

# Contract Cleaners: Partnering for Profit

by Mitchell Roye

"Cut Costs!" "Increase Profitability!" are two of the most familiar themes in corporate America today, and as most of us know, the janitorial and maintenance industry is not immune to these trends. As organizations continue to look for ways to reduce operating costs, outsourcing support services is becoming increasingly popular, particularly in the janitorial cleaning area. Contract cleaners provide a low-cost and effective way for organizations to clean their facilities without the investments associated with full-time personnel such as training, insurance, and workers' compensation. The reality, love it or hate it, is that contract cleaners are here to stay. Perhaps more significant than their presence, however, is their determination to continue to cut corporate costs which, in turn, will continue to exert downward pressure on your profit margins. Depending on your perspective, this situation can be seen as a threat to your business or an opportunity to increase your market share and enhance your competitive position. I know which viewpoint I'd choose.

## **A Channel Opportunity**

Selling to contract cleaners is not a new concept. In fact, many successful distributors have already developed specific programs to support this definable and increasingly important

market segment. Yet are contract cleaners just another market segment? If your product distribution stopped with them, the answer would be yes. But because they use your products to reach end-user accounts, contract cleaners are part of a bigger picture, which raises their status from a market segment to an alternative sales channel. Thus, contract cleaners should not be considered adversaries or even merely a new market segment, but rather, leveraged sales organizations capable of distributing your product to many new accounts in unpenetrated markets and diverse geographic locations.

## **Channel Characteristics**

When considering their potential as a sales channel, three primary characteristics of contract cleaners must be kept in mind:

- 1) Primarily, they seek to lower overall cleaning costs for organizations by (a) replacing in-house staffs with mobile cleaning crews and (b) using their product purchasing power to secure lower prices, which means buying lower-cost products from you.
- 2) Like most growth-oriented organizations, successful contract cleaning firms strive to increase sales and profits and expand their operations. They do this in two ways:

further penetration into existing accounts and acquiring new accounts. Both efforts can displace a janitorial distributor.

3) Over time, more contract cleaners will realize the strategic and economic benefits of selling to larger, more profitable accounts, many of which may now be your largest, most profitable customers.

Can you change these characteristics? Probably not. So rather than debate the pros and cons, we must view them as opportunities to rethink our relationships with contract cleaners. We must realize that the primary goal of most, if not all, contract cleaners is to increase sales and profitability and, therefore, many welcome guidance, support, and direction from their key suppliers.

## **Alternative Benefits**

Some distributors may wonder "Why consider another sales channel, particularly contract cleaners?" Below are some of the potential benefits.

**Total solution:** Assuming that you do not offer similar cleaning services, contract cleaners offer a "total solution" that many customers find compelling—and worth paying for. As contract cleaning firms grow, it may be in your strategic and economic interests to position yourself as their supplier of choice.

**Customer access:** Contract cleaners can provide access into markets that you are unable or unwilling to target alone.

**Lower cost channel:** Selling is an expensive process; effectively reaching and servicing hundreds of geographically dispersed customers is even more expensive. Contract cleaners can provide a powerful distribution arm without the direct deployment of your sales resources and support systems.

**Small accounts:** Realizing that some small accounts do not generate enough gross margin to justify the expenses associated with selling to them, many distributors have cut back the services they provide to these accounts while some have gone so far as to "fire" these types of customers. Contract cleaners offer a way to regain this market without the overhead expenses.

Assuming that the vast majority of contract cleaners do not purchase direct from manufacturers, they must purchase from distributors. As price-conscious shoppers, contract cleaners usually seek the "best deals." But to many contractors, the services a distributor can provide to increase their businesses' competitiveness and success are just as important as price. Proactive distributors will ask themselves how they can fortify their relationships with these contract cleaners.

#### **Strategic Partners**

At the lowest-level relationship, all contract cleaners have the same economic and strategic value to your firm, which can encourage you to simply sell products to any contract cleaner willing to buy from you. While this may seem like a good idea, realize that they will not be loyal to you and will constantly shop price. A more strategic alternative is to select a limited number of contractors as "channel" partners based on a definable set of criteria. Provide a high degree of service

and support to these select partners in return for all or the majority of their business.

Does this mean that you should avoid selling to contract cleaners that are not your strategic partners? Absolutely not! What it means is that you have established strategic relationships with a select group of channel partners and will invest more of your time and resources with them to ensure your mutual success. A primary tenet of strategic partnering holds that, together, you and your partner can attain benefits that neither of you would easily have achieved alone. By treating a contract cleaner as a key sales channel and strategic partner—instead of as "the enemy"—you are providing significant value, which in some instances, justifies premium product prices.

Once you have made the decision to partner with select contract cleaners, one of the many tasks you will undertake is determining the type and degree of support you are willing to provide. Remember, they are looking to you to help them build their businesses. Below is a list of partnering activities that successful suppliers have provided to their channel partner followed by some benefits your channel partner can offer in return for your support and guidance.

#### **Channel Partnering Activities for Distributors**

- Business plan development
- Market and customer segmentation
- Field sales coverage and deployment strategies
- Total cost management
- Inventory management and warehousing
- Product-mix consulting
- On-site sales support
- Co-selling to end users
- Technical support and product training
- Product demonstrations

- Same-day product shipments
- Field-sales and management coaching
- Lead generation and referrals
- Cooperative advertising
- Product literature

#### **Benefits of Channel Partnering with Contract Cleaners**

- Sole or dual-source vendor status
- Minimum volume levels
- Adherence to purchase/pricing agreements
- High service excellence for positive product image
- Lead generation and referral
- Market and customer research assistance
- Information on alternate supply channels
- A strong continued presence in agreed upon accounts and markets.

Contract cleaners are a budding market segment. Many successful distributors, aware of the competitive and economic advantages of strengthening these relationships, are busy forming alliances with key contract cleaners. These distributors appreciate the opportunity to increase market share, lock out competitors from key accounts, and stabilize their margins. And as the number of contract cleaning firms continues to grow and dominate markets, more smart distributors will include contract cleaners in their strategic planning process and work toward strengthening these relationships. Like you, they can't afford not to. ♦

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