HOME SERVICE ECONOMIC REPORT: 2020 REVIEW

JANUARY 2021

JOBBER

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INTRODUCTION

Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States[1]. As the leading business management platform for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 100,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.

This report analyzes the performance of the Home Service category in 2020 in key areas such as revenue growth, consumer demand, and employment. To help put the performance of the category into context, the report shows comparisons to other major categories, such as Food and Beverage Stores, Clothing Stores, and Restaurants. It will also discuss industry trends related to technology adoption and how they are affecting Home Service businesses' ability to get work, do work, invoice and get paid. Lastly, the report highlights the types of businesses that operate within Home Service, and dives deeper into the performance of key segments such as Cleaning, Contracting, and Green businesses.

KEY REPORT TAKEAWAYS

- The Home Service category experienced a significant decline in year-over-year growth when stay-at-home directives were implemented across the U.S. in March and April.
- Despite the initial decline, Home Service has proven to be one of the most stable categories aside from Grocery Stores and General Merchandise Stores amidst the economic uncertainty.
- Consumer spending in Home Service recovered quickly starting in May, and year-over-year growth outpaced most other categories in the second half of the year.
- Technology adoption among Home Service professionals increased in 2020; technology is becoming more standardized among these businesses across their entire workflow.
- Customer communication in the form of visit reminders grew significantly in 2020, even though visit growth remained stable in the second half of the year.
- Residential cleaning was the industry most impacted by the COVID-19 pandemic.
- The Contracting segment was consistently stable throughout 2020, aside from April and May where growth declined.
- Warranty services was the most stable type of work for Contracting in 2020 while inspection work was the most volatile.
- The Green segment saw positive revenue growth year-over-year throughout 2020 and even exceeded pre-pandemic levels in Q4.
- One-off jobs in the Green segment remained stable overall, while regular, recurring contract jobs were heavily impacted by the COVID-19 pandemic.
- The Home Service category ended 2020 fully recovered from the initial COVID-19 pandemic volatility and is growing year-over-year.

HOME SERVICE CATEGORY PERFORMANCE

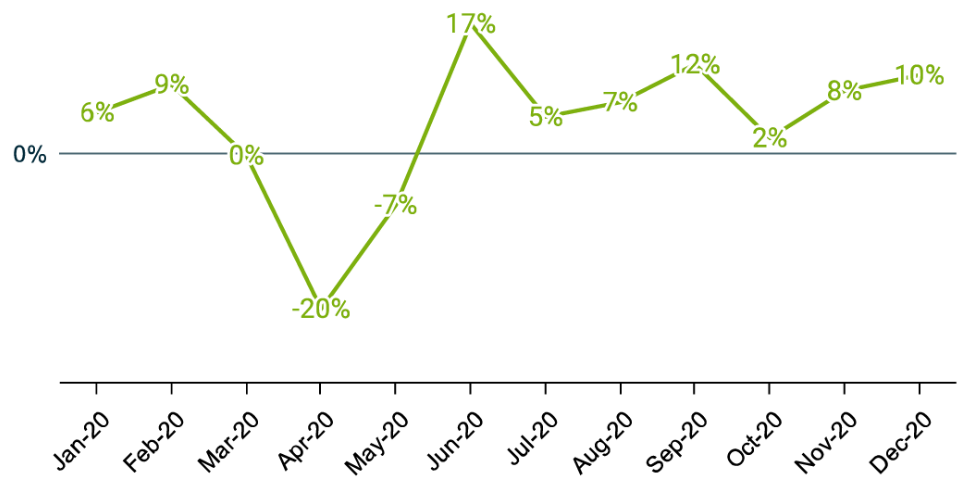
CUSTOMER DEMAND AND REVENUE GROWTH

2020 started with positive year-over-year growth in new work scheduled. New work being scheduled is an early indicator of the health of Home Service businesses, and a proxy for consumer demand. When consumer demand declined in March and April as the country implemented stay-at-home directives, new work scheduled sharply declined, but it started to show major signs of recovery with 17% year-over-year growth in June. Since then, the second half of 2020 saw consistent positive growth matching or exceeding pre-pandemic levels.[2]

TAKEAWAYS

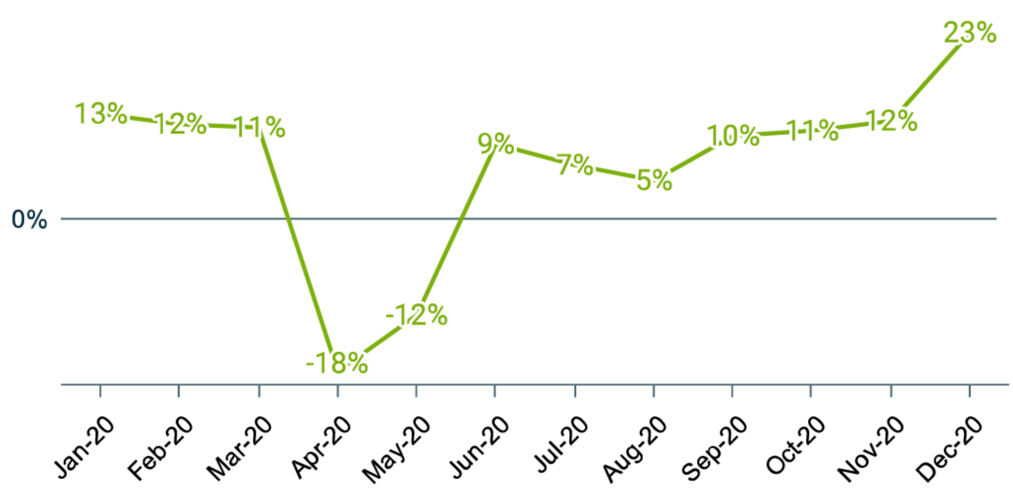
- The Home Service category stabilized after initial COVID-19 volatility.
- The year-over-year growth in new work scheduled reached a record high for the year in June and the year ended with healthy growth exceeding pre-pandemic levels.
- Revenue growth has been consistently growing since June and reached a record high for the year in December.
- Employment in Home Service has rebounded quicker than most major categories but recovery has been slow.

NEW WORK SCHEDULED YOY - HOME SERVICE



Median revenue followed a similar trajectory as new work being scheduled. The decline in April and May was followed by healthy growth in later months as revenue returned to positive levels. The second half of the year saw consistently positive growth, with December hitting a record high for the year at 23%, far exceeding pre-pandemic levels.[2]

MEDIAN REVENUE YOY - HOME SERVICE

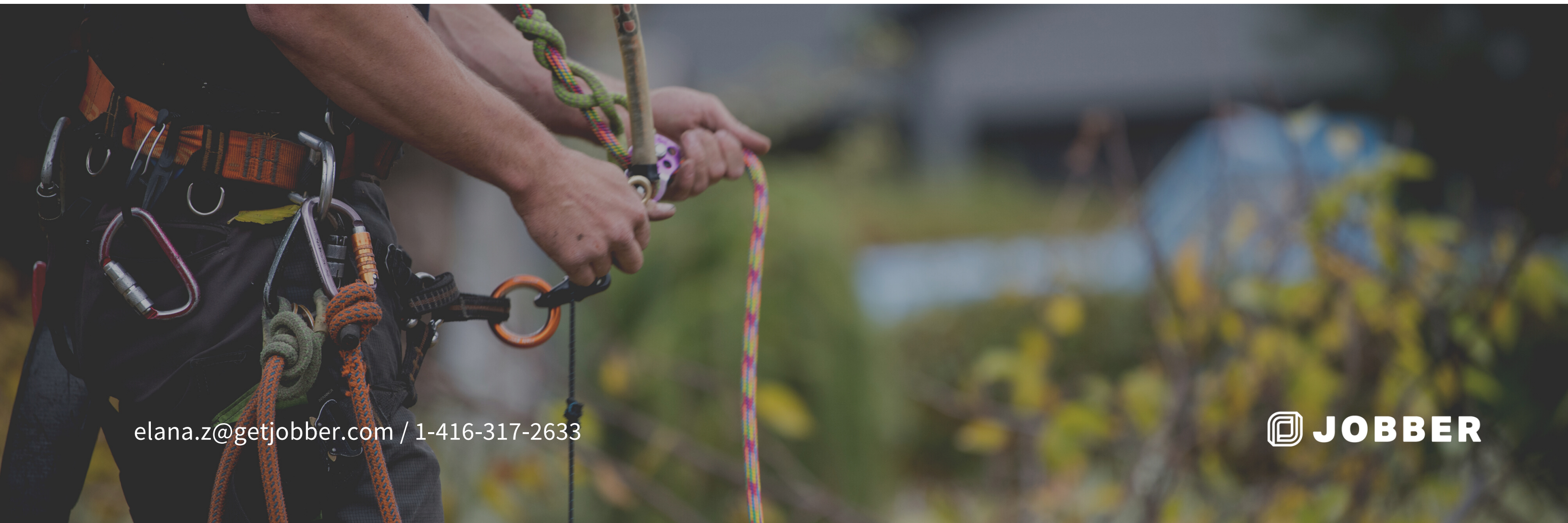


EMPLOYMENT

The U.S. unemployment rate, although seeing a positive trend for the last five years, experienced a drastic increase during the pandemic. Unemployment shot up to a record high of 14.8% in April due to pandemic-related layoffs. Since then, there has been an improvement in this rate related to the re-opening of the economy. By September, the unemployment rate improved to 7.8%, and ended the year at 6.7%.[3]

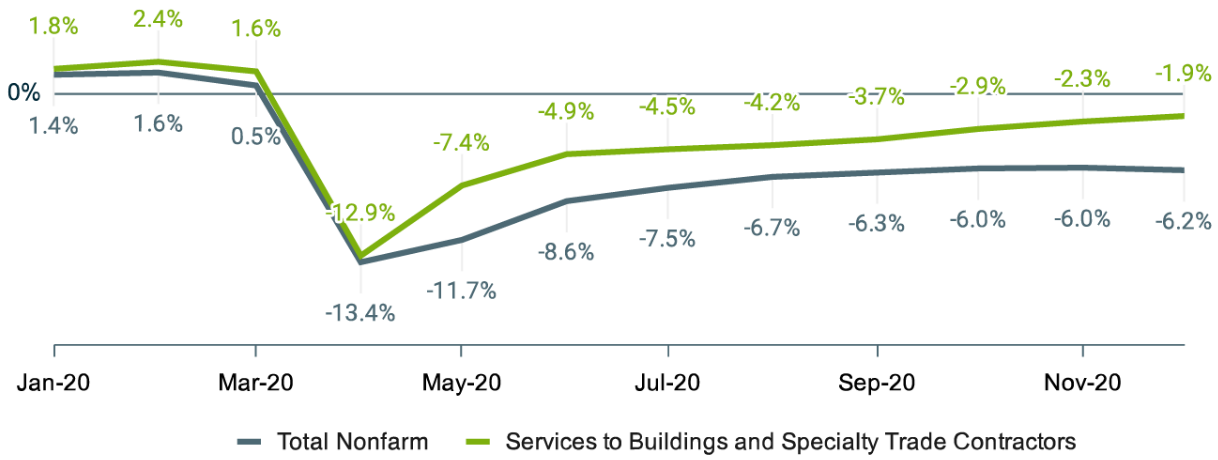
To assess employment in the Home Service category, we look at how it compares to Total Nonfarm employment; all employment excluding farm workers, private household employees, and non-profit organizations.[4] Though the Home Service category spans a wide range of industries, two North American Industry Classification System (NAICS) categories make up a large portion of the businesses in this category. Services to Buildings and Dwellings refers to most businesses that make up Cleaning and Green businesses, such as pressure washing and landscaping, while Specialty Trade Contractors refers to Contracting businesses such as plumbing and HVAC.

Total Nonfarm employment was growing over 1% year-over-year in Q1, and then fell to -13.4% in April. Although there has been a slow improvement since then, employment remains on a decline year-over-year, with Q4 seeing an average of around -6.0%.



The Home Service category started 2020 with positive year-over-year growth, outperforming the employment growth in Total Nonfarm. However, when stay-at-home orders came into effect in April, employment fell by -12.9% year-over-year. This was only slightly better than the overall effect on Total Nonfarm. As the economy started to re-open, the recovery in Home Service has been significantly better than Total Nonfarm, with consistent improvement throughout the year from May onwards. By the end of 2020, Home Service employment reached nearly flat levels year-over-year.

EMPLOYMENT RATE YOY



HOME SERVICE COMPARED TO OTHER CATEGORIES

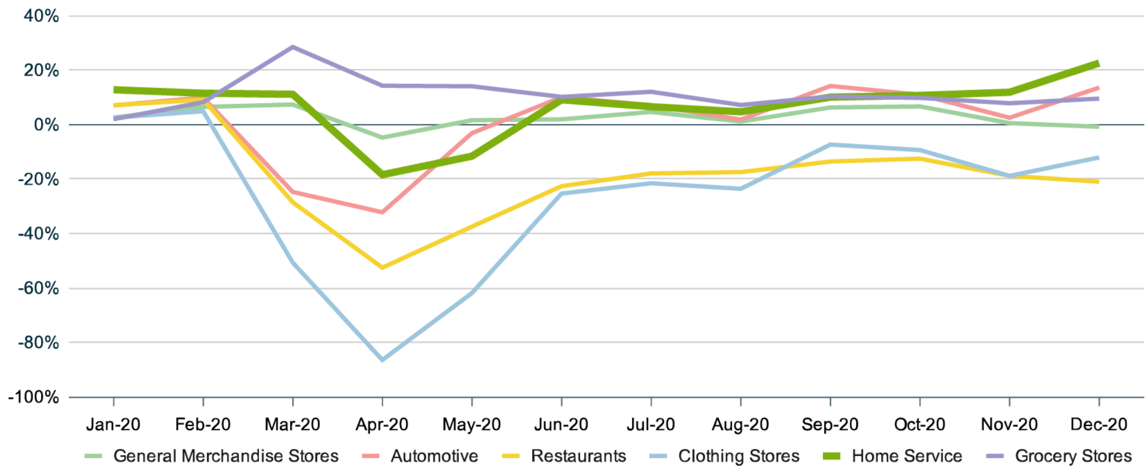
REVENUE GROWTH

The U.S. Census Bureau data reveals that many major categories experienced similar positive revenue growth at the start of 2020. As the COVID-19 pandemic hit the country and the ensuing policy changes impacted the economy, there was a lot of volatility starting in March. With the exception of Grocery Stores and General Merchandise Stores, Home Service was the most stable category throughout the pandemic. The category continues to grow, as it surpassed all other major categories from October 2020 onwards.[5]

TAKEAWAYS

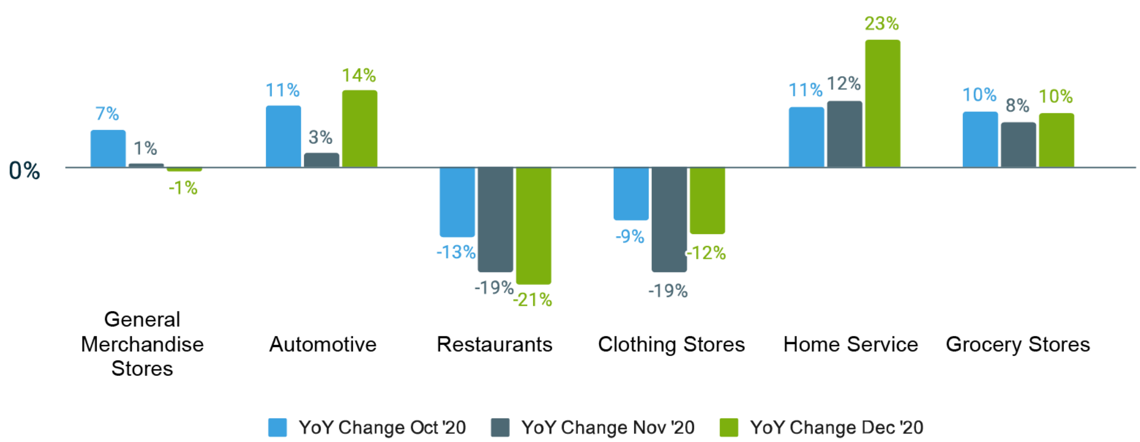
- Home Service was the most stable category aside from Grocery Stores and General Merchandise Stores through the pandemic.
- Consumer spending on Home Service quickly returned to pre-pandemic levels by June, and accelerated in the second half of 2020.
- Employment recovery in Home Service outpaced most other categories.

REVENUE COMPARISON YOY



Taking a more detailed look at Q4, it's clear that businesses in the Home Service category are recovering well, with December year-over-year growth reaching 23%. This level of growth is out-pacing even the most stable categories such as Grocery Stores, which saw accelerated growth through the pandemic.

CATEGORY COMPARISON YOY (Q4 2020)



CONSUMER SPENDING

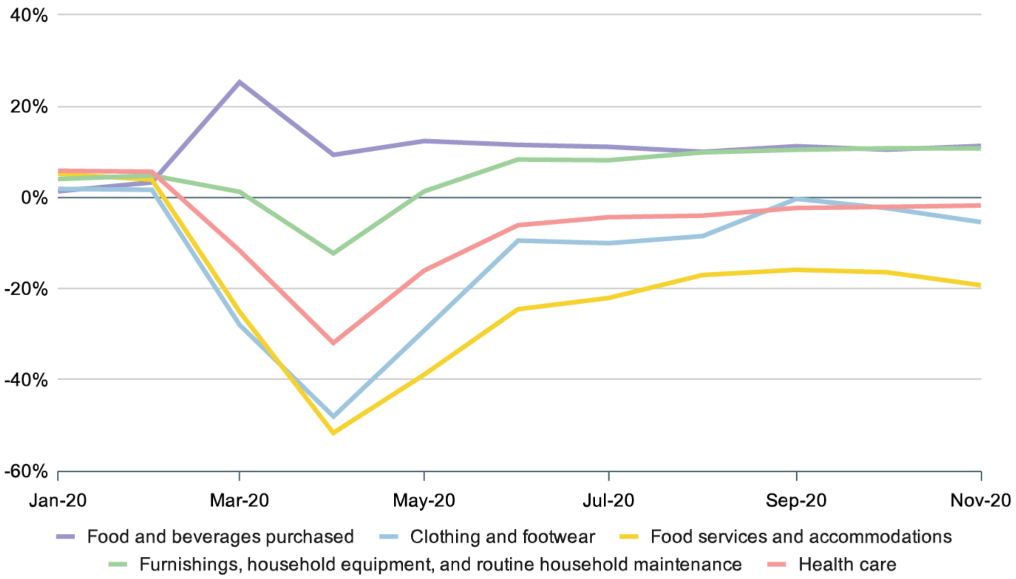
Data from the U.S. Bureau of Economic Analysis has been used to evaluate consumer spending in these different categories. Although there’s no specific expenditure type that directly aligns with Home Service spending as a whole; 'Furnishings, household equipment, and routine household maintenance' is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

At the start of 2020, all expenditure types experienced positive year-over-year growth. Mirroring revenue growth, there was noticeable fluctuation in consumer demand beginning in March. 'Food and Beverage' spending increased drastically, which is tied to the increase of Grocery store sales. 'Clothing and footwear', and 'food services and accommodations', on the other hand, experienced a spending decline—categories that are directly related to Apparel sales and Restaurants and Hotels. Since many of these businesses shut down in April, this result was expected.

As the economy started to re-open throughout the country in May and June, all of these expenditure types experienced significant recovery. This recovery continued in Q3 for all categories, but growth stalled for food services and accommodations and clothing and footwear in October and November. December data will not be available until the end of January.

'Furnishings, household equipment and routine household maintenance' experienced a sharp decline in April but recovered in May and June, returning to positive year-over-year growth in consumer spending. Since then, this category has been outperforming most other categories throughout the year. This is correlated with the performance of the Home Service category in the second half of the year, and indicative of the non-discretionary nature of work that many Home Service businesses provide.[6]

CONSUMER SPENDING COMPARISON YOY



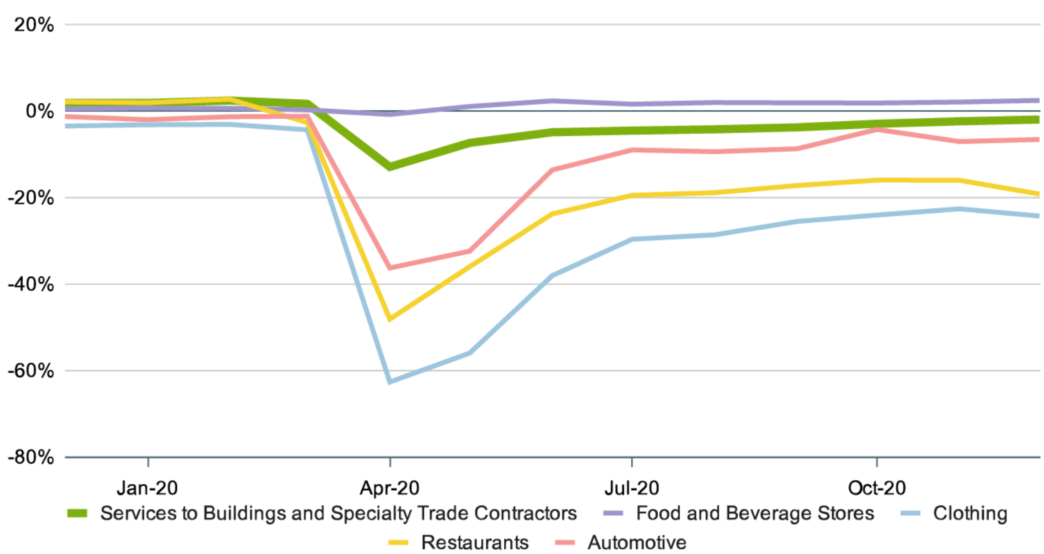
EMPLOYMENT

Data from the U.S. Bureau of Labor Statistics has been used to evaluate employment trends across different categories. The NAICS categories of 'Services to Buildings and Dwellings' and 'Specialty Trade Contractors', as described earlier, make up a significant portion of businesses within the Home Service category.

Employment across all categories, with the exception of 'Food and Beverage Stores', saw a sharp decline in April. This employment result mirrors Grocery Store sales, which have maintained resilience throughout the course of 2020. 'Clothing Stores' were far less resilient as many retail locations across the country were forced to close their doors. 'Restaurants' continued to operate throughout the year with a focus on take-out, but with fewer employees. All of these categories experienced positive recovery in May and June, followed by steady improvement throughout the rest of 2020.

Due to the non-discretionary nature of Home Service businesses, employment in this category has proven to be comparatively resilient. After the sharp decline in April, there has been consistent improvement through 2020, ending the year close to flat year-over-year numbers.[4]

EMPLOYMENT COMPARISON YOY



TECHNOLOGY ADOPTION

There has been a noticeable shift towards technology adoption among Home Service professionals in recent years fueled by increasing consumer expectation for a seamless, transparent, technology-enabled service experience. The COVID-19 pandemic accelerated this trend. Business management technology allows service providers to leverage technology across their entire workflow; getting work, doing work, and getting paid. The data shows increased technology usage across this whole workflow.

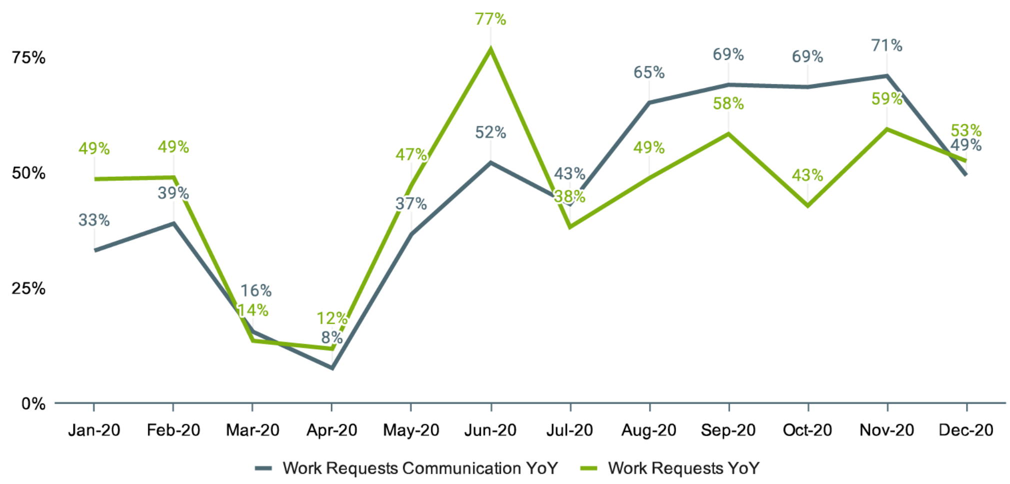
TAKEAWAYS

- Home Service businesses are adopting technology across their whole workflow of getting work, doing work, and getting paid.
- Communicating with their customers in a transparent, efficient, and touch-less manner has become more important than ever.

GETTING WORK

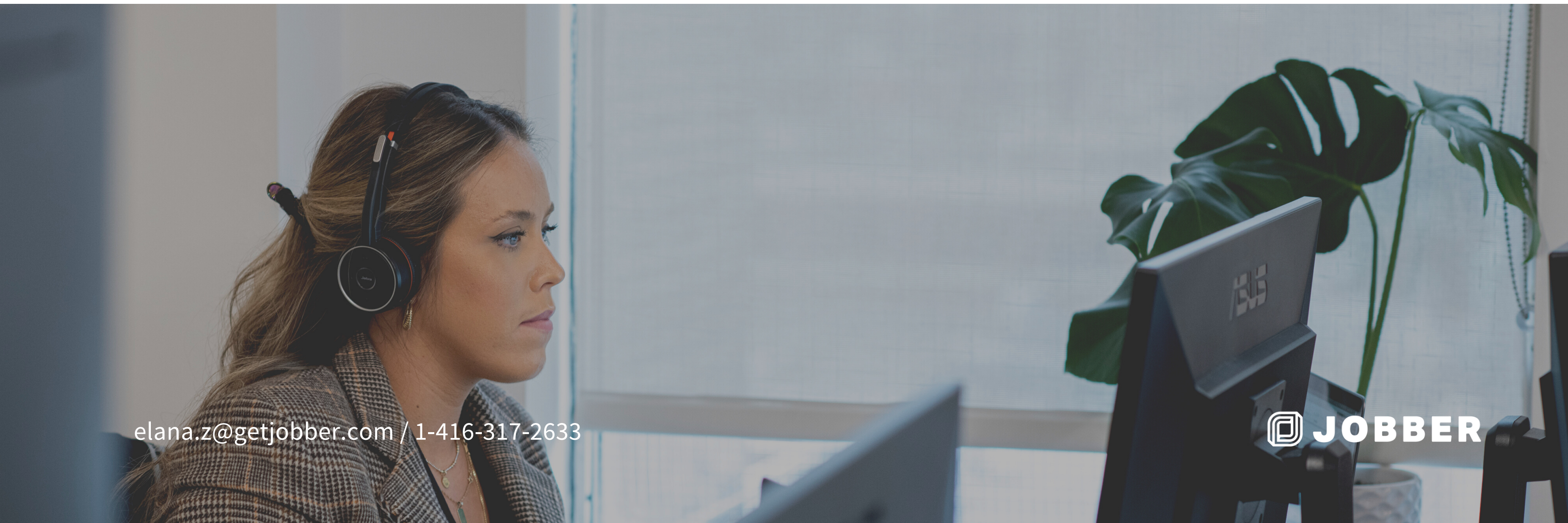
Work requests allow Home Service businesses to capture interest from their customers using their website or social media pages. Not only is this an easy way to get more work, it's an efficient, modern experience for consumers. As seen in the data below, work requests have generally been growing year-over-year, and that growth accelerated through 2020 after the initial decline in March and April. In addition, digital communication related to work requests between Home Service businesses and their customers has also significantly increased throughout 2020.[2]

YOY CHANGE IN WORK REQUESTS AND WORK REQUESTS COMMUNICATION

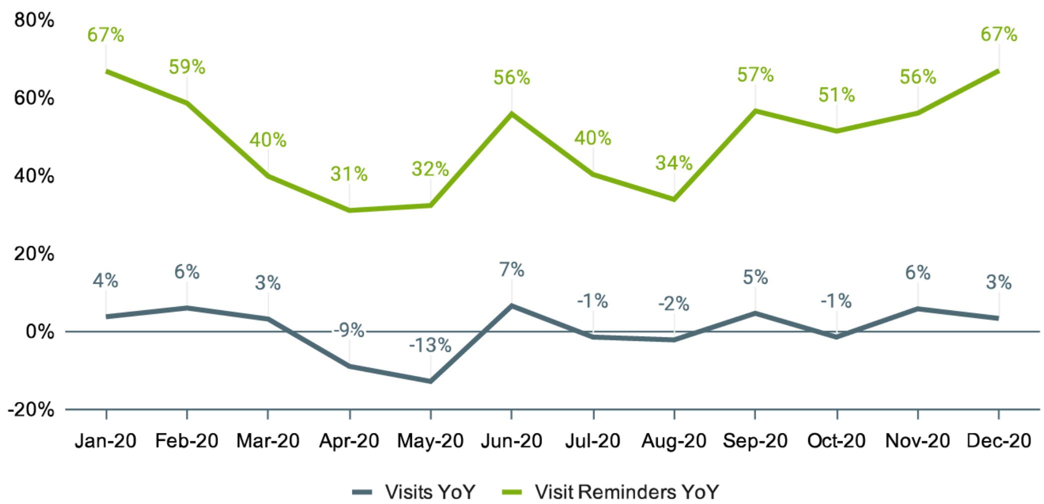


DOING WORK

As the economy slowed down significantly during the first wave of the pandemic, Home Service businesses saw a decline in year-over-year growth in visits to customer sites in April and May. However, even during that time, there was over 30% growth year-over-year in visit reminders being sent by those same businesses, as customer communication was more important than ever. This communication trend has remained strong throughout 2020, and looks to be accelerating in Q4, while visit growth year-over-year remained stable in the second half of the year.[2]



YOY CHANGE IN VISITS AND VISIT REMINDERS

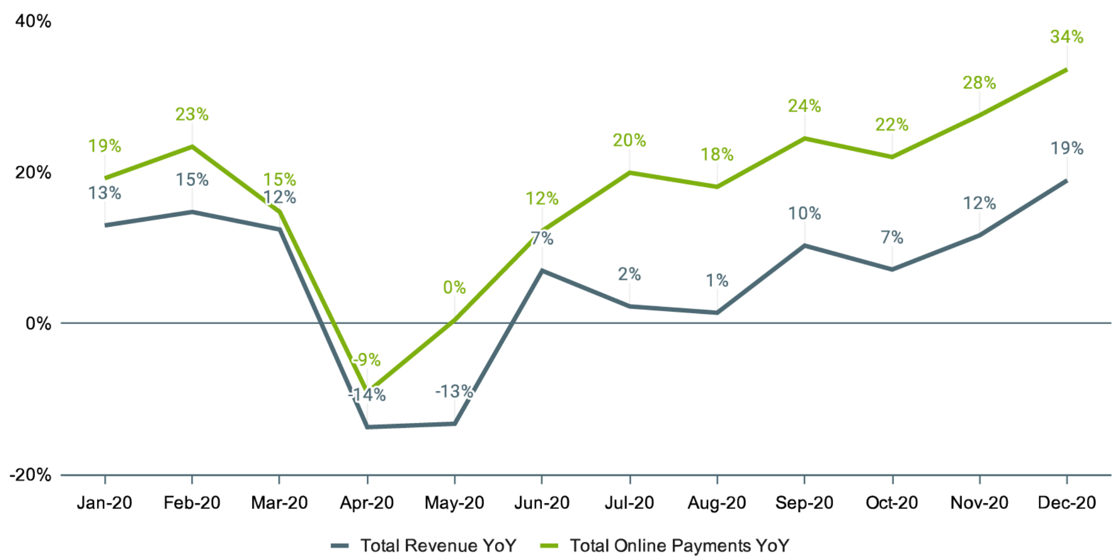


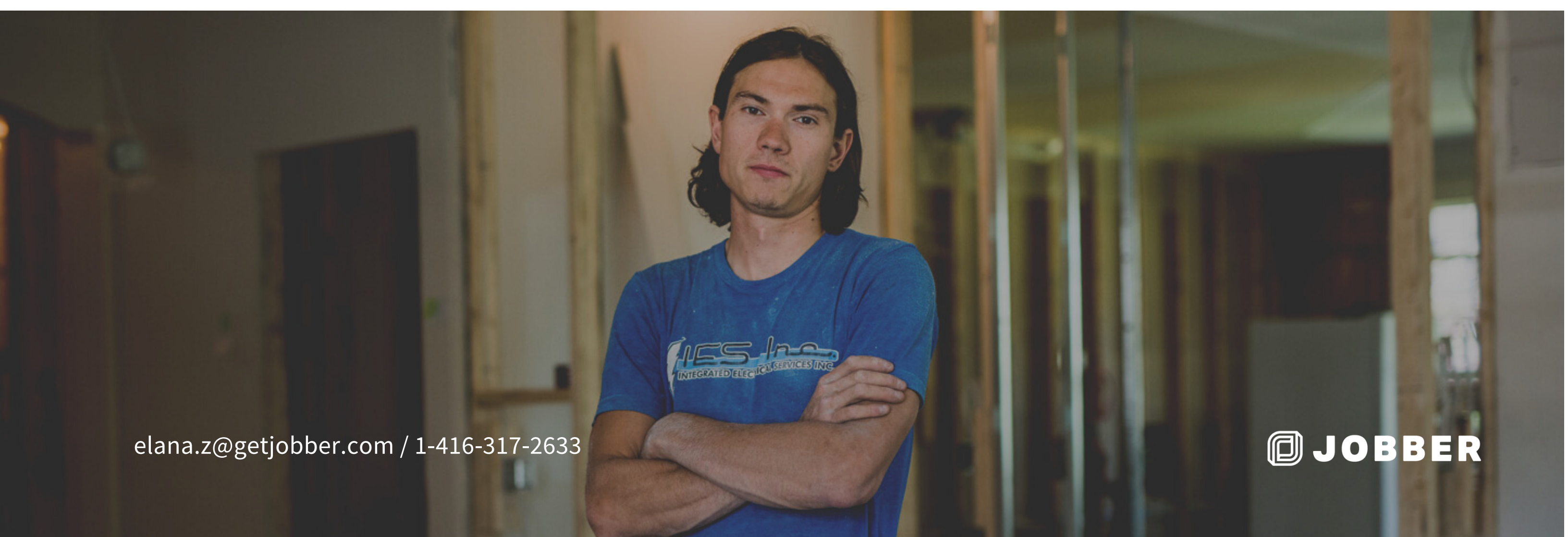
INVOICING AND GETTING PAID

Each Home Service business has its own unique dynamics related to payment collection. Some businesses like the immediate liquidity of cash, and others prefer to take cheques for a large job so they don't have to pay credit card transaction fees. However, online payments are being adopted by consumers at a rapid pace, and many Home Service businesses are evolving with this trend. Based on a report from Bain & Company, the adoption of digital payments has accelerated significantly due to the COVID-19 pandemic.[7] Although the Home Service category has been slower to adopt this trend compared to others, the COVID-19 pandemic and the social distancing rules that come with it have provided some tailwinds.

The data shows a rapid change in the market with a huge increase in payments being collected through online payments rather than other payment methods such as cheque, cash, or automated clearing house (ACH). At the start of 2020, online payments growth was being captured by service providers in line with their revenue growth, and this trend continued in April even as revenues declined significantly due to the pandemic restrictions. However in the second half of the year, online payment growth started to distance itself and started growing at a much faster rate than the overall revenue growth of these businesses. We believe this trend will continue into 2021 and beyond, due to continued pandemic restrictions as well as a general shift in consumer expectations.[2]

YOY CHANGE IN REVENUE AND ONLINE PAYMENTS





HOME SERVICE SEGMENT BREAKDOWN

Since the Home Service category consists of a large range of industries, it's useful to segment the data to better understand trends within different sections of this category. To do so, we split the data into three segments: Cleaning, Contracting, and Green businesses.

The Cleaning segment consists of residential cleaning, commercial cleaning, pressure washing, and more. Contracting is made up of construction contractors, plumbers, electricians, and more. Finally, the businesses in the Green segment provide lawn care, landscaping, and other related outdoor services.

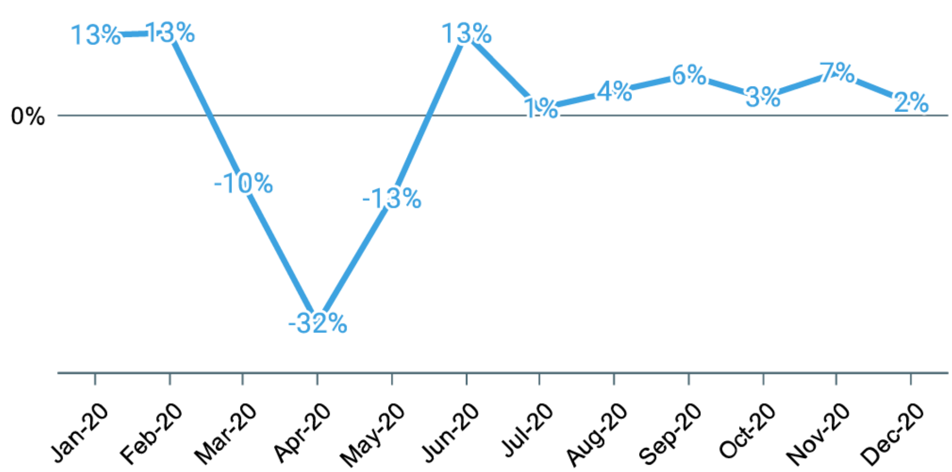
CLEANING

Businesses within the Cleaning segment are generally non-seasonal, but they do see a small spike in the spring. Although Cleaning started off the year with strong growth, new work declined earlier than other segments when stay-at-home directives were issued. Consequently, revenue was impacted severely in April and declined to -42% year-over-year. Although in June new work reached pre-pandemic levels, the recovery in new work scheduled has been slower in the following months. On the other hand, revenue growth turned positive only in September but it has been growing consistently since then. By the end of the year, it reached a healthy growth level of 13% year-over-year.[2]

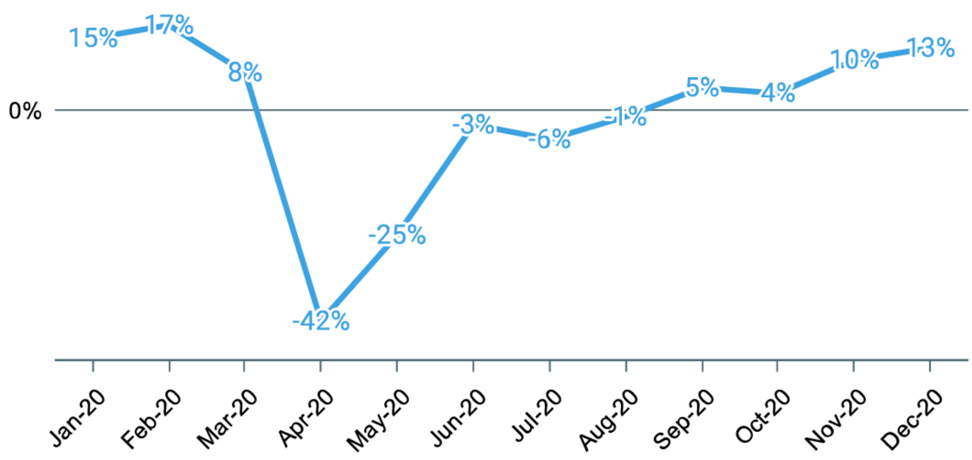
TAKEAWAYS

- Cleaning year-over-year revenue growth saw a significant decline in April and May, hitting -42%, followed by consistent improvement to positive growth by September.
- Contract work in residential cleaning was significantly impacted in 2020, much more than commercial cleaning.

NEW WORK SCHEDULED YOY - CLEANING



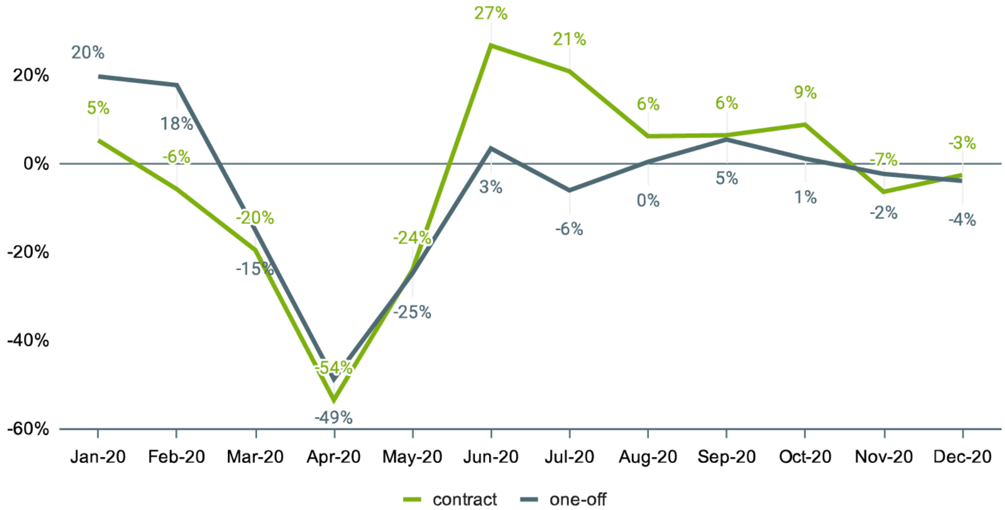
MEDIAN REVENUE YOY – CLEANING



The Cleaning segment has a lot of residential and commercial cleaning businesses with a high proportion of contract jobs that are regular, recurring, multi-month contracts. These contracts provide a high level of stability in revenue and visibility into the future. While some businesses saw the frequency of work increase within their contracts as sanitization became more important than ever, many contracts have also been cancelled as many commercial properties shut down and private residents started to do this work themselves.

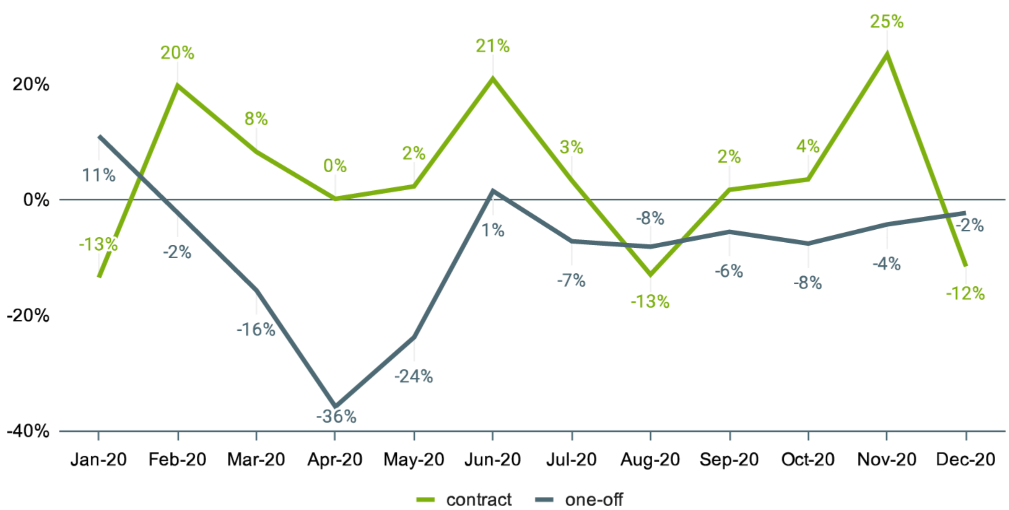
As a result, contract jobs in Residential Cleaning saw a major decline from February onwards, and hit a decline of -54% year-over-year in April. This work recovered well in Q2, with growth in Q3 slowing down but still remaining positive year-over-year. In Q4, this work has slowed down again, dipping back into negative year-over-year growth territory.[2]

YOY - ONE-OFF JOBS VS. CONTRACT JOBS - RESIDENTIAL CLEANING



On the Commercial Cleaning side, one-off jobs took a big hit and followed a similar pattern as Residential Cleaning, but contract jobs have remained relatively stable and mostly positive throughout the year.

YOY - ONE-OFF JOBS VS. CONTRACT JOBS - COMMERCIAL CLEANING



CONTRACTING

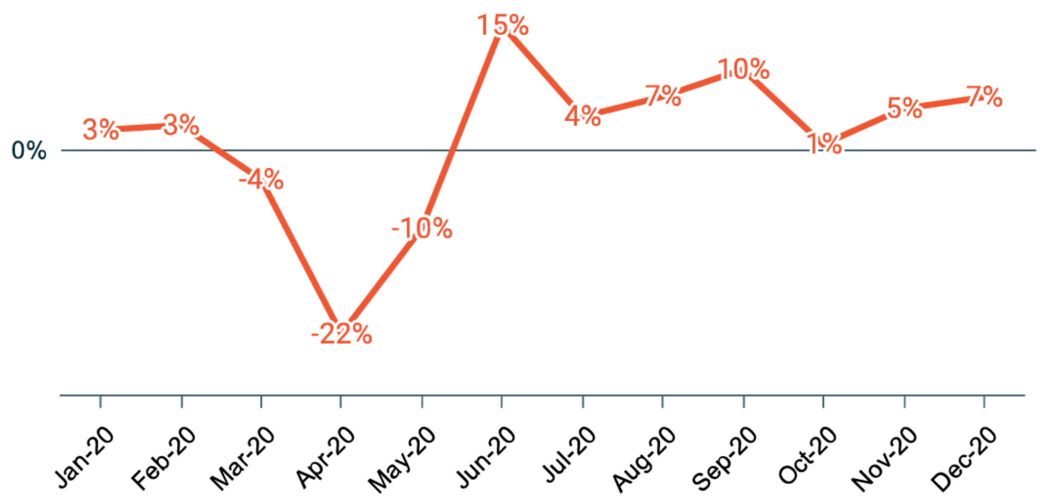
Professionals in the Contracting segment require specialization and licensing in many geographies. Although they generally do fewer jobs, revenue from each job is much higher on average compared to Cleaning and Green. Several industries in Contracting are designated as essential throughout the U.S., allowing many businesses to endure the economic hardships of the pandemic better than most.

Similar to the Cleaning segment, new work in Contracting was impacted and declined to -22% year-over-year in April. June hit a record high of 15% year-over-year growth in new work scheduled, showing a great recovery. While this growth slowed down in the later months, it remained above pre-pandemic levels, ending the year with 7% year-over-year growth. Revenue growth followed a very similar pattern throughout the year, with a sharp decline in April and May, followed by consistent positive growth for the rest of the year.[2]

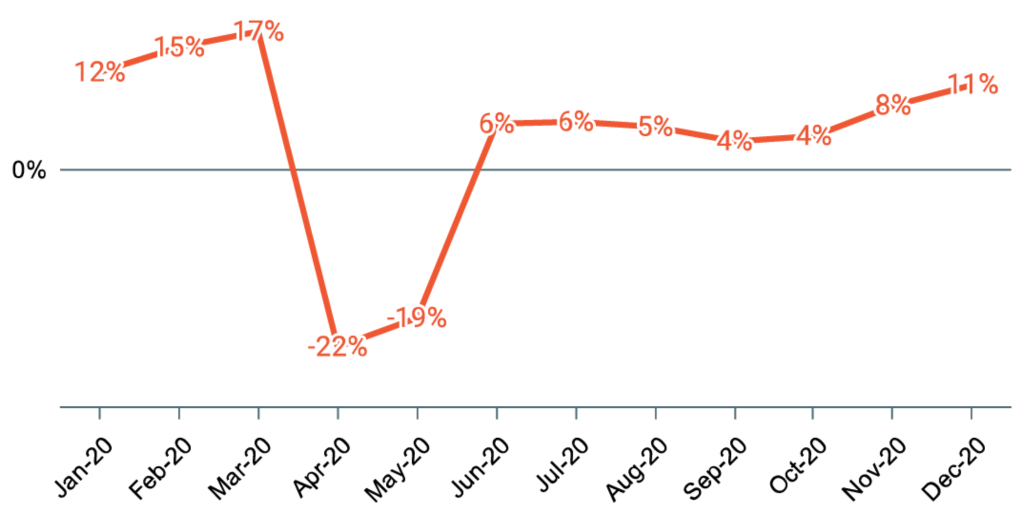
TAKEAWAYS

- New work scheduled fully recovered from the lows of April, and showed consistent positive growth year-over-year from June onwards.
- Revenue growth in Contracting was stable and positive throughout the year, outside of April and May, when revenue declined year-over-year.
- Warranty services was the least volatile type of work in 2020, even though it still saw declines from March to May year-over-year.
- Inspection has been the most volatile but recovered well in Q4, after flat or negative growth year-over-year all year long.

NEW WORK SCHEDULED YOY - CONTRACTING



MEDIAN REVENUE YOY - CONTRACTING



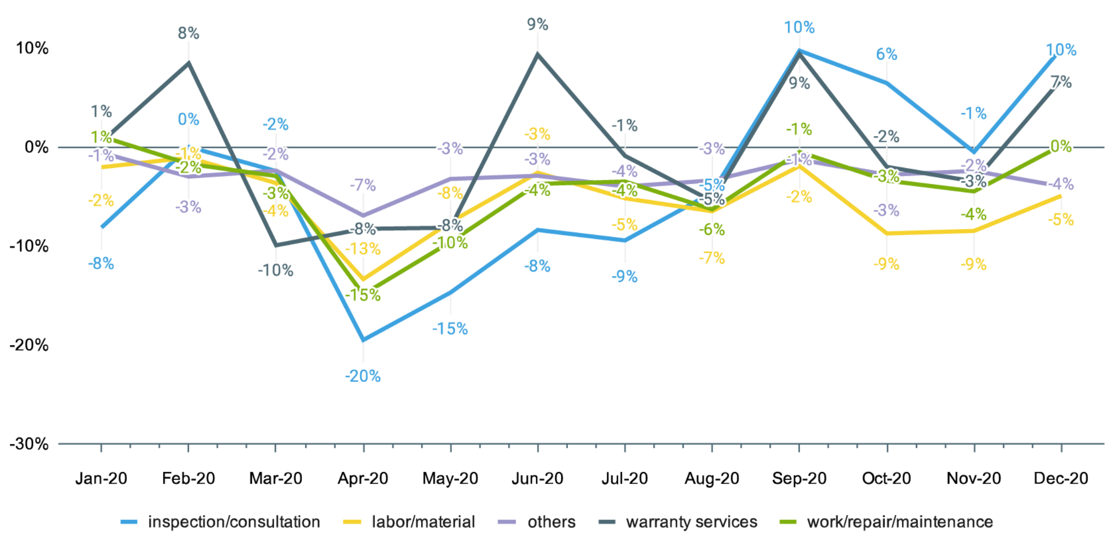
The Contracting segment is dominated by one-off jobs of typically higher invoice values. The nature of the line items on the invoices gives us some insight into the type of work being performed by these service providers. The types of work have been categorized and visualized below.[8]

All work types show similar trends from the start of the year; showing modest growth in Q1, a sharp decline in Q2, and recovery through the second half of the year. Warranty services stand out as one work type which didn't decline quite as much as the others, as this is work these businesses have previously committed to doing. It is the least volatile.

On the other hand, the inspection/consultation work type is the most volatile as it relates to new projects being started. In the middle of the pandemic, this declined significantly to -20% year-over-year in April. Since then, it began to steadily improve, reaching positive year-over-year growth by the end of the year.

Labor/material and regular repair/maintenance work moved in sync and are showing a modest trend towards recovery. However, they have not been able to get back to positive growth year-over-year.

YOY – TYPE OF WORK PERFORMED – CONTRACTING



GREEN

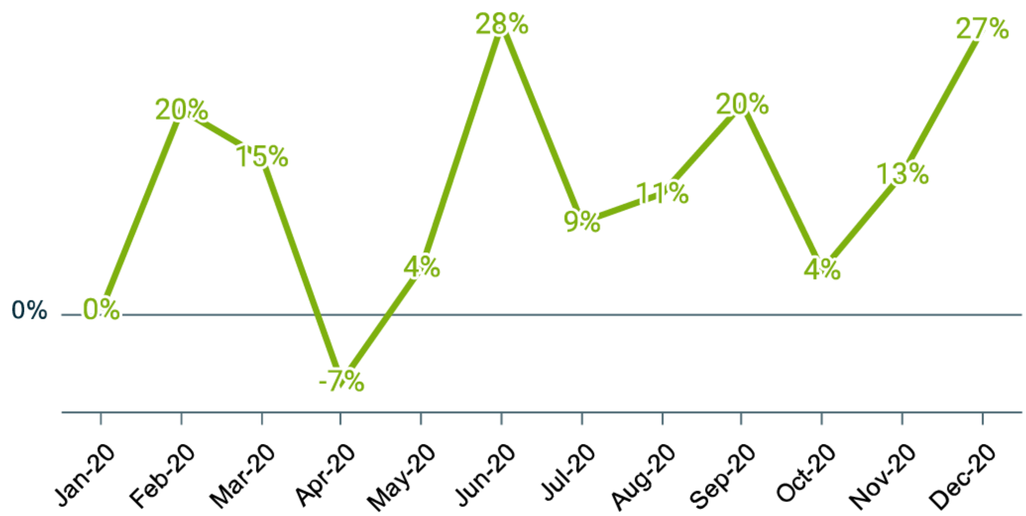
Businesses in the Green segments are often seasonal, and perform a lot of their work in the spring season. While some industries within Green have low barriers to entry similar to residential cleaning, services such as tree care require specialization and have tight regulations. The ‘essential’ classification of Green businesses varies by state as stay-at-home orders are given, but generally this segment fared relatively better during the pandemic as most of their work tends to be outdoors.

The segment saw positive new work growth in Q1 before declining to -7% YoY in April due to the pandemic restrictions. The revenue growth followed a similar trend, but didn’t dip into a decline. In the second half of the year, new work saw consistent positive growth, and revenue growth continued accelerating throughout Q3, before hitting record levels in Q4.[2]

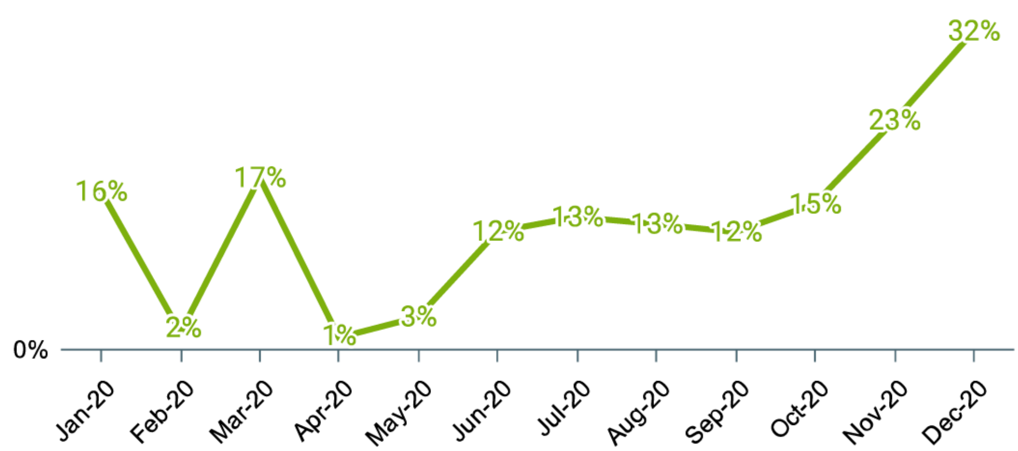
TAKEAWAYS

- The Green segment saw positive revenue growth year-over-year throughout 2020. In Q4, Green showed significant revenue growth far exceeding pre-pandemic levels.
- Regular, recurring contract jobs were significantly impacted during the pandemic wave in Q2, slowly recovering in September, and suffered again during the second wave in November.
- One-off jobs were not impacted much, outside of April, when these businesses missed out on some seasonal opportunities.

NEW WORK SCHEDULED YOY – GREEN



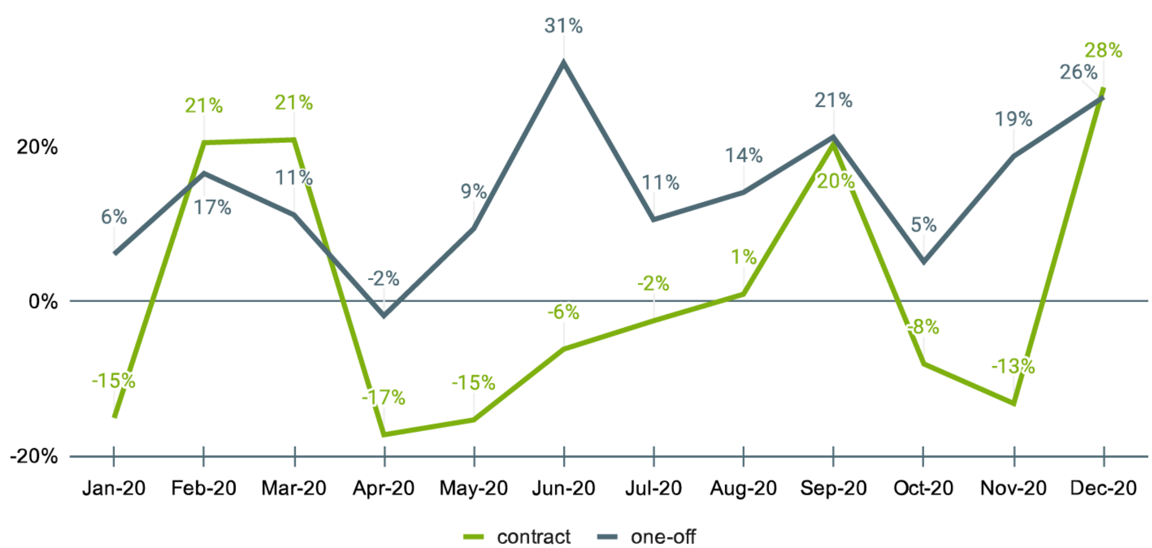
MEDIAN REVENUE YOY – GREEN



Similar to the Cleaning segment, many Green businesses have a high proportion of contract jobs that are regular, recurring, multi-month contracts. Unlike Residential Cleaning, Lawn Care and Lawn Maintenance businesses saw very little impact on one-off jobs. April saw negative growth in this job type, but overall, one-off jobs have seen positive year-over-year growth throughout 2020.

Contract jobs, on the other hand, saw significant impact. After seeing positive growth in most of Q1, they declined to -17% year-over-year in April, and the negative growth continued for the rest of Q2. In the second half of the year, contract jobs saw some volatility with a bit of a recovery followed by another significant decline in early Q4.

YOY ONE-OFF JOBS VS. CONTRACT JOBS - LAWN CARE AND LAWN MAINTENANCE



FUTURE OUTLOOK

2020 was a historic year. Every major business category was impacted by COVID-19, and Home Service was no different. This category experienced significant decline in April in both new work scheduled as well as revenues, followed by a generally positive trend for the rest of the year.

While many small businesses were forced to close their doors, most Home Service businesses endured. It's clear that Home Service as a category is incredibly resilient as every measure including consumer demand, revenue, and employment showed a remarkable recovery throughout the year. This recovery also looks favorable as compared to most other categories, which have stagnated towards the end of the year.

Although the economic turnaround has been commendable, there is considerable uncertainty as we enter 2021. While the U.S. begins executing its vaccination plans, cases of COVID-19 have reached record numbers across the country. That said, Home Service businesses were able to navigate through a tumultuous first wave, and they will be able to draw on that experience moving forward.

DATA SOURCES & METHODOLOGY

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

[2] The year-over-year change in the workflow items (new work scheduled, median revenue, work requests, work request communications, visits, visit reminders, total revenue, and online payments) have been calculated by aggregating data across a cohort of businesses using Jobber over a two year time period. This doesn't include any new businesses that started using Jobber during that period.

[3] Unemployment rates are extracted from the U.S. Bureau of Labor Statistics's new release.

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

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

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[6] The consumer spending data is sourced from the U.S. Bureau of Economic Analysis. The year-over-year change in consumer spending is calculated from personal consumption expenditure data published on the website.

[7] Data on projected percentage of digital payments in 2025 is from the report The Covid-19 Tipping Point for Digital Payments, published by Bain & Company on April 29, 2020.

[8] *Keywords for grouping line items:

- Labor/material: line items contain ‘labor’ or ‘material’
- Work/repair/maintenance: line items contain ‘repair’, ‘maintenance’, ‘treatment’, ‘plumb’, ‘wall’, ‘ceiling’, ‘carpet’, or ‘window’
- Warranty services: line items contain ‘warranty’ or ‘guarantee’
- Others: everything else