Cleaning up: Recovery in the healthcare and food-service sectors will boost demand
About this Industry

Industry Definition
Companies in the industry supply laundered items, such as uniforms, gowns and coats, table linens, bed linens, towels, clean room apparel and treated mops to various industries. These items are provided on a rental or contract basis. Typical clients include industrial, healthcare, food-service and hospitality establishments.

Main Activities
The primary activities of this industry are
- Industrial laundering
- Supplying bed linens
- Uniform rentals and laundering
- Supplying table linens
- Towel rentals and laundering
- Supplying dust control textile items (i.e. cloths, mats, mops, rugs and shop towels)
- Supplying flame resistant clothing
- Supplying protective apparel

The major products and services in this industry are
- Industrial mats rental and cleaning
- Industrial wiping cloths rental and cleaning
- Linen garments rental and cleaning
- Linen rental and cleaning
- Uniform rental and cleaning
- Other

Similar Industries
81231 Laundromats in the US
This industry provides coin-operated laundry and cleaning services.

81232 Dry Cleaners in the US
This industry provides dry-cleaning and laundering services.

Additional Resources
For additional information on this industry
- www.almnet.org
  Association for Linen Management
- www.naumd.com
  North-American Association of Uniform Manufacturers & Distributors
- www.trsa.org
  Textile Rental Services Association
- www.uniformretailers.org
  Uniform Retailers Association
Industry at a Glance
Industrial Laundry & Linen Supply in 2013

Key Statistics Snapshot

Revenue: $11.5bn
Annual Growth 08-13: -1.7%
Annual Growth 13-18: 0.3%
Profit: $551.6m
Wages: $4.1bn
Businesses: 3,011

Market Share
Cintas Corporation: 26.5%
Aramark Corporation: 12.3%
UniFirst Corporation: 9.5%
G&K Services Inc.: 6.0%

Revenue vs. employment growth

National unemployment rate

Products and services segmentation (2013)

Uniform rental and cleaning: 33.6%
Industrial mats: 11.0%
Industrial wiping cloths: 4.4%
Linen garments: 16.9%
Other: 22.6%

Key External Drivers
National unemployment rate
Demand from accommodation and food services
Demand from manufacturing
Demand from hospitals
World price of cotton

Industry Structure
Life Cycle Stage: Mature
Regulation Level: Heavy
Capital Intensity: Low
Technology Change: Medium
Industry Assistance: None
Barrier to Entry: Low
Concentration Level: Medium
Industry Globalization: Medium
Competition Level: High

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 36
Executive Summary

The Industrial Laundry and Linen Supply industry is expected to record $11.5 billion in revenue in 2013. The industry supplies linen, dust-control items and uniforms to manufacturing, food-service and hospitality establishments, which have all faced declining employment and establishment numbers, curtailing demand for industry services. As such, revenue is expected to fall at an average annual rate of 1.7% from 2008 to 2013. Sustained demand from healthcare establishments has helped mitigate revenue declines over the five-year period, though; in fact, hospitals increased their outsourcing of laundering services to industry operators during the period. Despite recent modest employment gains in the manufacturing, hospitality and food-service sectors, revenue has yet to improve, falling 1.0% during 2013.

Profit margins have contracted slightly from 6.0% in 2008 to an estimated 4.8% in 2013. Rising commodity prices, such as for cotton and fuel (particularly in 2008 and 2011), raised operating expenses for industry companies. In addition, operators faced declining demand from clients. Falling profit margins, combined with sustained merger and acquisition activity, reduced the number of companies operating in the industry. Over the five years to 2013, the number of enterprises decreased at an average annual rate of 0.5% to 3,011.

Conditions are expected to improve slightly within the industry over the next five years. Revenue is forecast to increase at an average annual rate of 0.2% to $11.6 billion during the period. As the US unemployment rate edges down, demand for industry services is anticipated to increase. With a greater number of employees and establishments in the manufacturing, food-service and accommodation sectors, these clients will require more uniforms, linens and dust-control items. Furthermore, the federal healthcare reform bill is expected to raise the number of patients that healthcare establishments serve, boosting the demand for clean linens and uniforms. On the other hand, increasing environmental regulations are expected over the coming five years, pushing operators to use environmentally friendly detergents and facing them with higher fines and restrictions on greenhouse-gas emissions.

Key External Drivers

National unemployment rate
The industry is negatively affected by an increase in the unemployment rate, particularly in manufacturing, food-service, accommodation and healthcare sectors. When there are fewer employees working in these sectors, there is less demand for the industry’s uniform rental services. The national unemployment rate is expected to decrease in 2013, which is a potential opportunity for the industry.

Demand from accommodation and food services
Growth in accommodation and food services is positively correlated with industry revenue. Operators provide these clients with rental and laundering services for towels, sheets, aprons and uniforms. When there is greater demand from hospitality and food-service establishments, industry revenue increases. The demand from accommodation and food services is expected to increase over 2013.
Industry Performance

Key External Drivers continued

**Demand from manufacturing**
Downstream demand from the manufacturing sector in the United States positively influences industry revenue. The industry provides uniform and linen rentals, as well as dust-control items to manufacturing establishments. The demand from manufacturing is expected to increase over 2013.

**Demand from hospitals**
Increased demand from medical centers and hospitals positively affects the industry. These establishments use the industry’s rental and laundering services for linens, uniforms and dust-control items. The demand from hospitals is expected to increase over 2013.

**World price of cotton**
Trends in the price of cotton significantly affect profit margins for companies in the Industrial Laundry and Linen Supply industry. Given that cotton is a key input required for manufacturing apparel and linens, when the price of cotton rises, operators face escalating expenses, which can lead to lower profitability. The world price of cotton is expected to decrease in 2013, but will remain volatile in the coming five years, which is a potential threat.
Industry Performance

Current Performance

Like many industries, the Industrial Laundry and Linen Supply industry was unable to avoid the effects of the recession. Over the five years to 2013, revenue contracted at an average annual rate of 1.7% to an estimated $11.5 billion. Laundry and linen suppliers’ reliance on demand from the manufacturing, food-services and accommodation sectors left them susceptible to revenue declines during the recession and slow recovery period. A fall in the number of employed workers and operating establishments in these industries decreased demand for uniform and linen rentals and cleanings.

The Industrial Laundry and Linen Supply industry provides laundering services and rents uniforms, linens, towels, mats and various dust-control items. As unemployment spiked in food-service, accommodation and manufacturing sectors during the recession, fewer uniforms and linens were rented, reducing revenue for industry operators. For example, IBISWorld estimates that the number of automobile manufacturing facilities fell 3.6% and 3.8% during 2008 and 2009, respectively, causing a significant decrease in demand from this sector. Furthermore, the number of motels and hotels decreased 1.3% during 2008, according to IBISWorld estimates. Due to closures in the industry’s key client base, lower demand for uniforms, towels, entrance mats, mops, rugs and other dust-control items led industry revenue to dip 4.4% and 5.6% during 2008 and 2009, respectively.

Although the recession has ended, continued high unemployment and facility closures curtailed growth in demand for industry services during 2010. Regardless of industry revenue turning the corner in 2011, gaining 2.0%, revenue is expected to decline 1.0% in 2013 as a result of the laggard decline in the unemployment rate and slack recovery for the industry’s key client base. Nevertheless, a bright spot is the growing tendency of healthcare facilities to outsource their linen and uniform cleanings to laundry and linen supply companies. According to the ninth annual Contract Management survey “Outsourcing: In or Out,” nearly two-thirds of hospitals outsource their laundry services. Since the healthcare industry is more resilient to fluctuations in the economic cycle, this trend represents an opportunity for operators to limit revenue declines.

Falling profit

Profit margins, measured by earnings before interest and taxes, have declined over the past five years, from 6.0% of revenue in 2008 to 4.8% in 2013. The Industrial Laundry and Linen Supply industry is fairly competitive, with 3,011 companies in 2013. To increase the attractiveness of outsourcing linen and laundry supply services, operators are continually pressured to lower prices for downstream clients. Particularly during the recession, price competition became more prevalent, as operators tried to provide cheaper services to tempt clients.
Industry Performance

Falling profit continued

Decreased demand from clients, coupled with commodity price increases, further reduced profit margins. Oil price spikes during 2008 and 2011 strained industry profit, since operators typically offer delivery services. According to 2012 data from the US Energy Information Administration, the average retail price of gasoline increased 13.9% in 2008 and 26.7% in 2011 (latest available data). Overall, the retail price of gasoline is expected to increase an annualized 4.2% over the five years to 2013. Furthermore, the price of electricity has grown each consecutive year since 2004, increasing operators’ cost to dry laundry and linens. The world price of cotton also rose sharply, climbing 65.0% during 2010: a cotton export ban in India and flooding in Pakistan, both of which countries are major cotton exporters, caused the supply of cotton to decrease dramatically. In 2011, the price of cotton continued to climb an estimated 49.3%. In 2013, cotton prices are projected to fall 12.0% due to supply chain stabilization, which will benefit industry operators by reducing purchase costs.

Mergers and acquisitions

Sustained profit declines combined with strong merger and acquisition activity resulted in a declining number of industry operators. Over the past five years, the number of operators fell an annualized 0.5% to settle at 3,011 in 2013. While poor economic conditions played a part in the consolidation, the industry’s major players also became increasingly aggressive in their acquisition efforts. Major companies have set their sights on smaller regional players in order to maintain company revenue in the face of the weak economy. For example, Cintas Corporation acquired four uniform rental businesses in 2011, and Aramark acquired a few smaller regional players during the recession.

Rising acquisition activity in the industry has caused market share concentration to increase from 51.7% in 2008 to 54.4% in 2013. The trend toward consolidation has been ongoing over the past decade; in 2000, market share concentration among the top four players was only 39.5%. Hoping to benefit from economies of scale through centralized laundry facilities, major players have been working to expand their geographic scope and eliminate competition from smaller players.

In addition, operators are closing facilities to save on costs while demand is low. Over the five years to 2013, the number of industry facilities fell at an annualized rate of 1.1%, settling at 4,672 in 2013. Industry employment followed suit, as companies were forced to reduce their operating expenses given lower demand for rental and cleaning services for uniforms and linen. As such, the number of employees contracted at an average annual rate of 0.8% over the past five years, reaching an estimated 120,075 in 2013.
Industry Performance

Environmental regulations

Environmental regulation within the industry is significant; operators must comply with a host of regulations curtailing the use of detergents and setting emission controls. The Environmental Protection Agency recently imposed new regulations for handling nonylphenol ethoxylate (NPE) chemicals that are used in industrial detergents. By 2013, NPE must be eliminated from all liquid detergent formulations, and it must be removed from all powders by 2014. Over the past five years, operators have voluntarily decreased their use of these chemicals, causing industry-wide use of NPE to decline about 75.0%. For its part, Cintas announced in 2008 that it was the first major industrial launderer to cease company-wide use of NPE-based detergents. In keeping with increasing regulation, operators have focused their marketing efforts on the environmental benefits of outsourcing rental and cleaning services for uniforms and linens, since fewer chemicals and less water are used for larger laundry loads.

Industry Outlook

Industry operators can expect a brighter outlook over the five years to 2018. Favorable trends in employment will drive up demand for uniform rentals, positively affecting laundry and linen suppliers. Revenue is forecast to expand at an average annual rate of 0.2% over the next five years to total $11.6 billion in 2018. Sluggish growth will mark the beginning of the period; however, due to the initially slow rise in employment in client industries, revenue is projected to decrease 0.3% in 2014.

A major determinant of demand for industry services is the level of employment in the United States, specifically in the manufacturing, hospitality and healthcare sectors. The industry depends heavily on downstream demand from these sectors, so an increase in employment in these areas enhances demand for uniform rentals, the industry’s major service. Fortunately for the industry, unemployment is forecast to decrease to 6.1% by 2018, with the largest job gains expected to occur in 2014 and 2017.

Demand from hotels and motels is expected to rebound as increasing per capita disposable income boosts consumers’ propensity to travel over the next five years. Rising consumer demand for hotels and motels will drive up their number of establishments, positively affecting industry demand because accommodation establishments use linens, towels, entrance mats and uniforms. From 2013 to 2018, IBISWorld projects the number of hotels and motels in the United States to rise at an average annual rate of 0.3%. Food-service establishments are also expected to recover over the coming five years; higher per capita income, particularly toward the end of the five-year period, will allow more consumers to eat out at restaurants rather than staying home. Growing demand among consumers for eating out will cause the number of food-service facilities to rise, propelling demand for uniform and linen rentals and dust-control items.
Industry Performance

Heightened competition

The number of companies operating in the industry is forecast to decrease slightly over the five years to 2018 at an average annual rate of 0.4% to 2,952. Increased merger and acquisition activity on the part of major companies will drive this consolidation. Still, with greater demand from the manufacturing, hospitality and healthcare sectors, operators will increase their staff levels, resulting in the number of industry employees increasing 0.3% per year on average to 121,867 by 2018.

Despite falling operator numbers, the industry remains highly fragmented, with a high number of enterprises competing for the same markets. As downstream demand improves, operators will increasingly engage in price-based competition to attract clients, which will limit profit margin growth over the next five years. As a result, profit margins are forecast to rise only slightly from 4.8% in 2013 to 5.1% in 2018. Nevertheless, the industry will benefit from more favorable cotton prices. Although cotton prices will continue to rise, they are expected to increase at a significantly slower average annual rate of 1.2% over the five years to 2018, compared to the past five years when cotton prices rose at double-digit rates.

Healthcare drives up growth

Continuing a trend that began in the late 1990s, healthcare institutions are increasingly outsourcing their linen and uniform cleaning to industry operators. Provisions in 2010’s Patient Protection and Affordable Care Act will take effect over the next five years, which will provide insurance coverage to about 32 million people. This trend will increase the number of patients that hospitals serve, raising demand for laundering services. Furthermore, with more patients requiring hospital services, a greater number of employees will likely enter the healthcare profession, which will expand uniform rentals. This growth within the healthcare sector is anticipated to positively affect operators over the next five years.

Looming regulations

According to Environmental Protection Agency (EPA) regulations, nonylphenol ethoxylate chemicals used in industrial detergents must be eliminated from all liquid detergent formulations by 2013 and from all powders by 2014. The majority of industry operators have already begun to decrease their use of such chemicals. But over the next two years, every company will be required to completely switch to new detergents.

Furthermore, the federal government’s pledge to reduce greenhouse-gas emissions 28.0% by 2020 may increase fees, fines or taxes for industry operators with emissions greater than 10,000 tons a year. This factor may lead to higher operating expenses over the next five years for major players. A third possible regulatory action affects shop towels. EPA research suggests that eight of 20 solvents typically used on shop towels pose risks to human health; therefore, regulations regarding the industry’s shop towels may increase.
Industry Performance

Industry value added is forecast to grow more slowly than the economy as a whole

A significant number of new clients are not expected for the industry

Growth prospects in the healthcare sector will occur

Life Cycle Stage

Maturity
Company consolidation; level of economic importance stable

Quality Growth
High growth in economic importance; weaker companies close down; developed technology and markets

Quantity Growth
Many new companies; minor growth in economic importance; substantial technology change

Decline
Shrinking economic importance

Key Features of a Mature Industry
Revenue grows at same pace as economy
Company numbers stabilize; M&A stage
Established technology & processes
Total market acceptance of product & brand
Rationalization of low margin products & brands

Laundromats
Dry Cleaners
Cut and Sew Manufacturers
Textile Mills

Industrial Laundry & Linen Supply

Water Supply & Irrigation Systems

SOURCE: WWW.IBISWORLD.COM
Industry Performance

Industry Life Cycle

The Industrial Laundry and Linen Supply industry is expected to grow at a slower rate than the overall economy during the 10 years to 2018. Industry value added, a measure of the industry’s contribution to the overall economy, is expected to fall at an annualized rate of 0.6% from 2008 to 2018, lagging the US economy, which is expected to grow an average 2.1% per year over the same period. Typically, an industry whose growth falls below GDP is considered to be in a decline phase of its life cycle. However, due to major mergers and acquisitions, narrow profit margins and slow technological change, industry growth is rather skewed. Therefore, analysis of this industry suggests that it is currently in the mature phase of its life cycle. Merger and acquisition activity is indicative of the industry’s mature life cycle stage. The major companies have focused on acquiring regional players, which is boosting market share concentration among the top four players.

Although hospitals represent an opportunity for operators to increase revenue, an estimated two-thirds of hospitals already outsource laundry services to the industry. Furthermore, as businesses move away from using uniforms in favor of a more casual work environment, demand for uniforms is not likely to increase significantly. Therefore, the number of downstream industries demanding laundry and linen supplies and services is not expected to expand. Instead, the same manufacturing, food-service, accommodation and healthcare clients continue demanding industry services.

In a quest to improve operational efficiency, larger companies have begun restructuring their operations and implementing more computerized technology and new equipment to reduce their reliance on labor. Still, the level of technological innovation has not changed significantly over the past five years, indicating an already high level of efficiency.
The Industrial Laundry and Linen Supply industry encompasses a wide variety of services, which IBISWorld separates into six groups. The value of sales for each service segment depends on the quantity sold as well as the price of those services. Demand factors, such as the number of client establishments and their employment levels, influence the quantity of services sold; prices for services reflect input prices and the purchasing power of clients, as larger customers can negotiate for lower-priced services by purchasing large volumes of goods.

**Uniform rental and cleaning**

Uniform rental and cleaning comprises the largest service segment for the industry, accounting for 33.6% of revenue in 2013. This segment includes services for renting and cleaning uniforms for various industries. Hospitality, food-service, pharmaceutical, manufacturing, transportation, construction and public-safety companies typically rent uniforms. Cleanroom garments (e.g. boot covers, coveralls, gloves, boots and safety glasses) are also distributed to pharmaceutical establishments. Demand for this service is influenced by the number of establishments within these industries, their employment levels and the frequency of garment replacement.

**Major Markets**

- **Construction in the US**
  The industry supplies overalls and other uniforms to employees in the construction sector.

- **Manufacturing in the US**
  The industry supplies employees in manufacturing sectors with uniforms and other linen products.

- **Retail Trade in the US**
  Industry operators rent and clean uniforms, mats and linen for retail establishments.

- **Healthcare and Social Assistance in the US**
  The industry provides linens, uniforms and cleaning services for the health care sector.

- **Accommodation and Food Services in the US**
  Industry operators supply sheets, tablecloths and other linen to accommodation and food service establishments.
products and markets

segment is largely tied to changes in employment levels in the aforementioned industries. The share of revenue from this segment has declined slightly over the past five years due to widespread employment cuts in the United States reducing demand for uniforms.

**Linen rental and cleaning**

Linen cleaning and rental is the second-largest service segment for the industry and accounts for about 22.6% of revenue in 2013. This segment includes revenue from cleaning and renting flatwork and full dry linens, such as sheets or napkins. Demand for linen rentals and cleaning is largely tied to the number of hospitality, healthcare and restaurant establishments. When the number of establishments increases, demand for this service segment increases. Revenue for this segment has declined slightly over the five years to 2013. The declining profitability and number of hospitality and restaurant establishments during the recession reduced demand for linens from industry operators. Increasingly, a greater number of establishments chose to perform cleanings themselves, rather than pay industry operators to perform the service. However, sustained demand from healthcare establishments counterbalanced some of the decreased demand from other sectors. Since healthcare is less discretionary for consumers, healthcare establishments are more shielded from the vagaries in economic cycles.

**Linen garments rental and cleaning**

The segment includes revenue from renting and cleaning linen garments such as gowns, coats and aprons. This segment is estimated to account for 11.5% of revenue in 2013. Healthcare and restaurant establishments typically demand these services. Demand from the healthcare sector remained relatively stable during the recession, helping this segment’s share of revenue increase over the past five years.

**Industrial mats rental and cleaning**

This segment includes services for renting and cleaning launderable and unlaunderable mats. The segment accounts for 11.0% of revenue in 2013. A variety of establishments use mats, particularly at the entrances to retail stores and businesses. Industry operators rent out these mats to establishments and then remove, clean and replace them periodically. Demand for this service segment is tied to the
Products & Markets

Products & Services continued

number of clients in the hospitality, food-service, healthcare and manufacturing sectors, among others. The segment’s overall revenue has decreased in line with total industry revenue, leading to a relatively constant share during the five years to 2013.

Industrial wiping cloths rental and cleaning
This group of services accounts for an estimated 4.4% of industry revenue in 2013. Industry operators provide industrial wiping cloths, industrial mops, cloths and other miscellaneous dust-control items for their customers. Demand for this service segment is similarly tied to the number of establishments in various industries and their corresponding profitability. This segment’s share of revenue has declined slightly since 2008. During the recession, many clients closed some of their establishments, and others began performing cleaning services themselves, resulting in reduced demand for operators’ services.

Other
Other industry services include garment alteration and repair, dry cleaning services (mainly for uniforms rented by clients) and other miscellaneous services. The proportion of industry revenue from this service segment is estimated to account for 16.9% in 2013.

Demand Determinants

The Industrial Laundry and Linen Supply industry provides services to many different industries. Consequently, a variety of factors affect the demand for industry services, most of which are correlated with macroeconomic indicators. The most important factors are business sentiment and unemployment in downstream industries. When the economy is prosperous, and manufacturing, healthcare and hospitality sectors are expanding, there is increased demand for industry services. Furthermore, when a greater number of workers are employed in the aforementioned industries, there is a higher demand for uniform rentals, which is the industry’s primary service. The opposite is true during economic downturns, when demand for industry services declines due to heightened unemployment and decreased business profit and revenue, which reduces demand for outsourced rental and cleaning services.

Unemployment
The level of employment in the United States is a major determinant of industry demand. Because the industry generates the majority of its revenue by renting and cleaning uniforms for the manufacturing, food service, healthcare and transportation sectors, an increase in employment for these clients raises demand for industry services. With the recession and resultant widespread unemployment, particularly in the manufacturing and hospitality sectors, demand for industry services decreased, as fewer workers meant fewer uniforms being rented and cleaned. With slow employment gains during the past three years, demand for rental and cleaning services has begun to rebound.

Downstream industries
Both the number of manufacturing, hospitality and healthcare establishments and their corresponding profitability are positively correlated with demand for industry services. Manufacturing industries typically require uniform rentals, as well as replacement mats, mops, shop towels and other dust-control items. Over the past five years, the
number of establishments in automobile manufacturing and food and beverage manufacturing has declined, which has decreased the number of dust-control items and uniform rentals demanded, contributing to falling industry revenue. The hospitality sector has also experienced a decline in locations due to falling consumer spending during the recession, which reduced the quantity of linens and dust-control items these clients needed. Furthermore, in an effort to cut operating expenses, more clients chose to perform cleaning services in-house instead of outsourcing those services, thereby reducing demand for industry operators.

The healthcare sector, by contrast, has been more resilient than other clients due to the fact that they provide necessary services for consumers. Therefore, demand from this sector has remained more stable and counterbalanced declines from other downstream industries. Thanks to the healthcare sector’s lower revenue volatility, industry operators are increasingly focusing on healthcare establishments as a way to ensure a more constant stream of revenue.

Demand Determinants continued

Major Markets

Demand for this industry’s services is concentrated into five major markets: manufacturing, accommodation, healthcare, government and food services. These markets use industry services such as uniform rentals and cleaning, linen supply services, towel supply services and dust-control textile items. Profit and employment trends determine revenue from these sectors.

Manufacturing

Manufacturing industries provide for the majority of industry revenue, accounting for 34.2% in 2013. Manufacturing industries primarily demand uniform rental services; however, a number also purchase mats, mops, cloths, towels and other dust-control items. Pharmaceutical industries and car manufacturers are the principal segments of the market. Pharmaceutical industries purchase cleanroom garments (e.g. boot covers, coveralls, gloves, boots and safety glasses). Given the sensitive nature of the materials sometimes present on these garments, industry operators must wear protective uniforms while handling the

Demand

Determinants

continued

Major market segmentation (2013)

Total $11.5bn

SOURCE: WWW.IBISWORLD.COM
laundry items. Due to the recession’s adverse effect on many manufacturing industries, primarily in car manufacturing, revenue from this segment has declined slightly over the past five years.

**Healthcare**
An estimated 25.2% of industry revenue is generated from healthcare establishments. These clients rent uniforms, sheets, towels, mats, mops and other dust-control items. Healthcare establishments are becoming increasingly popular among industry operators, as establishments have been transitioning from performing laundering services themselves to outsourcing laundering services. Also, the healthcare sector has a higher proportion of women working in the field. Therefore, a greater number of operators are marketing a greater array of uniforms appealing to women. For example, Cintas has introduced true-to-size women’s professional apparel, in addition to expanded sizes. Furthermore, healthcare establishments tend to have higher profit margins and stable revenue growth. Therefore, industrial laundry and linen supply companies consider the sector a burgeoning market, given its consistent demand for clean uniforms and linen supply. Over the past five years, revenue from this segment has increased.

**Accommodation**
Hotel and motel establishments represent another significant area of demand for industry services. Accommodation services account for an estimated 17.3% of revenue in 2013. These establishments have a high turnover in the amount of sheets, towels and other linens that they require. Furthermore, staff may also require uniform rentals. During the recession, the number of hotel and motel establishments declined as per capita disposable income fell, which reduced consumer demand for hotels and motels. Additionally, a greater number of hotels and motels chose to perform laundering services in-house to reduce operating expenses and increase profit margins. As such, the share of revenue from this market has declined over the past five years.

**Food services**
Food-service establishments typically rent uniforms, table linens, dust-control items, aprons and other protective apparel for employees. The share of industry revenue from food service establishments is estimated at 9.1% in 2013. The number of restaurant establishments, particularly single-location restaurants, decreased during the recession, as disposable income among consumers fell. Higher-end restaurants use table linens, cloth napkins and rug maintenance services. As a result, the decrease in the number of establishments caused industry revenue to contract. As such, the share of revenue from this market has declined since 2008.

**Government**
Government clients typically rent uniforms for fire protection, police services, prisons and some education facilities. The share of industry revenue from government clients is estimated to reach 9.9% in 2013. Lower tax receipts during the recession and the recovery period has resulted in employee cutbacks in public-service professions. Consequently, the market’s share of industry revenue has declined over the five-year period.

**Other**
Other markets make up 4.3% of industry revenue in 2013 and include retail stores, department stores, grocery stores and gas stations. Uniforms make it easy for consumers to identify staff, thus
Products & Markets

Major Markets continued

Some of the industry’s garments, linens and supplies may have been imported into the United States; the trade of these items is included in the relevant manufacturing industries. The Industrial Laundry and Linen Supply industry mainly supplies the domestic market since transportation costs limit the geographic scope of operations.

International Trade

facilitating customer assistance. Retailers also use dust-control supplies, including entry mats and mops.
Products & Markets

Business Locations 2013
## Products & Markets

### Business Locations

The regions with the greatest concentration of Industrial Laundry and Linen Supply establishments include the Southeast, the West, the Great Lakes and the Mid-Atlantic. Establishments are largely distributed according to population trends and the locations of manufacturing and hospitality service companies, as these are the industry’s major clients.

The Southeast has the greatest share of industry establishments, estimated at 27.8% of the total in 2013. Over the five years to 2013, laundry and linen suppliers have chosen to increasingly locate their operations in the Southeast region due to population shifts to the region, which attracts businesses that demand industry services. The region also includes popular tourist destinations like Miami and Atlanta, which have a high number of hospitality establishments. Florida, for example, has 5.6% of industry locations in the state alone. Operators also tend to locate themselves close to potential clients in the manufacturing sector. Many of these manufacturers are concentrated in North Carolina and Georgia.

The West has the second-highest share of industry establishments at 16.9%. California holds the highest percentage of locations in the country, totaling 11.4%. Operators are attracted to California largely because of its densely populated cities and the fact that California is a leading industrial state, ranking first in almost every general manufacturing category. Furthermore, the West has a high concentration of hospitality establishments, which increases demand for industry services, specifically for linen and towel rentals. The share of industry establishments in the region has risen over the past five years, mainly due to population growth in the region, which increased its attractiveness for industry operators.

The Great Lakes has 15.6% of the industry’s establishments. Illinois has a particularly high share of locations, with the state accounting for 3.8% of the total. The region has a high concentration of manufacturing plants and large consumer population centers, most notably Chicago. The region accounts for about 38.0% of automobile manufacturing facilities in the region. In fact, both General Motors and Ford are located in the Great Lakes, thereby providing demand for industrial laundry and linen companies. However, the region’s share of establishments has been declining over the past five years due to consolidation in the automobile industry, which reduced demand for industry services.

The Mid-Atlantic region comes in a close fourth, with 14.4% of establishments. The top choices for operators are New York and Pennsylvania, which respectively hold 5.6% and 4.3% of the total. The region is a popular destination for travelers; therefore, a large number of hospitality establishments choose to...
Business Locations continued

locate here, driving demand for linen rentals. Furthermore, the Mid-Atlantic has a high concentration of pharmaceutical manufacturing establishments, which attracts industry operators. The proportion of establishments in the region has fallen over the past five years.

Other minor participating regions in this industry include the Southwest, the Plains, New England and the Rocky Mountains. Among these areas, the Southwest has the highest percentage of industry establishments at 9.7%. Mainly thanks to Texas, which holds 6.7% alone. The Plains and the Rocky Mountains have smaller consumer markets, making them less attractive to both linen supply companies and their clients. New England has a smaller manufacturing center and is therefore a less popular destination for industry establishments.
Cost Structure
Benchmarks

As a service industry, the main expenses for industrial laundry and linen supply companies are labor and purchases. The average company has a 4.8% profit margin, measured by earnings before interest and taxes. However, profit margins have decreased over the past five years; in 2008, profit margins averaged 6.0% of revenue. As more clients cut back on the size of their workforce and their locations, demand for outsourced laundry rental and cleaning contracted. Furthermore, increased competition for contracts resulted in more competitive pricing among operators, further

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

- **Ability to quickly adopt new technology**
  Adopting new logistics technology allows firms to enhance services for clients and make operations more efficient.

- **Ability to compete on tender**
  It is important for companies to be able to compete on tender for major linen and uniform rental and laundering contracts to ensure future revenue growth.

- **Access to niche markets**
  Developing a number of small niche market opportunities offers greater potential profit margins.

- **Ability to provide goods/services in diverse locations**
  Industry operators should locate facilities near major clients to minimize transportation costs.

- **Effective cost controls**
  Effective cost control is an integral mechanism in an industry with relatively low profit margins.

Market Share Concentration

Level
Concentration in this industry is **Medium**

The Industrial Laundry and Linen Supply industry has a medium level of market share concentration. Cintas Corporation and Aramark dominate the industry and together account for more than a third of revenue. The majority of the 3,011 companies are medium-sized operators with fewer than 20 employees. Operators typically locate close to their clients to minimize transportation costs, which make up a significant portion of operating expenses. Consequently, it is difficult for any one company to service a large portion of the entire market.

Consolidation has been occurring over the past decade, resulting in increasing concentration. In 2000, the top four players held only 39.5% of industry revenue. By 2008, that value had risen to 51.7% market share. Sustained merger and acquisition activity on the part of major players in the industry is the primary reason for this trend. In 2013, the top four companies account for about 54.4% of industry revenue. Over the past five years, major players have been acquiring smaller regional players to expand their geographic scope. For instance, G&K Services Inc. expanded its operations in the Mid-Atlantic region with the 2008 purchase of Best Uniform Rental Service Inc.

Enterprises by employment size

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 4</td>
<td>26.6</td>
</tr>
<tr>
<td>5 to 9</td>
<td>14.1</td>
</tr>
<tr>
<td>10 to 19</td>
<td>14.9</td>
</tr>
<tr>
<td>20 to 99</td>
<td>29.2</td>
</tr>
<tr>
<td>100 to 499</td>
<td>11.1</td>
</tr>
<tr>
<td>500+</td>
<td>4.1</td>
</tr>
</tbody>
</table>

SOURCE: US CENSUS BUREAU
Competitive Landscape

Cost Structure

Benchmarks continued

constraining profitability. Additionally, oil price spikes during 2008 and 2011 substantially increased the cost of transporting laundry and linen items to and from clients, which further hampered profitability. Lastly, the world price of cotton increased 65.0% during 2010 and 49.3% during 2011. Decreased shipments from major exporters India and Pakistan temporarily caused the supply of cotton to fall dramatically. With mounting cotton prices, the input prices for some industry garments have risen, further constraining profit margins.

Wages

As a service industry, labor is typically one of the most significant expenses for industry operators. Wages are estimated to account for 35.7% of revenue in 2013. This figure is relatively similar to 2008, when wages averaged 36.4% of revenue. Over the past five years, companies were forced to cut employment to reduce their operating expenses. As such, the number of employees has fallen an average annual rate of 0.8% over the five-year period. Similarly, from 2008 to 2013, wages have fallen at an average annual rate of 2.1%. However, labor costs, for the most part, have fallen in line with revenue, causing wages’ share of revenue to remain constant over the period.

Purchases

Purchases are the second big cost to industry operators and are expected to account for 34.0% of revenue in 2013. In 2008, purchases accounted for 32.0%. Increasing cotton prices and the price of oil-based synthetic fabrics, such as nylon and polyester, have contributed to mounting expenses for industry operators. Furthermore, crude oil prices spiked in 2008 and 2011, substantially increasing transportation expenses for

---

**Sector vs. Industry Costs**

![Sector vs. Industry Costs Chart]

*Average Costs of all Industries in sector (2013)*

<table>
<thead>
<tr>
<th>Percentage of Revenue</th>
<th>Profit</th>
<th>Wages</th>
<th>Purchases</th>
<th>Purchases</th>
<th>Depreciation</th>
<th>Marketing</th>
<th>Rent &amp; Utilities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>4.2</td>
<td>34.9</td>
<td>22.2</td>
<td>21.1</td>
<td>34.0</td>
<td>3.9</td>
<td>7.6</td>
<td>12.3</td>
</tr>
</tbody>
</table>

*Industry Costs (2013)*

<table>
<thead>
<tr>
<th>Percentage of Revenue</th>
<th>Profit</th>
<th>Wages</th>
<th>Purchases</th>
<th>Purchases</th>
<th>Depreciation</th>
<th>Marketing</th>
<th>Rent &amp; Utilities</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>4.8</td>
<td>35.7</td>
<td>34.0</td>
<td>3.9</td>
<td>7.6</td>
<td>12.3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*SOURCE: WWW.IBISWORLD.COM*
Competitive Landscape

**Basis of Competition**

**Level & Trend**

Competition in this industry is **High** and the trend is **Steady**

**Internal competition**

Competition within the Industrial Laundry and Linen Supply industry is high and steady, as there are many companies operating with medium-sized market shares. Price-based competition has increased over the past five years, with companies aggressively competing for clients during the recession. Competition is particularly intense in the Southeast and the West areas since the concentration of establishments is highest in those regions. Barriers to entry are medium, which limits the ability of new companies to enter the industry.

**Other**

Depreciation expenses have decreased over the past five years. In 2013, depreciation is expected to account for 3.9% of revenue. During the recession, most companies put off upgrades and expansions, resulting in a decline in capital expenditures since 2008.

Other costs include interest expenses, selling and administrative expenses, restructuring, marketing, legal costs, good will adjustments and others. Advertising expenses have increased over the past five years with rising competition. However, other expenses have decreased slightly over the period due to downsizing among operators. These costs, including marketing expenses, are expected to account for 14.0% of revenue in 2013.

Competition within the Industrial Laundry and Linen Supply industry is high and steady, as there are many companies operating with medium-sized market shares. Price-based competition has increased over the past five years, with companies aggressively competing for clients during the recession. Competition is particularly intense in the Southeast and the West areas since the concentration of establishments is highest in those regions. Barriers to entry are medium, which limits the ability of new companies to enter the industry.

Cost Structure

**Benchmarks continued**

Companies, given that laundry and linen items must be picked up and distributed continually. According to the latest data from the US Energy Information Administration, the retail price of gasoline rose 13.9% in 2008 and a further 26.7% during 2011. Overall, the retail price of gasoline has increased at an average annual rate of 4.2% over the five years to 2013.

**Rent and utilities**

The cost of utilities has risen over the past five years. The price of electricity has increased steadily, growing each consecutive year since 2004. Utilities account for 4.2% of revenue in 2013, an increase from 4.0% in 2008. Rental costs are estimated at 3.4%, a slight increase from 2008, due to low rental vacancy rates forcing up rent prices.

**Other**

Depreciation expenses have decreased over the past five years. In 2013, depreciation is expected to account for 3.9% of revenue. During the recession, most companies put off upgrades and expansions, resulting in a decline in capital expenditures since 2008.

Other costs include interest expenses, selling and administrative expenses, restructuring, marketing, legal costs, good will adjustments and others. Advertising expenses have increased over the past five years with rising competition. However, other expenses have decreased slightly over the period due to downsizing among operators. These costs, including marketing expenses, are expected to account for 14.0% of revenue in 2013.
Competitive Landscape

The industry has medium barriers to entry, primarily given the dominance of the top four players and the industry’s high level of regulation. Market share concentration among the top four companies has increased from 51.7% in 2008 to 54.4% in 2013. The trend is expected to continue, giving these firms a significant national market presence and secure relationships with major clients.

There is no direct governmental assistance for the industry. However, operators do face a high level of regulation, particularly by the Environmental Protection Agency (EPA). These regulations govern emission controls, as well as treating and disposing of wastewater used at facilities. Furthermore, new environmental regulations governing the use of nonylphenol ethoxylates chemicals used in industrial detergents are taking effect in 2013.

Start-up costs vary depending on the scale of operations. New businesses will need to secure a facility, vehicles and equipment such as computers, industrial washing machines, dryers and mechanized folders. Operators typically require lower-skilled employees be able to monitor chemical levels for industrial washing machines and operate drying, folding and other necessary equipment. Therefore, there is little difficulty in securing staff for operations.

Once the new business enters the industry, barriers to success are much higher. Considering the high price-based competition, new operators will have to ensure high operational efficiency to reduce expenses. Furthermore, given the industry’s concentration, new companies will have to devote substantial resources to securing new customers. Entrants must take advantage of location benefits; if there are fewer operators in particular regions, new companies can take advantage of the decreased competition by situating their facility there.

Some major operators have also developed niche product offerings, which may generate higher profit margins. For example, some provide garment and linen cleaning services for nuclear generation plants.

**External competition**
Industrial laundry and linen supply companies face external competition from clients choosing to perform laundering services in-house, which impedes demand for the industry. In addition, regional or local cooperatives (autonomous groups working toward a mutual benefit) launder hospitals’ linens, allowing healthcare establishments to benefit from the reduced cost of having a separate in-house laundry facility.

**Basis of Competition continued**

The industry has medium barriers to entry, primarily given the dominance of the top four players and the industry’s high level of regulation. Market share concentration among the top four companies has increased from 51.7% in 2008 to 54.4% in 2013. The trend is expected to continue, giving these firms a significant national market presence and secure relationships with major clients.

There is no direct governmental assistance for the industry. However, operators do face a high level of regulation, particularly by the Environmental Protection Agency (EPA). These regulations govern emission controls, as well as treating and disposing of wastewater used at facilities. Furthermore, new environmental regulations governing the use of nonylphenol ethoxylates chemicals used in industrial detergents are taking effect in 2013.

Start-up costs vary depending on the scale of operations. New businesses will need to secure a facility, vehicles and equipment such as computers, industrial washing machines, dryers and mechanized folders. Operators typically require lower-skilled employees be able to monitor chemical levels for industrial washing machines and operate drying, folding and other necessary equipment. Therefore, there is little difficulty in securing staff for operations.

Once the new business enters the industry, barriers to success are much higher. Considering the high price-based competition, new operators will have to ensure high operational efficiency to reduce expenses. Furthermore, given the industry’s concentration, new companies will have to devote substantial resources to securing new customers. Entrants must take advantage of location benefits; if there are fewer operators in particular regions, new companies can take advantage of the decreased competition by situating their facility there.
Competitive Landscape

Industry Globalization

Level & Trend
Globalization in this industry is Low and the trend is Steady.

The Industrial Laundry and Linen Supply industry has a low level of globalization. Operators are primarily US-owned and the majority of their revenue come from domestic activity. There are a few large US firms that operate internationally, such as Aramark and Alsco. Transportation costs typically limit the geographic scope of operations, making it more profitable for companies to be located closer to their immediate client base.

The majority of major companies manufacture uniforms and other textiles at plants in Mexico and the Dominican Republic. Furthermore, companies in the industry also purchase garments and linens from China and India. These companies are, therefore, susceptible to changes in the price of textiles and possible trade restrictions.
Cintas Corporation is the market leader in the Industrial Laundry and Linen Supply industry. The company is headquartered in Cincinnati and operates more than 429 facilities and has 7,800 local delivery routes throughout the United States and Canada. In addition to its laundering facilities, the company has eight distribution centers and six manufacturing facilities to produce uniforms. The company has about 30,000 employees. In addition to North America, its products and services are distributed throughout Latin America, Europe and Asia. The company has four operating segments: rental uniforms and ancillary products, uniform direct sales, first-aid safety and fire protection services, and document management services. Cintas operates in the industry through its rental operations, which constitute the majority of its revenue at 71.0%.

In 2011, Cintas acquired four uniform rental businesses, which contributed to the 4.8% growth in revenue for its rental operations segment during the year. Furthermore, from 2008 to 2013, the company embarked on a variety of strategic alliances and product expansions to maintain its leadership position. In November 2011, Cintas entered into a strategic alliance with Rubbermaid Commercial Products to provide its rental customers with an exclusive line of cleaning wipes and mops, along with other Rubbermaid cleaning tools.

In March 2010, the company also introduced an expanded women’s professional apparel segment, with uniforms in larger sizes that better cater to their customers’ preferences and sizes. Cintas is the first company to offer these larger sizes across all product lines. In 2009, Momentum, the company’s best-selling tailored collection, was reinvented as an eco-friendly alternative. The material is made from a blend of recycled polyester, wool and Lycra, and also uses recycled plastic water bottles. In addition, in 2008, the company became the first major industrial launderer to eliminate nonlyphenol ethoxylate (NPE) from its detergents and transition to a more environmentally friendly detergent.

Financial performance
Revenue from Cintas’ uniform rental segment has increased at an average annual rate of 1.3% over the five years to 2013 to an estimated $3.0 billion, giving the company a 26.5% market share. Revenue growth was strong prior to the recession; however, during fiscal 2009 and 2010, revenue decreased a respective 2.8% and 6.7% largely due to curtailed spending and employment cuts among customers. The company instituted decreased prices to remain competitive, which contributed to lower revenue. In response to the slowdown, the company closed two manufacturing plants in Kentucky and initiated a hiring and wage freeze. In the years since the recession, revenue has rebounded with employment gains, which have increased demand for rental clothing. Furthermore, revenue increased during 2011 due to improved
Aramark is a Philadelphia-based company that began its operations in 1936 in the food vending industry. The company currently operates in two segments: food, hospitality and facility service, and uniform and career apparel. The former makes up the majority of its revenue. The company’s uniform and career apparel segment is primarily US-based and accounts for 10.0% of its revenue. It provides work clothes, accessories and equipment to a wide range of industries, including manufacturing, transportation, construction, restaurants, hotels, public-safety and pharmaceutical industries. Aramark services customers in 45 states, Puerto Rico and Canada from about 200 service locations and distribution centers. The company has about 259,000 employees, of which 13,000 are involved in its uniform rental operations.

Uniforms and apparel services are provided under two primary brands: WearGuard-Crest and Aramark. WearGuard-Crest is distributed to workers in the construction, utilities, repair and maintenance, restaurant and hospitality industries. Aramark provides rugged workwear, uniforms and safety apparel and is the only provider of flame-resistant apparel. The company also formerly operated through its Galls brand, one of the leading suppliers of uniforms and equipment to public safety professionals. However, in 2011, the company sold this business to CI Capital Partners in order to focus on its core food and facility services business. Aramark operates a cut-and-sew plant in Mexico, and purchases additional uniform and

Player Performance continued

In fiscal 2013, company revenue is expected to rise 3.9% as further declines in the unemployment rate increase demand for uniform rentals.

Profit decreased significantly in fiscal 2009 and 2010, falling 17.9% and 9.2%, respectively as fuel and electricity prices increased and demand from clients fell. In response, the company reduced its operating expenses significantly beginning in 2008 to preserve margins. The company cut employee numbers by about 1,200 over the past five years. During the fourth quarter of 2009, the company also converted 16 rental processing plants to branches (i.e. kept administrative, sales and service offices, but removed cleaning facilities) or closed them.

Cintas Corporation (uniform rental segment) – financial performance

<table>
<thead>
<tr>
<th>Year*</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>EBIT ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>2,834.6</td>
<td>3.7</td>
<td>451.3</td>
<td>-2.4</td>
</tr>
<tr>
<td>2008-09</td>
<td>2,755.0</td>
<td>-2.8</td>
<td>370.5</td>
<td>-17.9</td>
</tr>
<tr>
<td>2009-10</td>
<td>2,569.4</td>
<td>-6.7</td>
<td>336.5</td>
<td>-9.2</td>
</tr>
<tr>
<td>2010-11</td>
<td>2,692.2</td>
<td>4.8</td>
<td>339.6</td>
<td>0.9</td>
</tr>
<tr>
<td>2011-12</td>
<td>2,912.3</td>
<td>8.2</td>
<td>429.5</td>
<td>26.5</td>
</tr>
<tr>
<td>2012-13**</td>
<td>3,024.9</td>
<td>3.9</td>
<td>455.3</td>
<td>6.0</td>
</tr>
</tbody>
</table>

*Year-end May; **Estimate

SOURCE: ANNUAL REPORT
Player Performance
continued

Aramark has completed a series of industry-related acquisitions over the past five years, primarily concentrating on smaller regional companies in order to expand its uniform rental segment. In 2010, the company acquired the facilities management and property management business of Veris PLC, an Irish company, for about $74.3 million. With the acquisition, Aramark provides management services for retail centers requiring dust-control items. Aramark also acquired a series of local uniform rental companies that year.

Financial performance

Over the five years to 2013, revenue from Aramark’s uniform and career apparel segment is estimated to decline at an annualized rate of 2.3% to an estimated $1.4 billion, giving the company a 12.3% market share in 2013. Similar to other companies in the industry, the recession adversely affected sales. Segment revenue declined consistently from 2008 through 2010, with the most significant downturn during 2009, when revenue contracted 10.5%. However, over the past three years, revenue has slowly risen; in 2013, revenue is expected to rise 3.4% primarily due to a slow decline in unemployment in the manufacturing, construction and transportation sectors, which form the company’s core client base.

Operating income declined at an annualized rate of 5.3% over the five years to 2013. The majority of this decline occurred in fiscal 2009, when profit dove 51.2%. The company’s active acquisition strategy caused profit margins to decline, as goodwill impairment charges increased company expenses. The company decided to exit its direct marketing uniform sales activities, consolidate its site operations to Salem, VA and Reno, NV, and reduce overall staff numbers to decrease operating expenses for the company.

Aramark Corporation (uniform rental and career apparel segment) – financial performance

<table>
<thead>
<tr>
<th>Year*</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>1,584.2</td>
<td>-2.2</td>
<td>149.4</td>
<td>-5.0</td>
</tr>
<tr>
<td>2008-09</td>
<td>1,417.9</td>
<td>-10.5</td>
<td>72.9</td>
<td>-51.2</td>
</tr>
<tr>
<td>2009-10</td>
<td>1,326.7</td>
<td>-6.4</td>
<td>102.7</td>
<td>40.9</td>
</tr>
<tr>
<td>2010-11</td>
<td>1,340.1</td>
<td>1.0</td>
<td>117.3</td>
<td>14.2</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,362.7</td>
<td>1.7</td>
<td>118.1</td>
<td>0.7</td>
</tr>
<tr>
<td>2012-13**</td>
<td>1,408.8</td>
<td>3.4</td>
<td>113.5</td>
<td>-3.9</td>
</tr>
</tbody>
</table>

*Year-end September 30; **Estimate

SOURCE: ANNUAL REPORT
UniFirst Corp. is headquartered in Wilmington, MA. The company traces its beginnings back to 1936, when it was founded as the National Overall Drycleaning Company in Boston, and catered to factory workers and other laborers in the area. Currently, the company designs, manufactures, rents, cleans, delivers and sells a wide range of uniforms and protective clothing. It also rents industrial wiping products, floor mats and other non-garment items to the automotive, delivery service, retail, hospitality, food service and transportation sectors. It has special clean room, fire-retardant and radioactive decontamination services for nuclear reactor clients. With 11,000 employees, UniFirst provides services to over 240,000 customers across 45 states, Canada and Europe. The company manufactures about 69.0% of its garments, mainly in plants in San Luis Potosi, Mexico.

UniFirst operates six segments: US rental and cleaning, Canadian rental and cleaning, manufacturing, specialty garments rental and cleaning, first-aid and corporate. The specialty garment segment caters to employees in nuclear and clean room applications. US operations account for 91.1% of the company’s revenue.

Financial performance
Over the five years to 2013, revenue from the company’s US rental operations is expected to grow at an annualized rate of 5.7% to an estimated $1.1 billion, giving UniFirst a 9.5% share of the market. The company fared better than its competitors in terms of revenue growth during the recession, mainly as a result of steady acquisition activity. The company experienced only one year of decline: in 2009, revenue contracted a slight 1.7%. During fiscal 2013, revenue is expected to grow 8.9% due to an expanding client base and price increases.

From 2008 to 2013, operating income is projected to grow at an annualized rate of 4.5%. This strong increase is due in part to revenue stability over the past five years. In addition, the company decommissioned several of its facilities and reduced employment to decrease its expenses, allowing the company to achieve overall gains in profit during the recession. However, profit fell in 2010, when fewer customers relied on the company’s core laundry services. Although higher income from the specialty garments segment helped offset declines, rising fuel expenses and prices for cotton and oil-based fabric increased expenses for the company.

### UniFirst Corporation (US rentals) – financial performance**

<table>
<thead>
<tr>
<th>Year*</th>
<th>Revenue ($ million)</th>
<th>Operating Income ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>827.0</td>
<td>124.7</td>
</tr>
<tr>
<td>2008-09</td>
<td>831.9</td>
<td>145.4</td>
</tr>
<tr>
<td>2009-10</td>
<td>817.8</td>
<td>135.8</td>
</tr>
<tr>
<td>2010-11</td>
<td>894.6</td>
<td>131.0</td>
</tr>
<tr>
<td>2011-12</td>
<td>1,001.6</td>
<td>150.1</td>
</tr>
<tr>
<td>2012-13*</td>
<td>1,090.4</td>
<td>155.4</td>
</tr>
</tbody>
</table>

*Year-end August; **Estimates

SOURCE: ANNUAL REPORT
G&K Services Inc. (G&K) is the fourth-largest uniform rental operator in the industry. The company was founded in 1902 and is headquartered in Minnetonka, MN. G&K has operations throughout Canada and the United States, serving customers in 90 of the top 100 metropolitan markets in North America. Its 165,000 customers are primarily in the automotive, warehousing, distribution, transportation, energy, manufacturing, pharmaceutical, restaurant and hospitality sectors. The company manufactures about 55.0% of its garments, which it produces in the Dominican Republic. G&K employs about 6,500 employees in the United States.

G&K has made a variety of acquisitions over the past five years. In 2008, the company expanded its presence in the Mid-Atlantic with the acquisition of Best Uniform Rental Service Inc., which was purchased for $63.8 million. Additionally, during 2007, the company entered into a strategic agreement with Dockers San Francisco, which is a market leader in men’s and women’s apparel. G&K agreed to exclusively represent Dockers apparel in North America as part of its direct sale and rental businesses.

Financial performance
G&K’s US rental operations revenue is estimated to decline at a moderate annualized rate of 1.8% over the five years to 2013 to an estimated $692.2 million. Revenue declines were most prominent during the 2010 fiscal year, with revenue contracting 11.8%. Decreased customer employment levels and lower new account sales are the primary reason for the decline. During fiscal year 2011, revenue continued to decline due to the company divesting its US clean room operations; however, customer retention, new account sales and price increases helped offset the decrease. In 2013, revenue is expected to increase 5.3% as employment rises for the company’s key clients. In 2011, higher cotton prices, fuel expenses and health insurance costs led to falling profit. During 2009, operating income declined due to lower sales volume and a change in compensation law, which resulted in a $1.4-million charge associated with increased healthcare costs. To combat commodity price increases, particularly gasoline and fuel, which reduced profit margins during 2008, G&K initiated pricing-control initiatives and decreased merchandise costs to maintain overall growth in operating income.

G&K Services Inc. (US rental operations) – financial performance

<table>
<thead>
<tr>
<th>Year*</th>
<th>Revenue ($ million)</th>
<th>(% change)</th>
<th>Operating Income ($ million)</th>
<th>(% change)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>758.0</td>
<td>N/C</td>
<td>59.8</td>
<td>N/C</td>
</tr>
<tr>
<td>2008-09</td>
<td>726.2</td>
<td>-4.2</td>
<td>-80.1</td>
<td>-234.0</td>
</tr>
<tr>
<td>2009-10</td>
<td>640.5</td>
<td>-11.8</td>
<td>39.6</td>
<td>149.4</td>
</tr>
<tr>
<td>2010-11</td>
<td>628.0</td>
<td>-2.0</td>
<td>47.4</td>
<td>19.7</td>
</tr>
<tr>
<td>2011-12</td>
<td>657.2</td>
<td>4.6</td>
<td>23.9</td>
<td>-49.6</td>
</tr>
<tr>
<td>2012-13*</td>
<td>692.2</td>
<td>5.3</td>
<td>31.6</td>
<td>32.2</td>
</tr>
</tbody>
</table>

*Year-end July 3; **Estimate

SOURCE: ANNUAL REPORT
Major Companies

Alsco Inc.
Estimated market share: 5.0%
AlSCO is a privately owned company headquartered in Salt Lake City. Formerly known as American Linen, the company is a global operator with about 130 facilities internationally and 13,585 employees. The company has operations spanning 11 countries. Alsco provides uniforms, professionally laundered linens, mats, mops and industrial towels for rent and purchase, in addition to executive wear and fire-resistant apparel. Alsco chiefly serves the automotive, food-processing, restaurant, medical and IT sectors as well as the federal government. The company has about 13,585 employees.

In August 2006, Kelly Capital sold all of National Linen and Uniform Service (NLUS) to Alsco. A leading linen rental company in the Southeast, NLUS achieved revenue of $150.0 million, employed about 2,500 people and processed 1.3 billion linen items per year across its 16 plants. The company provided services to Outback Steakhouse, the Cheesecake Factory, P.F. Chang’s, HCA hospitals, and Hyatt and Westin hotels. The acquisition significantly expanded operations for Alsco.

Alsco’s private nature means there are no official financial statistics available. IBISWorld estimates that the company will generate $596.0 million from its US operations in uniform, towel and linen rental.

Other Companies
Operating Conditions

Capital Intensity  |  Technology & Systems  |  Revenue Volatility  
Regulation & Policy  |  Industry Assistance

**Capital Intensity**

**Level**
The level of capital intensity is **Low**

The Industrial Laundry and Linen Supply industry has a low level of capital intensity. IBISWorld estimates that for every dollar spent on wages, operators will spend $0.11 on capital. Capital investment is mainly in computer systems, buildings, distribution trucks, shelving and equipment. Typical equipment includes industrial washers and dryers, flatwork irons and mechanical folding equipment. Over the past five years, capital intensity has declined slightly; in 2008, for every dollar spent on wages, operators spent about $0.12 in capital investment. Firms have downsized the operations over the past five years, causing the number of establishments to decline at an annualized rate of 1.1%. Furthermore, during the recession, companies delayed upgrading equipment, vehicles, 

**Tools of the Trade: Growth Strategies for Success**

**New Age Economy**
*Recreation, Personal Services, Health and Education.* Firms benefit from personal wealth so stable macroeconomic conditions are imperative. Brand awareness and niche labor skills are key to product differentiation.

**Investment Economy**
*Information, Communications, Mining, Finance and Real Estate.* To increase revenue firms need superior debt management, a stable macroeconomic environment and a sound investment plan.

**Traditional Service Economy**
*Wholesale and Retail.* Reliant on labor rather than capital to sell goods. Functions cannot be outsourced therefore firms must use new technology or improve staff training to increase revenue growth.

**Old Economy**
*Agriculture and Manufacturing.* Traded goods can be produced using cheap labor abroad. To expand firms must merge or acquire others to exploit economies of scale, or specialize in niche, high-value products.

**Change in Share of the Economy**

**Capital Intensive**

**Labor Intensive**

**Industrial Laundry & Linen Supply**

**Water Supply & Irrigation Systems**

**Laundromats**

**Textile Mills**

**Dry Cleaners**

**SOURCE:** WWW.IBISWORLD.COM
Operating Conditions

Capital Intensity continued

Building space and computer software in an effort to cut operating expenses. Although capital investment has declined slightly over the period, operators also reduced their staff to reduce operating expenses amid declining demand conditions. The number of employees has fallen at an average annual rate of 0.8%.

Considering weakening demand for industry services, operators have been less willing to invest in capital upgrades. Capital intensity is expected to stabilize in the coming years, as technological innovation has not changed significantly over the five-year period, indicating the industry is at a high level of labor efficiency.

Technology & Systems

The level of Technology Change is Medium

The Industrial Laundry and Linen Supply industry has experienced a medium level of technological change during the past five years, mainly due to increased computerization among industry operators. Industrial launderers have increasingly invested in new logistics systems that improve efficiency regarding timing pick ups and deliveries, as well as effectively manage the placement, storing, and packaging of laundered goods throughout the building. Logistics systems can also improve service for clients by increasing efficiency and managing larger shipment volumes. Some major operators have also created internet sites to allow clients to order linen and uniforms through the web and monitor their linen shipments.

Operators have also increasingly invested in a number of automated improvements for laundering linens and uniforms. With consolidation and price-based competition heating up, an increasing number of operators have invested in new industrial equipment to handle a larger volume of laundry shipments to reduce expenses. For example, companies have invested in continuous-batch washing systems, also known as tunnel washers, which require less space and a shorter wash cycle than conventional systems and can also be linked to pass through dryers. These washers also require fewer employees to operate them.

Industrial dryers are also being equipped with microprocessor controls rather than manual dial controls. With a manual control, when the temperature reaches the selected setting, the flame providing the heat will be turned off and the temperature must drop a full 25 to 30 degrees before the flame is reignited, causing the rate of drying to fall dramatically. A microprocessor-controlled burner will re-light after only a 3-to-5 degree drop in temperature.

Linen and uniform barcodes have greatly assisted in stock control processes. Operators should have barcode systems in place, since lost or damaged linen and clothing can be a significant cost. This system allows firms to keep track of all transfers and purchases of linen and uniforms to avoid both overstocking and understocking. Also, barcodes used in conjunction with logistics systems can improve a facility’s efficiency with regard to fewer missing items and decreasing the amount of time it takes to process linens.

As such companies benefit from increased employee productivity, time efficiency, sales volumes, customer service and a reduction in human error. Consequently, dependency on labor to perform such duties has declined, evident in falling industry employee numbers during the past five years.
Operating Conditions

Revenue Volatility

IBISWorld estimates that revenue volatility has been low over the five years to 2013. Volatility is generally lower due to the diversity of clients across the manufacturing, hospitality, food service and healthcare sectors. Revenue trends depend on price changes and the level of industry output. Volatility in the average price of industry services is expected to be low because operators try to limit price increases to attract and retain clients. The volume of shipments laundered is more likely to fluctuate, taking into account the decline in demand during the recession, particularly from manufacturing sectors.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.

![Volatility vs Growth](source: www.ibisworld.com)

Regulation & Policy

The Industrial Laundry and Linen Supply industry is subject to heavy and increasing regulation from federal, state and local laws. Environmental Protection Agency (EPA) policies make up the majority of regulations that affect the industry. These laws relate to storing, generating, handling, transporting, treating and disposing of hazardous waste and other material, including detergent wastewater and other substances. Most industrial laundries dispose of their wastewater through government-owned treatment facilities and are subject to volume and chemical discharge limits and penalties for non-compliance.

Specifically the industry is subject to the Federal Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act and Comprehensive Environmental Response, Compensation and Liability Act. The Clean Water Act makes it unlawful to discharge pollutants into surface waters without a permit. The Clean Air Act regulates emissions into the air and enacts emission-control requirements. The Resource Conservation and Recovery Act gives the EPA the authority to control hazardous waste from various industries. The Comprehensive Environmental Response, Compensation and Liability Act taxes chemical and petroleum industries and provides broad federal authority in responding directly to the release of hazardous substances that may endanger public health or the environment. The act makes liable those persons responsible for releasing...
Operating Conditions

Regulation & Policy continued

hazardous waste, and establishes a trust fund to provide for cleanup when no responsible party is identified. Nuclear garment decontamination facilities within the industry are subject to further regulations. In particular, the Nuclear Regulatory Commission or the applicable state agency licenses the facilities to ensure proper handling of contaminated garments.

Industry Assistance

The industry does not directly receive any special assistance. Operators also receive advocacy and compliance support through membership with three major industry associations: the Textile Rental Services Association, the North American Association of Uniform Manufacturers and Distributors and the Uniform Retailers Association.

Level & Trend
The level of Industry Assistance is None and the trend is Steady
## Key Statistics

### Industry Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($m)</th>
<th>Industry Value Added ($m)</th>
<th>Establishments</th>
<th>Enterprises</th>
<th>Employment</th>
<th>Exports</th>
<th>Imports</th>
<th>Wages ($m)</th>
<th>Domestic Demand</th>
<th>National Unemployment Rate (Index)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>11,952.5</td>
<td>5,923.0</td>
<td>6,366</td>
<td>3,494</td>
<td>155,151</td>
<td>–</td>
<td>–</td>
<td>4,942.9</td>
<td>N/A</td>
<td>5.5</td>
</tr>
<tr>
<td>2005</td>
<td>12,881.9</td>
<td>6,192.5</td>
<td>6,426</td>
<td>3,372</td>
<td>155,480</td>
<td>–</td>
<td>–</td>
<td>5,136.2</td>
<td>N/A</td>
<td>5.1</td>
</tr>
<tr>
<td>2006</td>
<td>13,292.5</td>
<td>6,168.8</td>
<td>6,300</td>
<td>3,270</td>
<td>148,200</td>
<td>–</td>
<td>–</td>
<td>5,143.2</td>
<td>N/A</td>
<td>4.6</td>
</tr>
<tr>
<td>2007</td>
<td>13,118.6</td>
<td>6,199.7</td>
<td>5,850</td>
<td>3,224</td>
<td>157,619</td>
<td>–</td>
<td>–</td>
<td>5,229.0</td>
<td>N/A</td>
<td>4.6</td>
</tr>
<tr>
<td>2008</td>
<td>12,539.7</td>
<td>5,518.5</td>
<td>5,730</td>
<td>3,092</td>
<td>124,937</td>
<td>–</td>
<td>–</td>
<td>4,655.5</td>
<td>N/A</td>
<td>5.8</td>
</tr>
<tr>
<td>2009</td>
<td>11,864.4</td>
<td>5,258.4</td>
<td>5,648</td>
<td>3,056</td>
<td>127,012</td>
<td>–</td>
<td>–</td>
<td>4,204.4</td>
<td>N/A</td>
<td>9.3</td>
</tr>
<tr>
<td>2010</td>
<td>11,576.4</td>
<td>5,126.8</td>
<td>5,626</td>
<td>3,123</td>
<td>122,517</td>
<td>–</td>
<td>–</td>
<td>4,177.5</td>
<td>N/A</td>
<td>9.6</td>
</tr>
<tr>
<td>2011</td>
<td>11,805.5</td>
<td>5,317.0</td>
<td>5,489</td>
<td>3,093</td>
<td>122,272</td>
<td>–</td>
<td>–</td>
<td>4,195.5</td>
<td>N/A</td>
<td>9.1</td>
</tr>
<tr>
<td>2012</td>
<td>11,604.9</td>
<td>5,180.8</td>
<td>5,478</td>
<td>3,076</td>
<td>122,163</td>
<td>–</td>
<td>–</td>
<td>4,171.1</td>
<td>N/A</td>
<td>8.1</td>
</tr>
<tr>
<td>2013</td>
<td>11,491.2</td>
<td>5,101.6</td>
<td>4,848</td>
<td>3,011</td>
<td>120,075</td>
<td>–</td>
<td>–</td>
<td>4,108.1</td>
<td>N/A</td>
<td>7.8</td>
</tr>
</tbody>
</table>

### Annual Change

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (%)</th>
<th>Industry Value Added (%)</th>
<th>Establishments (%)</th>
<th>Enterprises (%)</th>
<th>Employment (%)</th>
<th>Exports (%)</th>
<th>Imports (%)</th>
<th>Wages (%)</th>
<th>Domestic Demand</th>
<th>National Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>7.8</td>
<td>4.4</td>
<td>0.9</td>
<td>-3.9</td>
<td>0.2</td>
<td>-4.0</td>
<td>N/A</td>
<td>0.1</td>
<td>N/A</td>
<td>7.3</td>
</tr>
<tr>
<td>2006</td>
<td>3.2</td>
<td>-0.4</td>
<td>-2.0</td>
<td>-3.0</td>
<td>-4.0</td>
<td>-4.0</td>
<td>N/A</td>
<td>0.1</td>
<td>N/A</td>
<td>9.8</td>
</tr>
<tr>
<td>2007</td>
<td>-1.3</td>
<td>0.5</td>
<td>-7.1</td>
<td>-1.4</td>
<td>5.6</td>
<td>N/A</td>
<td>N/A</td>
<td>1.7</td>
<td>N/A</td>
<td>0.0</td>
</tr>
<tr>
<td>2008</td>
<td>-4.4</td>
<td>-11.0</td>
<td>-19.1</td>
<td>-4.1</td>
<td>-20.7</td>
<td>N/A</td>
<td>N/A</td>
<td>-12.7</td>
<td>N/A</td>
<td>26.1</td>
</tr>
<tr>
<td>2009</td>
<td>-5.6</td>
<td>-4.7</td>
<td>-3.8</td>
<td>-1.2</td>
<td>1.7</td>
<td>N/A</td>
<td>N/A</td>
<td>-7.9</td>
<td>N/A</td>
<td>60.3</td>
</tr>
<tr>
<td>2010</td>
<td>-2.2</td>
<td>-2.5</td>
<td>1.7</td>
<td>2.2</td>
<td>-3.5</td>
<td>N/A</td>
<td>N/A</td>
<td>-0.6</td>
<td>N/A</td>
<td>3.2</td>
</tr>
<tr>
<td>2011</td>
<td>2.0</td>
<td>3.7</td>
<td>-0.8</td>
<td>-0.1</td>
<td>-1.0</td>
<td>N/A</td>
<td>N/A</td>
<td>0.4</td>
<td>N/A</td>
<td>-5.2</td>
</tr>
<tr>
<td>2012</td>
<td>-1.7</td>
<td>-2.6</td>
<td>-0.2</td>
<td>-0.5</td>
<td>-0.1</td>
<td>N/A</td>
<td>N/A</td>
<td>-0.6</td>
<td>N/A</td>
<td>-11.0</td>
</tr>
<tr>
<td>2013</td>
<td>-1.0</td>
<td>-1.5</td>
<td>-2.1</td>
<td>-2.1</td>
<td>-1.7</td>
<td>N/A</td>
<td>N/A</td>
<td>-1.7</td>
<td>N/A</td>
<td>-3.7</td>
</tr>
</tbody>
</table>

### Key Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>IVA/Revenue (%)</th>
<th>Imports/Demand (%)</th>
<th>Exports/Revenue (%)</th>
<th>Revenue per Employee ($1000)</th>
<th>Wages/Revenue (%)</th>
<th>Employees per Est. (%)</th>
<th>Average Wage ($)</th>
<th>Share of the Economy (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>49.35</td>
<td>N/A</td>
<td>N/A</td>
<td>77.04</td>
<td>41.35</td>
<td>26.37</td>
<td>31,858.64</td>
<td>0.05</td>
</tr>
<tr>
<td>2005</td>
<td>68.07</td>
<td>N/A</td>
<td>N/A</td>
<td>82.85</td>
<td>39.87</td>
<td>26.20</td>
<td>33,034.67</td>
<td>0.05</td>
</tr>
<tr>
<td>2006</td>
<td>46.39</td>
<td>N/A</td>
<td>N/A</td>
<td>89.09</td>
<td>38.69</td>
<td>23.68</td>
<td>34,471.85</td>
<td>0.05</td>
</tr>
<tr>
<td>2007</td>
<td>47.26</td>
<td>N/A</td>
<td>N/A</td>
<td>83.23</td>
<td>39.86</td>
<td>26.94</td>
<td>33,174.93</td>
<td>0.05</td>
</tr>
<tr>
<td>2008</td>
<td>44.01</td>
<td>N/A</td>
<td>N/A</td>
<td>100.37</td>
<td>36.14</td>
<td>26.41</td>
<td>36,542.62</td>
<td>0.04</td>
</tr>
<tr>
<td>2009</td>
<td>44.40</td>
<td>N/A</td>
<td>N/A</td>
<td>93.24</td>
<td>35.50</td>
<td>27.93</td>
<td>33,102.38</td>
<td>0.04</td>
</tr>
<tr>
<td>2010</td>
<td>44.29</td>
<td>N/A</td>
<td>N/A</td>
<td>94.49</td>
<td>36.09</td>
<td>26.48</td>
<td>34,097.31</td>
<td>0.04</td>
</tr>
<tr>
<td>2011</td>
<td>45.04</td>
<td>N/A</td>
<td>N/A</td>
<td>96.55</td>
<td>35.54</td>
<td>26.64</td>
<td>34,312.84</td>
<td>0.04</td>
</tr>
<tr>
<td>2012</td>
<td>44.64</td>
<td>N/A</td>
<td>N/A</td>
<td>95.00</td>
<td>35.94</td>
<td>26.68</td>
<td>34,143.73</td>
<td>0.04</td>
</tr>
<tr>
<td>2013</td>
<td>44.40</td>
<td>N/A</td>
<td>N/A</td>
<td>95.70</td>
<td>35.70</td>
<td>26.78</td>
<td>34,160.32</td>
<td>0.04</td>
</tr>
</tbody>
</table>

### Sector Rank

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Rank</th>
<th>Employment Rank</th>
<th>Exports/Revenue Rank</th>
<th>Employees per Est. Rank</th>
<th>Average Wage Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>30/61</td>
<td>N/A</td>
<td>N/A</td>
<td>28/61</td>
<td>27/61</td>
</tr>
<tr>
<td>2005</td>
<td>365/1265</td>
<td>N/A</td>
<td>N/A</td>
<td>1066/1265</td>
<td>214/1265</td>
</tr>
</tbody>
</table>

Figures are inflation-adjusted 2013 dollars. Rank refers to 2013 data.

Source: WWW.IBISWORLD.COM
Jargon & Glossary

Industry Jargon

**CLEANROOM GARMENT** A garment, such as boots and hoods, worn by semiconductor workers, equipment engineers and employees in the medical profession to prevent skin and hair from entering clean environments.

**Nonylphenol Ethoxylate (NPE)** Chemicals, also known as nonoxynols, used as detergents, emulsifiers, wetting and defoaming agents.

**OUTSOURCE** To procure goods or services under contract with an outside supplier.

**TUNNEL WASHER** An industrial laundry machine, also known as a continuous batch washer, designed specifically to handle heavy loads.

**BARRIERS TO ENTRY** High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

**CAPITAL INTENSITY** Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

**CONSTANT PRICES** The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the “real” growth or decline in industry metrics. The inflation adjustments in IBISWorld’s reports are made using the US Bureau of Economic Analysis’ implicit GDP price deflator.

**DOMESTIC DEMAND** Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

**EMPLOYMENT** The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

**ENTERPRISE** A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

**ESTABLISHMENT** The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

**EXPORTS** Total value of industry goods and services sold by US companies to customers abroad.

**IMPORTS** Total value of industry goods and services brought in from foreign countries to be sold in the United States.

IBISWorld Glossary

**INDUSTRY CONCENTRATION** An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

**INDUSTRY REVENUE** The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

**INDUSTRY VALUE ADDED (IVA)** The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry’s contribution to GDP, or profit plus wages and depreciation.

**INTERNATIONAL TRADE** The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

**LIFE CYCLE** All industries go through periods of growth, maturity and decline. IBISWorld determines an industry’s life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry’s products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

**NONEMPLOYING ESTABLISHMENT** Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

**PROFIT** IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company’s profitability. It is calculated as revenue minus expenses, excluding interest and tax.
Jargon & Glossary

**Volatility** The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20%; high volatility is ±10% to ±20%; moderate volatility is ±3% to ±10%; and low volatility is less than ±3%.

**Wages** The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.
At IBISWorld we know that industry intelligence is more than assembling facts
It is combining data with analysis to answer the questions that successful businesses ask

Identify high growth, emerging & shrinking markets
Arm yourself with the latest industry intelligence
Assess competitive threats from existing & new entrants
Benchmark your performance against the competition
Make speedy market-ready, profit-maximizing decisions

Who is IBISWorld?
We are strategists, analysts, researchers, and marketers. We provide answers to information-hungry, time-poor businesses. Our goal is to provide real world answers that matter to your business in our 700 US industry reports. When tough strategic, budget, sales and marketing decisions need to be made, our suite of Industry and Risk intelligence products give you deeply-researched answers quickly.

IBISWorld Membership
IBISWorld offers tailored membership packages to meet your needs.

Disclaimer
This product has been supplied by IBISWorld Inc. (‘IBISWorld’) solely for use by its authorized licensees strictly in accordance with their license agreements with IBISWorld. IBISWorld makes no representation to any other person with regard to the completeness or accuracy of the data or information contained herein, and it accepts no responsibility and disclaims all liability (save for liability which cannot be lawfully disclaimed) for loss or damage whatsoever suffered or incurred by any other person resulting from the use of, or reliance upon, the data or information contained herein. Copyright in this publication is owned by IBISWorld Inc. The publication is sold on the basis that the purchaser agrees not to copy the material contained within it for other than the purchasers own purposes. In the event that the purchaser uses or quotes from the material in this publication – in papers, reports, or opinions prepared for any other person – it is agreed that it will be sourced to: IBISWorld Inc.