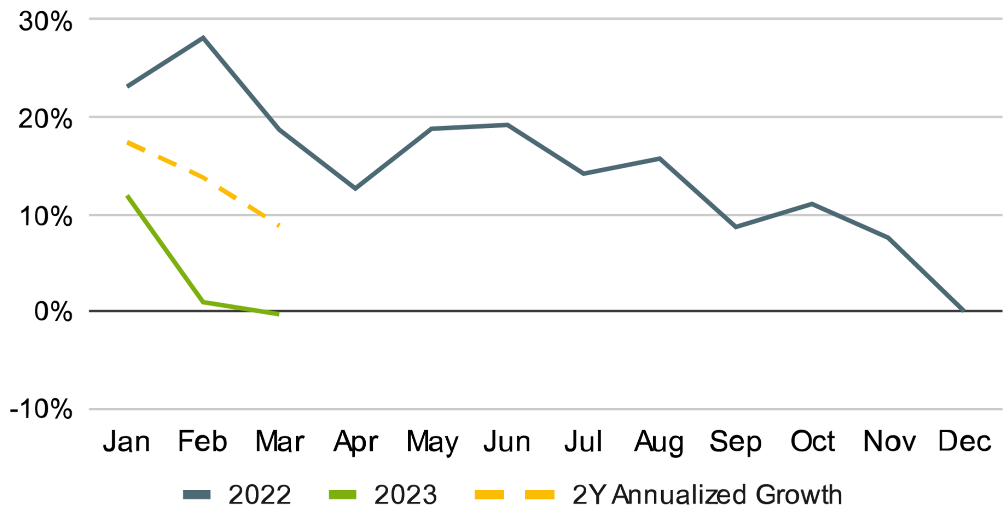


Contracting

The Contracting segment includes electrical, handiwork, HVAC, plumbing, and other non-construction services. Much like the overall Home Service trend, the demand for Contracting services saw a decline of about 5%. However, businesses in this segment were able to leverage increased pricing power, leading to year-over-year revenue growth of 12% in January before flattening in February and March.



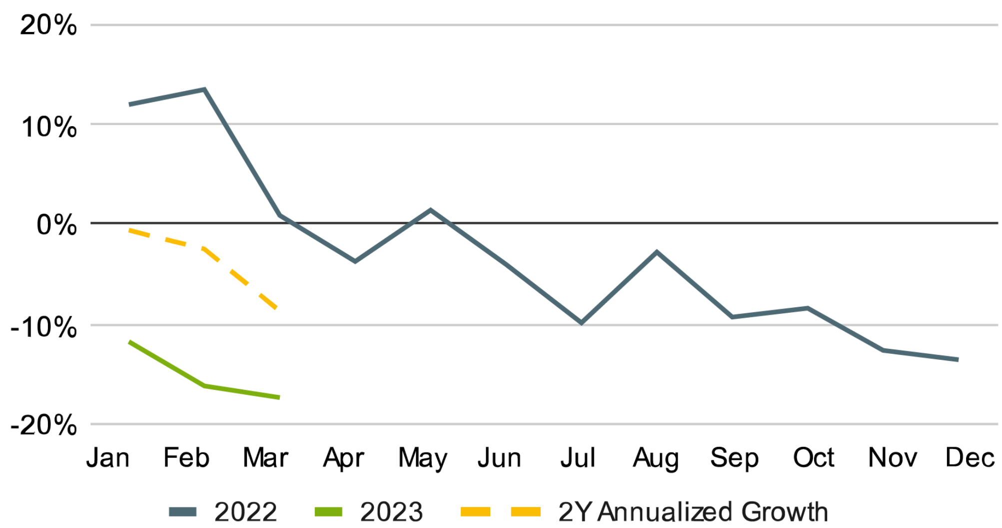
Median Revenue YoY — Contracting



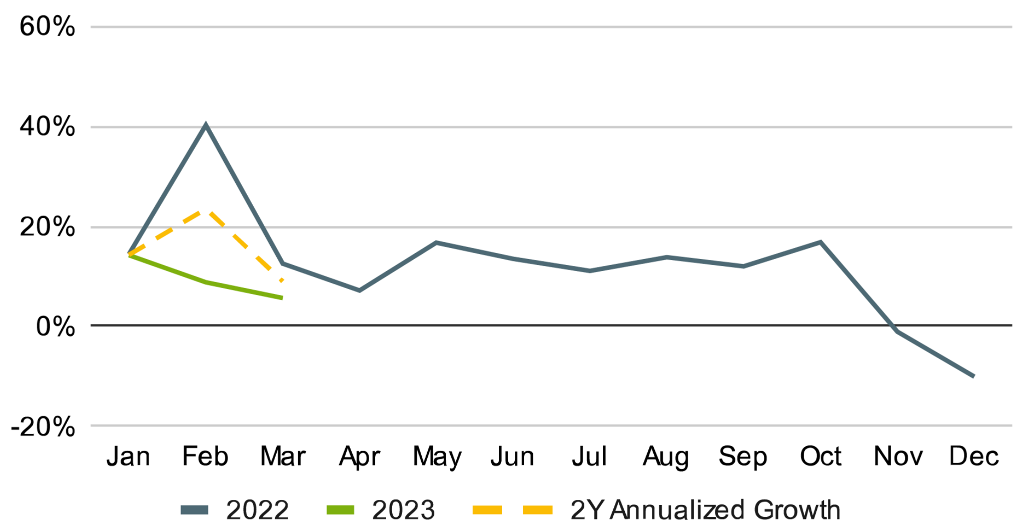
Construction

Construction services includes businesses in residential and commercial construction, remodeling, and related industries. Construction and remodeling businesses are most likely to be impacted by the slowdown in the housing market as existing home sales dropped 18% and new homes dropped 3.4% in March relative to last year.[5][6] On a positive note, March new sales were 9.6% higher relative to February as the market does show signs of picking up. Construction businesses saw an approximately 20% decrease in new work scheduled in Q1 2023 compared to the same period last year. Despite this, businesses were able to grow revenues in the first quarter year-over-year.

New Work Scheduled YoY — Construction



Median Revenue YoY — Construction



These trends underline the resilient nature of Home Service industries, even in the face of fluctuating demand. Businesses have shown their adaptability, leveraging increased pricing power to maintain revenue growth despite changes in new work scheduled. As we move further into 2023, it will be interesting to see how these trends develop and how businesses continue to adapt.

Future Outlook

Navigating 2023's evolving economic landscape, the Home Service category has displayed resilience and adaptability, despite fluctuating consumer demand. Across the segments—Green, Cleaning, Contracting, and Construction—businesses have successfully maintained revenue growth amid demand slowdowns, largely through increased pricing power in line with inflation.

The analysis of past economic slowdowns provides us with insights that can help guide expectations. For example, we can anticipate Maintenance spending to remain steady, while Improvement spending may experience more volatility. Furthermore, within the Improvement segment, Replacement spending is likely to demonstrate the most resilience.

In any economic scenario, Home Service businesses have proven their ability to adjust and maintain growth. The future outlook for the category is optimistic, demonstrating resilience and potential despite economic uncertainties.

Methodology & Data Sources

[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] Historical remodeling spend comes from US Census' American Housing Survey (AHS) and JCHS's Improving America's Housing report.

[3] These charts are a result of Jobber's tabulation of JCHS's Improving America's Housing report.

[4] The year-over-year change in new work scheduled and median revenue have been calculated by aggregating data across a cohort of businesses using Jobber since January 2021. This doesn't include any new businesses that started using Jobber during that period.

[5] Monthly Existing Home Sales data is provided by St. Louis Fed.

[6] New Residential Sales data is extracted from the U.S. Census Monthly New Residential Sales report.

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