

Sample Market Research Report

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Table of Contents

Mission Statement	3
Company's Customer	4-5
Residential	4-5
Commercial	5
Company's Competitors	6-9
Carpet/Upholstery Cleaning Services	6-7
Carpet Laying Services	8-9
Company's Industries	10-13
Carpet/Upholstery Cleaning	10-11
Carpet/Floor Laying	11-12
Louisville Housing Market	12-13
Company's Marketing/Advertising Options	14-15
Conclusion	16



Mission Statement

Company's mission statement may also be a basic description of the business, its primary services, its target customer, and its goals for the future.

This report will give detailed demographic information on Company's residential customer; compare and contrast Company to major competitors in the market; explore the industries as a whole, and give insight into options for marketing.



I. Who is Company's Customer?

A. Residential Customers

1. Basic Demographics

Source: www.freedomgraphics.com, U.S. Census Bureau Census 2000

	Target Market: (402--, 402--, and 402--)	Extended Market: Total Louisville/Southern IN MSA
Population	60,023	1,025,598
Total Households	22,818	412,050
Average Annual Household (HH) Income	\$31,889	\$53,453
Ethnic Composition	79.87% African American	13.9% African American
Median Age	34	36.5
Age Composition:	47.4% between 25 and 64	53.9% between 25 and 64

Chart 1 shows the age composition of Company's Target zip code, versus the rest of the Louisville Metro Area, his extended customer base. 45% of all people in the MSA are between the ages of 25 and 54.

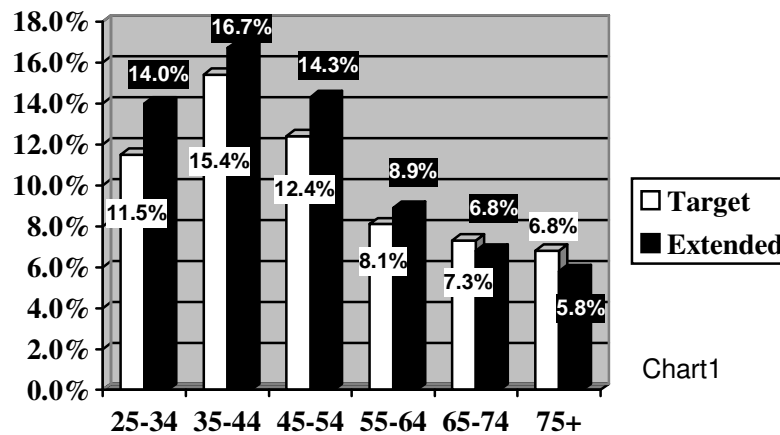


Chart1

2. Spending Power/Potential

Source: Scarborough Release 2 2007 Oct 06-Sept 07; Arbitron Winter 2008 RSP; and Claritas Retail Spending Power

*How to read: Target Area residents between the ages of 25 and 54 were 5% more likely than the average 25+ adult in the market to have carpet or floor covering installed in the past year. Likelihood is index, compared to all adults 25+ in the MSA. Market index is always 100.

	Target Area Residents			Extended Target		
	25-54	35-64	65+	25-54	35-64	65+
Likelihood* installed carpet or floor covering within past yr	5% more likely (105)	7% more likely (107)	44% less likely (56)	2% more likely (102)	9% more likely (109)	29% less likely (71)
Amount spent on carpet/upholstery cleaning services/yr	Unavail.	Unavail.	Unavail.	\$31.7 million	\$30.1 million	\$4 million
Likelihood spent \$3000 or more on home improvements in past yr	14% less likely (86)	14% less likely (86)	36% more likely (136)	5% more likely (105)	14% less likely (86)	36% more likely (136)



Based on the above findings, extending service outside of Target Area and targeting customers ages 25 to 54 and 35 to 64 has more income-generating potential than targeting Target Area residents ages 35 to 54 and 55 to 74.

B. Commercial Customers

The primary target market for commercial clients lies within a 150-mile radius of Louisville, KY. Business Reference USA lists nearly 30,000 businesses in the area, with a square footage of at least 10,000. Over 1,000 businesses are listed in his residential target business. Possibilities within this area are truly endless; Company's task is to decide what to focus on (see Part III: Market Positioning).



II. Who are Company's Competitors?

A search for "Carpet and Upholstery Cleaning Services" on Yahoo™ Yellowpages yields 180 search results for the given MSA. (Company does not come up in this category.) A search for "carpet installation" yields only 7 results. "Carpet laying" on Business Reference USA yields 9 results. (Company does appear in both of these categories.)

A. Carpet and Upholstery Cleaning Services

Source: Business Reference USA, the Better Business Bureau, Yahoo™ Yellowpages, yellowbook.com, company websites, and phone calls to companies.

Company	Contact	Yrs in Bus.	Size or # employees	Competitive Advantages	Competitive disadvantages	Cost of Services
Competitor 1		56	80 local	Name recognition. BBB Accredited business; satisfactory record with BBB. Also do drapery, curtain, and duct cleaning and restoration. Web presence. Guarantee work; convenient hours; commercial services	Franchise operation. Could be long chain of command when customers have problems.	\$84.50 min. covers up to 200 sq ft of carpet.
Competitor 2		20+, 2 yrs local	19 local	First recipient of Carpet & Rug Industry's Gold Seal award (2005). Top carpet cleaning service, Good Housekeeping Magazine. 2-step patented cleaning system. Name recognition.	Parent company has struggled in recent years.	All jobs begin at \$59.95, more if room is over 16x16



Competitor 3		61	230 franchised operations nation- wide; 20 local employees	Offers: Carpet & Upholstery Cleaning, air duct cleaning, flooring sales & installation, hardwood floor refinishing, commercial services. Low number of complaints; BBB Accredited; Satisfactory record. Great website where they'll actually give you an estimate and specials online (tax not included); can tentatively schedule online; home-cleaning product store	Technicians are paid hourly rate, plus commission, so that means clients will also have a salesperson in their home when all they really want is their carpet cleaned. Also, their website says, "Commission is earned through the add-on sales (sales greater than the original scheduled amount), which is generated at the homes of our residential customers. Our guaranteed hourly rate of pay will be at a minimum \$8.00, but may vary by location." This may mean that customers can expect the online quote to be one amount, but the actual price they pay may be VERY different, which could lead to diminishing repeat service.	Living room & hallway estimate: \$116
Competitor 4		38 Local since 1990	Over 2500 U.S. locations	Claim of "Cleaner. Drier. Better." Partnership with Home Depot, world's largest carpet retailer and largest carpet cleaning co. Reputation of being "green." Ranked #1 carpet and upholstery cleaning service 15 years straight.	Franchise operation. Not a BBB-accredited business (but no complaints). Business Reference USA shows only 2 local employees. Associated with Home Depot, but it can be a long time between purchase and 1 st cleaning.	All jobs start at \$99.00. Clean & Protect 2 rooms - \$99



B. Carpet Installation

	Contact	Yrs. In Business	# of Employees	Competitive Advantages	Competitive Disadvantages	Cost of Services
Company		App. 20	5	Resident of the primary area served, which builds trust; name recognition in same area; serves entire MSA; also carpet cleaning svc, which helps maintain relationships with clients who had carpet installed.	Not categorized in both cleaning and installation in yellow pages; may not have enough employees to meet demand; there are many options for the future, expansion, but again enough employees to meet demand?	\$3.50-\$4 per yard to install. Cleaning \$0.15 per sq. foot.
Competitor 1	Multiple locations	30	Unknown for carpet division	Convenience of purchasing carpet and padding and finding installation in one place. Financing available. Multiple locations.	Hidden fees. Additional non-disclosed charges for various services.	\$199 for house, plus fees.
Competitor 2	Multiple locations	51	Unknown for carpet division	\$199 carpet installation for an entire house, basic service. Convenience of purchasing carpet and padding and finding installation in one place. Multiple locations.	Hidden fees. Customers don't know if more is needed outside of basic service until service tech arrives.	\$159 per room, plus fees. \$199 for house, plus fees.
Competitor 3		3	4	Also cleaning service. As size and services offered go, probably Company's most direct competitor. Aggressive direct mail (Val-Pak) coupons. Convenience of sales and installation in one co. Boasts expert stretching, repairs, installation and absolutely no hidden charges. Variety of services. Sales in-stock flooring wholesale. Usually next-day service.	Young company. Lack of name recognition. Most complaints with BBB are over service issues, but all complaints are resolved. Not a retail store; warehouse only. May have to order flooring not in stock.	59.95 for cleaning 3 rooms and hall; 30-day guarantee. Free in-home estimate for flooring, no min. price.



Competitor 4		App. 28 years	18	Also retail. BBB-Accredited business, satisfactory rating.	Commercial only. Their employees will do residential for cash deals on the side.	\$550/yrd
Competitor 5		App. 25	4	Also a floor covering store; heavy spender yellow pages advertising; BBB-accredited. Satisfactory record. Also serve Louisville.	Very difficult to get in touch with because they have a phone/fax combo. Longer distance than other southern Indiana cities; not many Louisville customers.	Charge by the yard.



III. What are the Carpet Cleaning and Carpet Laying industries like over all?

A. Carpet Cleaning

“ ‘*Carpet and Upholstery Cleaning*’

SIC Code(s) Covered

[7217-Carpet & Upholstery Cleaning](#)

NAICS Code(s) Covered

[561740-Carpet and Upholstery Cleaning Services](#)

The advent of nailed-down (wall-to-wall) carpets in the 1950s fueled growth in the industry after a period of economic stagnation during World War II. Previously, people rolled up their carpets and took them to the dry cleaners or to other facilities. The shift to in-home services enabled new businesses to establish themselves more easily. Instead of maintaining a commercial location with a public counter for transacting sales, prospective dry cleaners needed only transportation and the necessary equipment and chemicals to get started in business. Consequently, the number of service providers swelled during this time. By the early 2000s, there were an estimated 8,887 carpet and upholstery cleaning establishments in operation in the United States, employing 48,451 workers and earning total revenues of \$2.72 billion. These figures reflected a continual upward trend over the 1990s, which, overall, represented an increase of more than 68 percent from 1990, when 5,629 carpet and upholstery cleaning establishments constituted a \$1.69 billion industry.

In the mid-2000s, the industry was dominated by small businesses, with approximately one-third of total industry establishments and one-quarter of employees operating under the representation of the Institute of Inspection, Cleaning, and Restoration Certification (IICRC). Most firms in the industry appeared in metropolitan areas, employed an average of five people, and offered cleaning services exclusively, according to Cleaning Management Institute. Increased demand for additional services characterized the carpet cleaning industry in the early to mid-2000s, according to professional rug cleaner, Larry Cooper. He was quoted in the industry journal, *Cleanfax*, stating that "Companies ... are expected to be experts in many areas in addition to the normal carpet [SIC] and upholstery cleaning services, including: water damage restoration, fire damage restoration, odor control, carpet installation, and repairs etc. ... [reflecting a change from the past when] ... carpet cleaning companies cleaned [SIC] mostly carpet and occasionally upholstery." Very few of the larger companies, however, offered carpet and upholstery cleaning as part of a range of disconnected services in the 2000s, during which time residential cleaning accounted for the majority of revenue. Throughout those years, commercial customers constituted the fastest growing segment of clientele in the carpet and upholstery cleaning industry. Increasingly, schools, stores, restaurants, and offices switched from hard, washable flooring to soft floor coverings that required professional cleaning services. Additionally, concern with "sick building syndrome" fueled increased business on the commercial side.

In 2005, Chem-Dry of Logan, Utah was the industry leader in carpet and upholstery cleaning, with more than 4,000 franchises in 50 countries and 2,500 in the U.S.

Another leader was Stanley Steemer International Inc, headquartered in Dublin,



Ohio, with some \$286 million in worldwide sales.”

Source Citation: "Carpet and Upholstery Cleaning." *Encyclopedia of American Industries*. Online Edition. Thomson Gale, 2006. Reproduced in Business and Company Resource Center. Farmington Hills, Mich.:Gale Group. 2008. <http://galenet.galegroup.com/servlet/BCRC>

B. Carpet Laying

“ *Floor Laying and Other Floor Work, Not Elsewhere Classified*’

1. **SIC Code(s) Covered**

[1752-Floor Laying & Floor Work Nec](#)

2. **NAICS Code(s) Covered**

[238330-Flooring Contractors](#)

The U.S. floor-laying industry is characterized by a large number of special trade contractors who perform work for a general contractor or an architect. Roughly 12,000 of these establishments were operating in the early twenty-first century. Of the 184,000 jobs categorized as carpet, floor, and tile installers and finishers in 2004, carpet installers accounted for 41,000. About 42 percent of all carpet, floor, and tile installers and finishers were self-employed.

Much of the floor-laying industry works in the residential repair and remodeling (R&R) market. Renovation and repair increased dramatically in the mid-1990s, reaching an all-time high of \$69.5 billion in total revenue in 1995. New installations, however, were the key to industry growth in the late 1990s and early 2000s. Fueled by lower interest rates, the residential construction industry continued to boom well into the early 2000s. New housing starts reached a 25-year high of more than 1.8 million in 2003.

The health of the floor-laying industry is closely tied to that of the housing and construction industry; when housing starts increase, as they did in the early 2000s, floor layers see increased work. Carpet, flooring, and tile installers numbered 164,000 in 2002, and grew to 184,000 in 2004. With the continued demand for renovating and refurbishing existing structures and a growing demand for carpet in new industrial plants, schools, hospitals, and other commercial buildings, employment in this industry was expected to grow nearly 17 percent by 2012. Many carpet and other flooring installers belong to either the United Brotherhood of Carpenters and Joiners of America or the International Brotherhood of Painters and Allied Trades.

Of all floor coverings, carpet continues to be the most popular product for both residential and commercial buildings. Carpet industry shipments reached almost 1.9 billion square yards in 2001, compared to 97.0 million square yards shipped in 1950. Total industry shipments in 2004 totaled 2.3 billion square yards. Carpet accounted for the majority of the total flooring market (both residential and commercial). For houses built with plywood rather than hardwood floors,



wall-to wall carpet is a necessity. Commercial properties, such as offices and shopping centers, also use carpet to cover concrete floors. As new fibers are developed, particularly those that are stain and crush resistant, more durable, and in a wider range of colors, the demand for carpet will continue to grow. Beginning in the mid-1990s, however, hardwood floors experienced resurgence in popularity. Laminate flooring, which looks and feels like hardwood but is typically less expensive and more resistant to scratching, also gained in popularity. Vinyl and linoleum manufacturers also continued to improve their products: the newer vinyls have a glossed finish, requiring less maintenance to retain original appearance. Most are available without patterns (they may have a fleck or pebble-grain design), but more are becoming available with stylish patterns, in order to compete with the commercial carpet market.

Industry leader Continental Flooring Company, headquartered in Scottsdale, Arizona, was founded in 1979 and principally serves federal, state, and local facilities, public housing, and other governmental agencies across the United States.”

Source Citation: "Floor Laying and Other Floor Work, Not Elsewhere Classified." *Encyclopedia of American Industries*. Online Edition. Thomson Gale, 2007. Reproduced in Business and Company Resource Center. Farmington Hills, Mich.:Gale Group. 2008.
<http://galenet.galegroup.com/servlet/BCRC>
Document Number: I2501400564

C. How does the current real estate market affect the future of this industry?

1. “While single-family housing was experiencing a gradual decline early in 2005, the focus shifted to home remodeling, including additions and alterations, maintenance and repairs, and major replacements. In fact, according to The U.S. Census Department, this sector would increase 12 percent in 2005, or a total of \$177 billion that homeowners would spend. However, some analysts predict homeowners would spend closer to \$225 billion. The majority of contracted projects would include additions or alterations, followed by maintenance and repairs with a small number of major replacements.

...

The single-family home construction industry is extremely susceptible to changes in economic factors and financial markets. There is a significant and direct negative correlation, for example, between federally-controlled interest rates and the volume of new homes under construction. When the interest rate attainable on mortgage loans is low, housing starts are relatively high because of increased affordability. For example, a \$100,000, 15-year home loan requires a buyer to make monthly payments of \$899 per month, when the interest rate is fixed at 7 percent. When the interest rate rises to 12 percent, however, that monthly payment jumps to \$1,200. In such an environment, builders will have to offer incentives to increase sales. As a result, the housing industry, like mortgage rates, is highly cyclical.”

Source Citation: "General Contractors--Single-Family Houses." *Encyclopedia of American Industries*. Online Edition. Thomson Gale, 2006. Reproduced in Business and Company Resource Center. Farmington Hills, Mich.:Gale Group. 2008. <http://galenet.galegroup.com/servlet/BCRC>



2. “The Louisville housing market is in far better shape than [SIC] the majority of the country, according to a study released Friday by the Jefferson County Property Valuation Administrator.

The study, which was authored by PVA Tony Lindauer and Chief Deputy PVA Donna Hunt, found that median property values in Jefferson County increased to \$147,000 in 2007 from \$141,000 in 2006.

The Louisville market has been more resilient because it has not had extremes in yearly property value appreciation, the report said. While many markets across the country experienced double-digit appreciation rates, Louisville saw steady 2 to 5 percent yearly increases.

The study also found that a large percentage of Louisville homeowners carry no mortgage debt. There are about 345,000 owner-occupied housing units in the Louisville Metropolitan Statistical Area. About 29 percent of those homes do not have a mortgage.

...

Despite its resilience in comparison with other U.S. cities, Louisville isn't without housing market problems. Jefferson County foreclosures have significantly increased over the past few years. “

Business First of Louisville, April 25, 2008.



IV. What are Company’s Market Positioning and Advertising Options?

A. Considerations if Company would like to increase name recognition:

1. 6 to 12-month advertising schedule in his target customer’s strongest media outlets: radio and cable television
2. Separate 6 to 12-month advertising schedule to target entire market.
3. Consider direct mail when targeting entire market.

Chart 2 shows the percentage of Company’s Target Residential Customer (age 18+) and percentage of the Extended MSA (age 18+) who bought no items in the past year as a result of direct mail marketing, and the percentage of each group that used the internet yellow pages within the past year. A larger portion of Target Area residents DID NOT make purchases from direct mail ads, but more of them used the internet yellow pages within the past year.

Source: Scarborough Release 22007, Oct 06-Sept 07

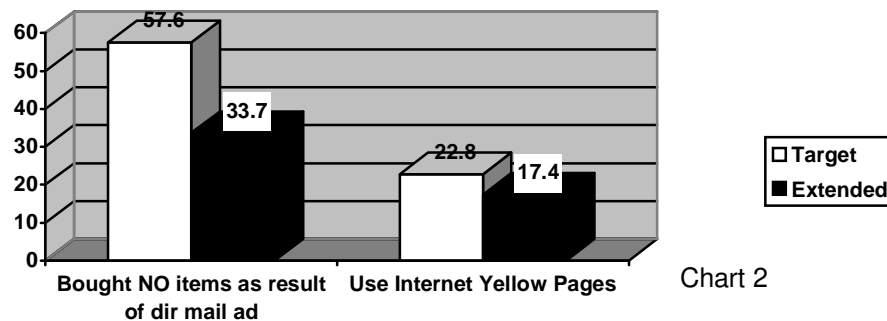
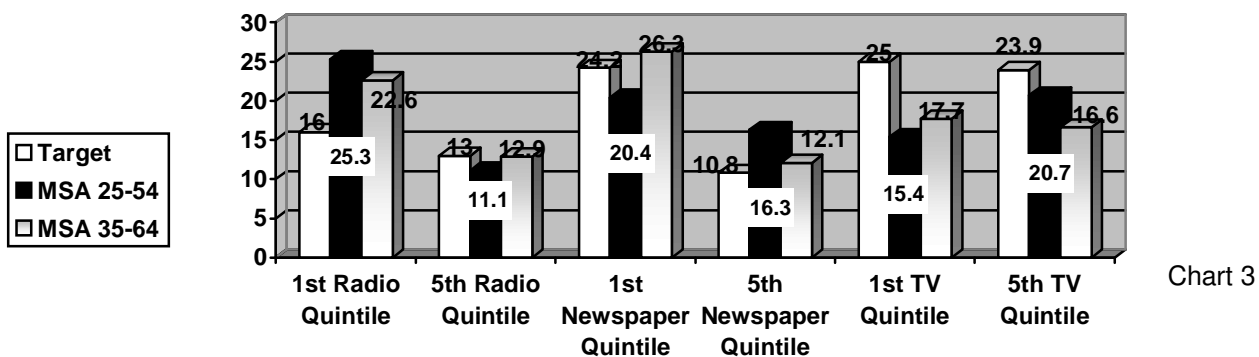


Chart 3 shows the percentage of Company’s Target Residential Customer (age 18+) and percentage of the Extended MSA ages 25-54 and 35-64 who are in the 1st and 5th Quintiles of each type of media. Quintiles measure media usage in 5 levels of quantity. People in the 1st quintile are the heaviest listeners, readers, or watchers that respective medium. People in the 5th quintile are the lightest listeners, readers, or watchers of that respective medium. The largest percentage (25%) of Company’s target customer are heavy users of television.

Source: Scarborough Release 2 2007 Oct 06-Sept07



B. Considerations if Company would like to brand itself:

1. May want to focus on ties to Target Area, i.e. – “The Area’s Favorite Carpet Cleaner” or “Serving Louisville’s Target Area for over 20 years”
2. Choose one other specific competitive advantage and highlight this in all advertisements.

C. Considerations if Company would like to increase commercial market share:

1. Certifications
2. Networking
3. Develop a separate unit of company that handles all commercial business
4. Subcontract with other businesses in the 150 miles surrounding the MSA.
5. Brand company as the cleaning specialist of another industry. For example, if Company uses extremely safe chemicals to clean, it’s the ideal choice for schools. If Company disposes of chemicals in an environmentally-friendly way, it can target businesses that are also “green.”
6. Have an internet presence. A good website and website links to any lists on which his company appears (yellowbook.com; BusinessReference USA; the BBB; etc.) are a must.



Conclusion

Company is fortunate to be set in Louisville, KY, where the housing market isn't as dire as it is in other cities and states, and where homeowners are spending heavy dollar amounts on home improvement. More residents outside of his target customer base use carpet cleaning and installation services, and the company may want to consider expansion into that area. The field is highly competitive, with hundreds of results coming up from internet searches for carpet layers and cleaners. The companies with the most name recognition in the city are also franchises of large parent companies, but according to previously mentioned sources, privately owned, smaller companies thrive in the business as well. With nearly half-a-million households in the MSA, there's plenty of business for everyone. Staying competitive through new technology, advertising, commercial business, and continued good service will help Company to obtain and retain steady business.

