JOBBER HOME SERVICE ECONOMIC REPORT

Q3 | November 2022

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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 200,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.

The Home Service category started off 2022 with strong growth, due to the strong home renovation trends from the previous year.[2] While factors such as the rising costs of materials, shortage of labor, and inflation resulted in a slight decline in new work being scheduled in Q2 and Q3 2022, the category as a whole is still outperforming most categories in terms of revenue growth.

This report analyzes the performance of Home Service businesses throughout 2022 and compares them to revenue generated by businesses in other major categories such as Restaurants, Clothing Stores, and Grocery Stores. It 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. Finally, the report investigates the impact of inflation on invoice sizes and provides an update on digital payment adoption across the category.

Takeaways

- Spending on Home Service has been strong and was second only to Restaurants in Q3 2022.
- In Q3 2022, there was a slight decline in new work being scheduled, while revenue growth continued at a healthy pace of 7-10% year-over-year.
- Invoice sizes experienced a higher price increase year-over-year than average inflation with over a 10% increase in values.
- Digital payments accounted for 40% of total payments collected in Q3 2022. The adoption continues to stay strong at similar levels seen in 2021, which were a significant rise from 2020 and previous years.
- While contract jobs have declined last quarter for both Cleaning and Green, one-off jobs have been largely unaffected.
- For Cleaning businesses, new work scheduled experienced flat growth through 2022 compared to last year while median revenue in Q3 grew 5–7% year-over-year as a result of increased invoice sizes.
- Green businesses experienced a slight decline in new work scheduled in Q3 2022, while median revenue in Q3 grew 5–10% year-over-year.
- For Contracting businesses, most months in 2022 show a slight decline in new work being scheduled compared to the incredibly strong levels in 2020 and 2021. Even still, revenue growth continues to look positive due to higher invoice values.

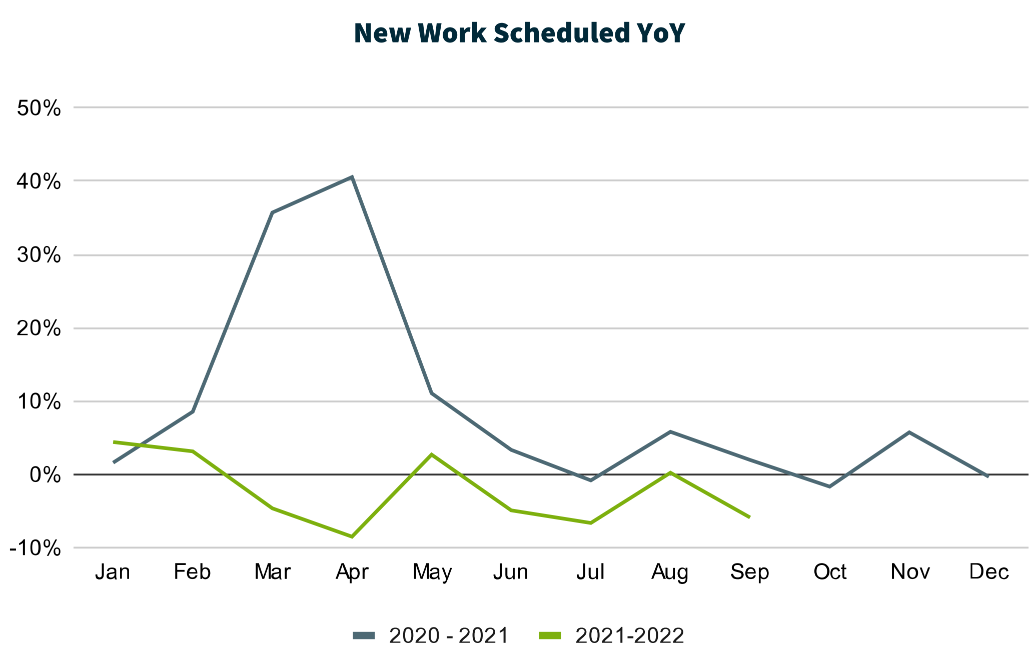
Home Service Category Performance

Consumer Demand & Revenue

New work being scheduled is an early indicator of the health of Home Service businesses, and a proxy for consumer demand. Although year-over-year growth in 2022 is generally lower than 2021 levels, it's important to note that performance in 2021 is being compared with 2020, when the start of the pandemic saw a sharp decline in new work being scheduled. Once social distancing directives were minimized across the U.S. in the summer of 2020, demand returned, which explains the normalizing of year-over-year growth in 2021 from June onwards.

TAKEAWAY

Continued supply chain issues, labor supply challenges, as well as a softening of demand are resulting in the decline of new work being scheduled while median revenue grew at a healthy pace of around 10% year-over-year.



Most of the months in 2022 had negative growth compared to last year, which could be related to a number of factors such as continued supply chain issues as well as a softening of demand.[3] The economy has slowed down across many categories, and Home Service is being impacted as well, although not as significantly as others.

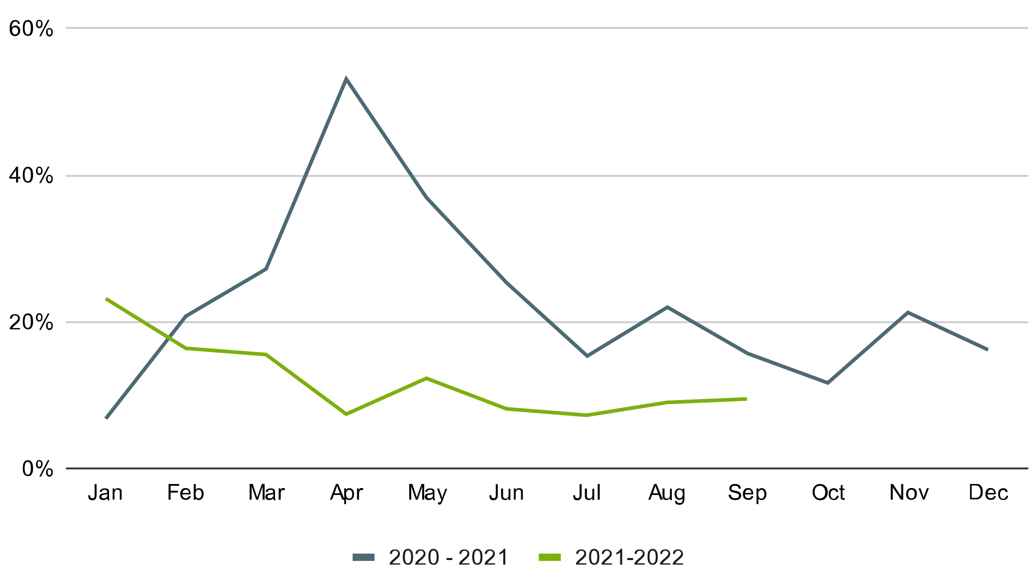
TAKEAWAY

Spending on Home Service has been strong and was second only to Restaurants in Q3 2022.

Historically, median revenue grows in line with new work scheduled. However in 2022, we've seen revenue growth continue at very healthy levels even with a slight decline in new work being scheduled. The same trend played out in 2021—with revenue growth seeing an outsized increase compared to new work scheduled due to increased invoice values. This is a double edged sword because high inflation also softens consumer demand.

Although 2022 isn't seeing the same ultra-high growth rates as last year, most of this year has still been seeing healthy growth rates of around 10% year-over-year.[4]

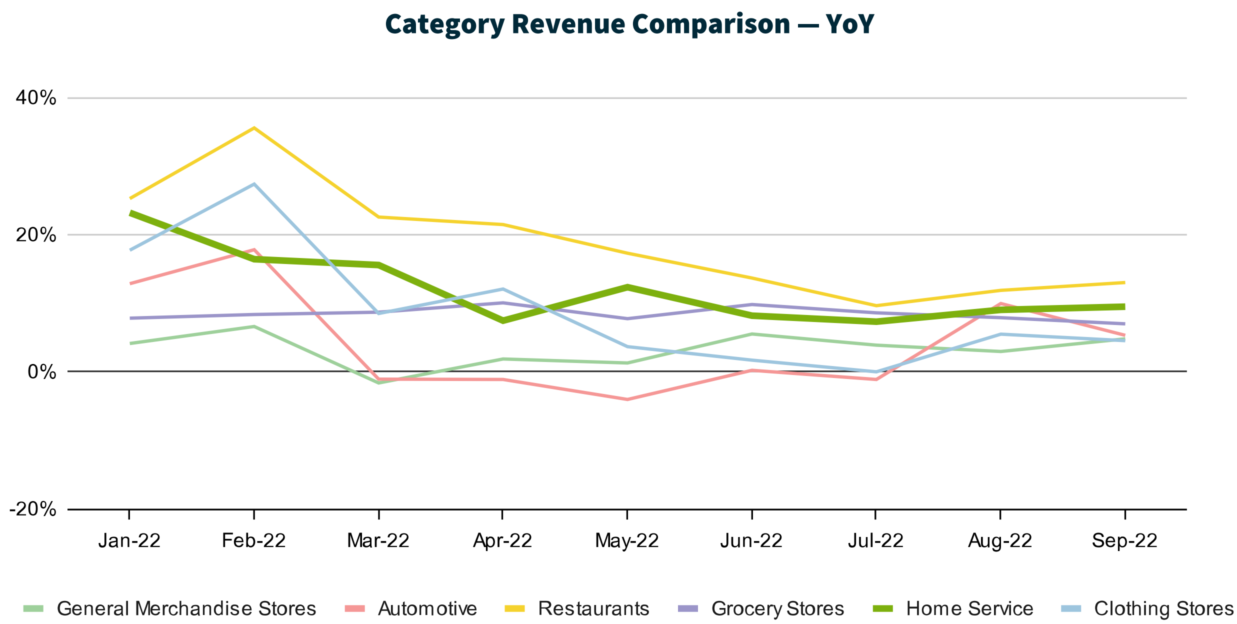
Median Revenue YoY



Category Revenue Comparison

Most major categories saw a spike in year-over-year growth in Q1 2022 compared to the same period last year, though growth has since normalized. Grocery Stores have been very stable throughout the year, while Automotive businesses and Clothing Stores have seen considerable volatility.

All selected categories show positive year-over-year growth in Q3 2022 and one of the biggest contributors is inflation.[5] The Home Service category has been strong throughout the year, and was second only to Restaurants last quarter, which have seen sky-high growth all year long.

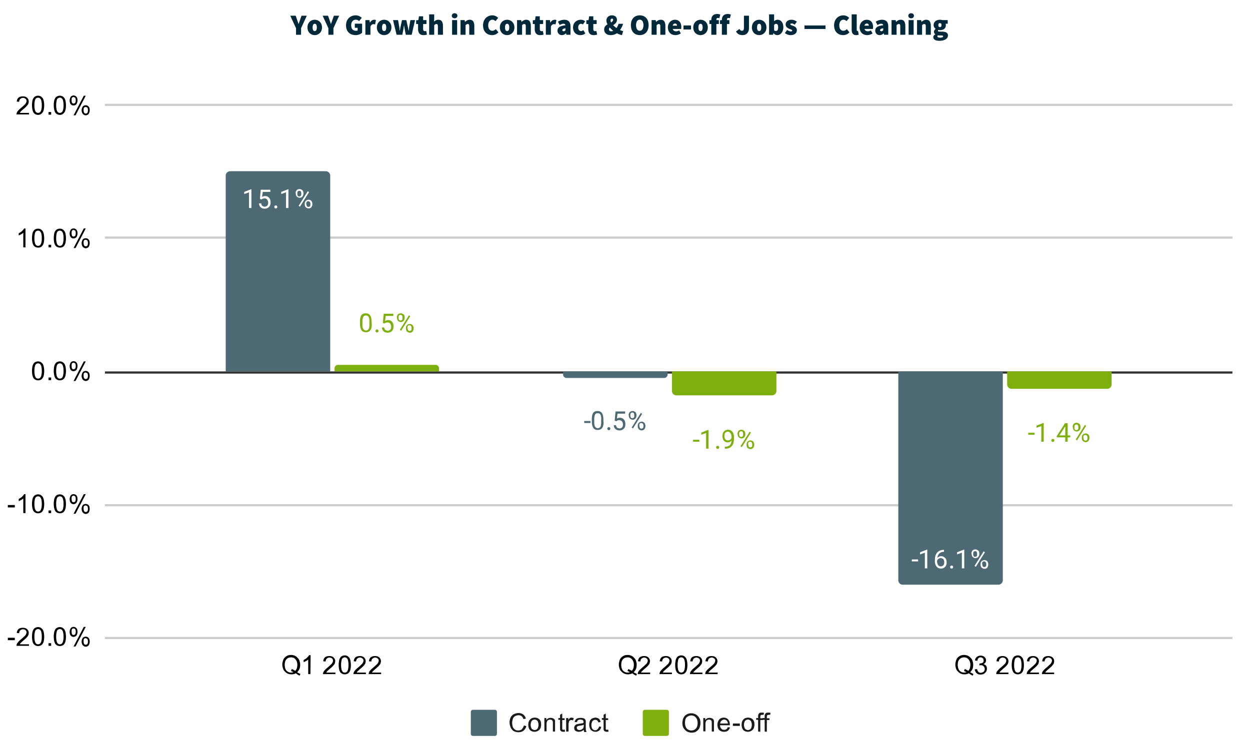


Since the Home Service category consists of a large range of industries, it's useful to segment the data to better understand trends within different segments of this category. To do so, we split the data into Cleaning, Green, and Contracting businesses. The Cleaning segment consists of residential cleaning, pressure washing, and other such businesses. The Green segment includes lawn care, landscaping, and other related outdoor services. Finally, the businesses in Contracting are made up of construction contractors, plumbers, electricians, and others.

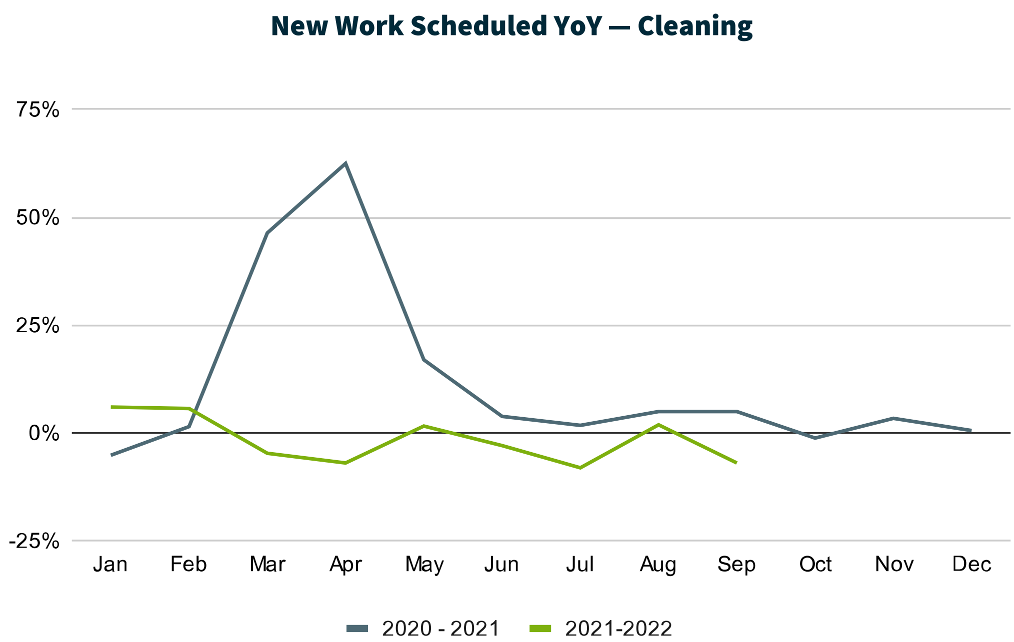
Cleaning

In Q3 2021, roughly 10% of all scheduled work was contract/recurring jobs.[4] While contract jobs grew a healthy 15% at the start of 2022, by last quarter, there was a significant year-over-year decline. For one-off jobs, growth has essentially been flat throughout the year.

> ***TAKEAWAY***
>
> **Contract jobs saw a significant decrease of -16% year-over-year in Q3 2022 while growth in one-off jobs remained flat throughout the year.**



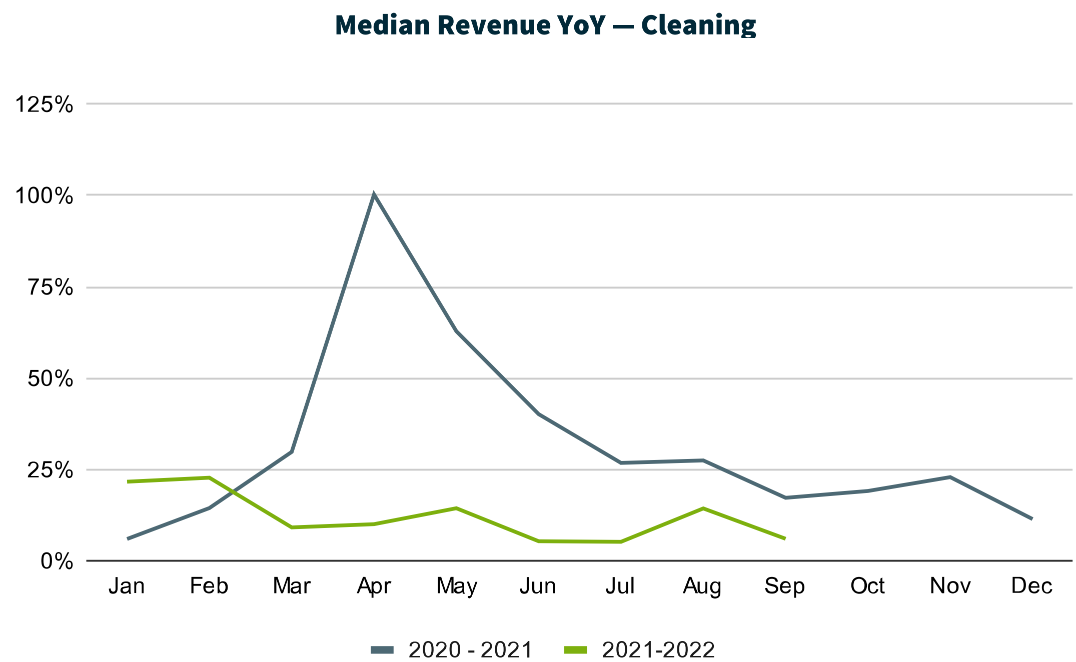
Similar to the overall Home Service category trend, demand for Cleaning businesses did not see positive growth in Q3 this year. Generally, new work scheduled has experienced flat growth through 2022 compared to last year.



TAKEAWAY

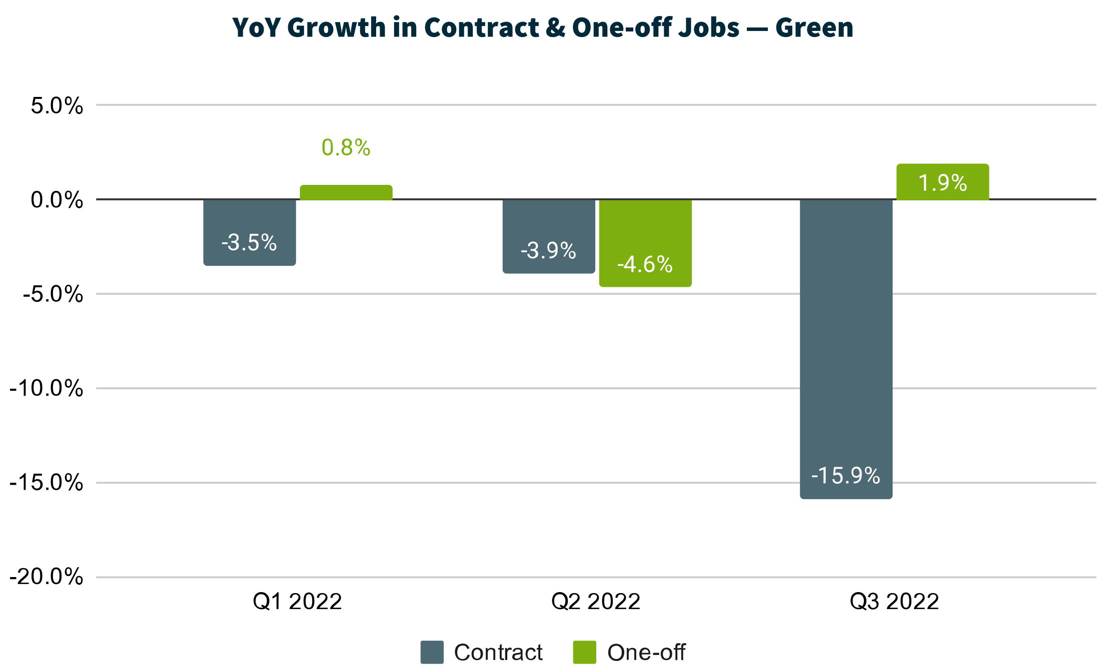
New work scheduled experienced flat growth through 2022 compared to last year while median revenue in Q3 grew 5–7% year-over-year.

However, on the revenue side, Cleaning businesses did experience positive growth through the first three quarters of 2022. Year-over-year growth for Q3 was around 5–7%, which is quite positive, but looks low in comparison to last year's growth only because 2021 was so inflated due to the COVID-impacted 2020 performance.



Green

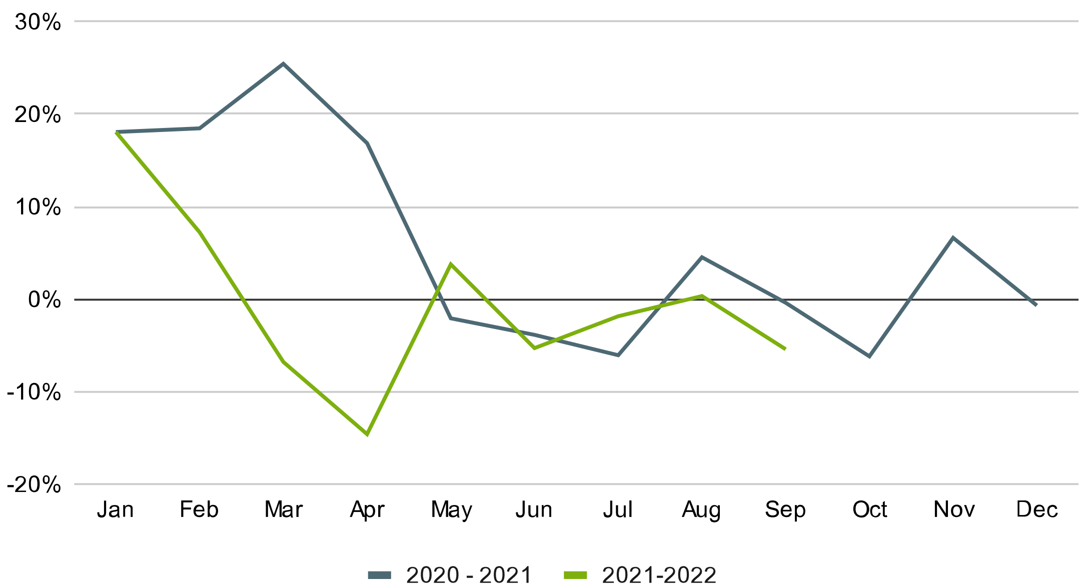
Businesses in the Green segment experienced volatility in new work scheduled throughout the first three quarters of 2022. Contract jobs can represent as high as 20% of all jobs in peak seasons, but then reduce significantly in the off season. Last quarter, contract jobs experienced a significant year-over-year decline.



> ***TAKEAWAY***
>
> **There has been a decline in contract jobs in the Green segment throughout 2022, while one off jobs have been largely unaffected.**

The Green segment saw a spike in new work scheduled early in the year, which quickly declined, then flattened out. Last quarter, the new work scheduled performance was quite similar to the back half of 2021.

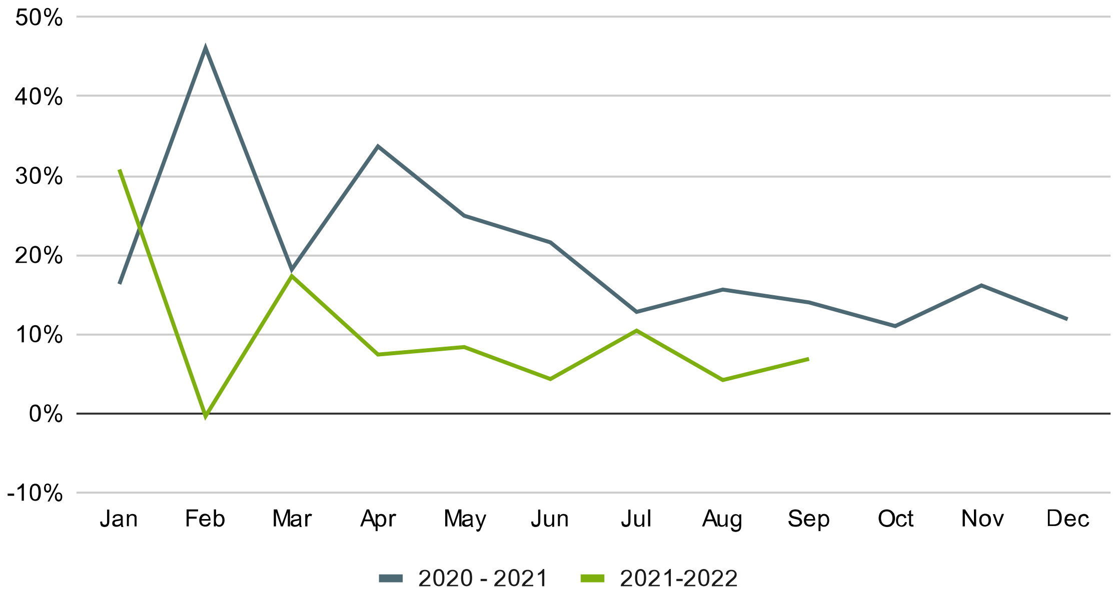
New Work Scheduled YoY — Green



The decline in new work scheduled in Green, however, did not impact revenue growth for this segment. Year-over-year revenue growth for Q3 2022 was around 5–10%, which is higher than businesses in the Cleaning industries, and seems to be stabilizing at these levels.

> *TAKEAWAY*
>
> **Green businesses experienced a decline in new work scheduled of around 5% in Q3 2022 while median revenue in Q3 grew 5–10% year-over-year.**

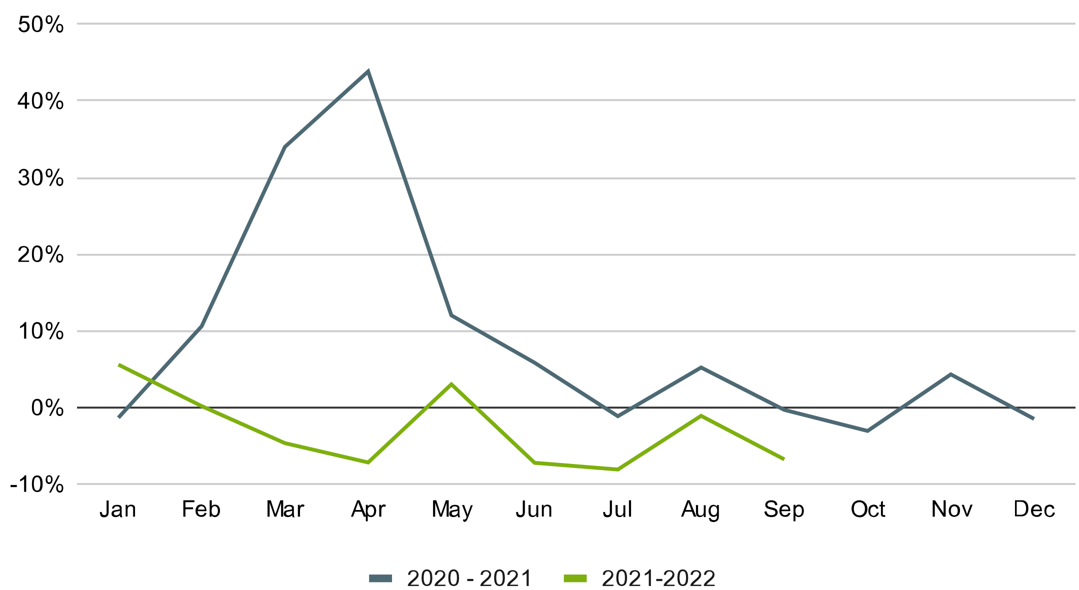
Median Revenue YoY — Green



Contracting

Contracting continues to be impacted by unstable supply, material costs, and labor shortages.[6] Beginning in the second half of 2021, it experienced stagnant growth with the trend continuing in 2022. Most months in 2022 show a slight decline in new work being scheduled, although this is compared to an incredibly strong string of previous years for this segment. With increasing costs in both labor and materials, there appears to be a slowdown in consumer demand for larger projects.

New Work Scheduled YoY — Contracting



TAKEAWAY

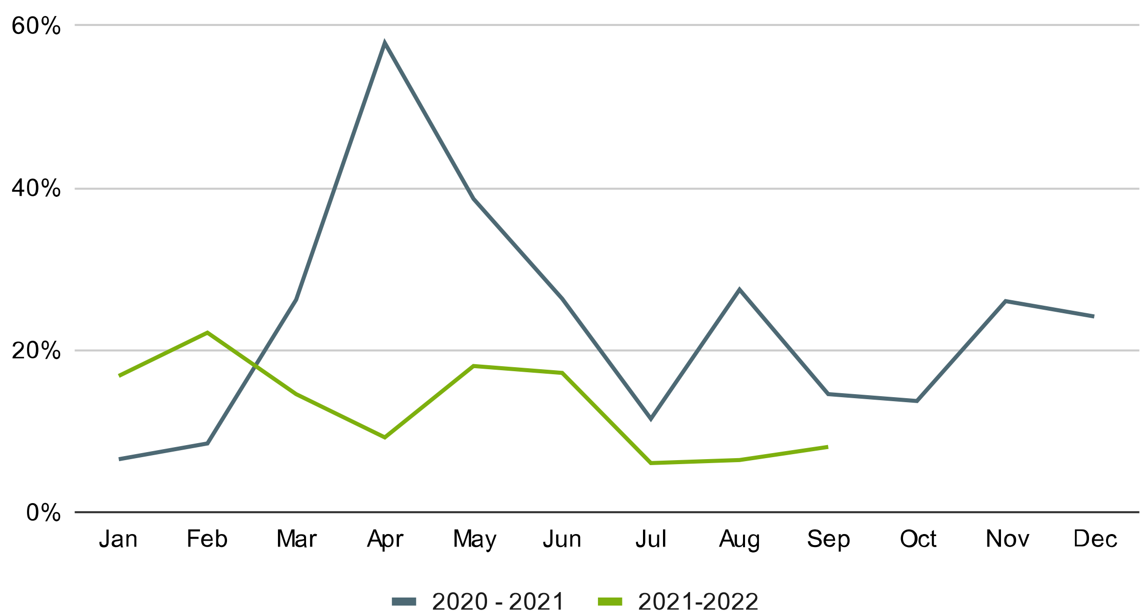
Most months in 2022 show a slight decline in year-over-year growth for new work being scheduled compared to the incredibly strong levels in 2020 and 2021.

Even though Contracting businesses were negatively impacted by factors discussed above, median revenue benefited from rising prices. While the Contracting segment experienced the lowest growth rate in new work being scheduled compared to the other two segments in Q3, year-over-year growth in revenue is still around 6–8%. At the start of 2022, businesses achieved a 15–20% year-over-year increase in revenue growth, dropping in Q3 as a result of a slowing economy.

TAKEAWAY

Compared to Cleaning and Green, Contracting experienced the lowest growth rate in new work being scheduled in Q3 but median revenue is still around 6–8%.

Median Revenue YoY — Contracting



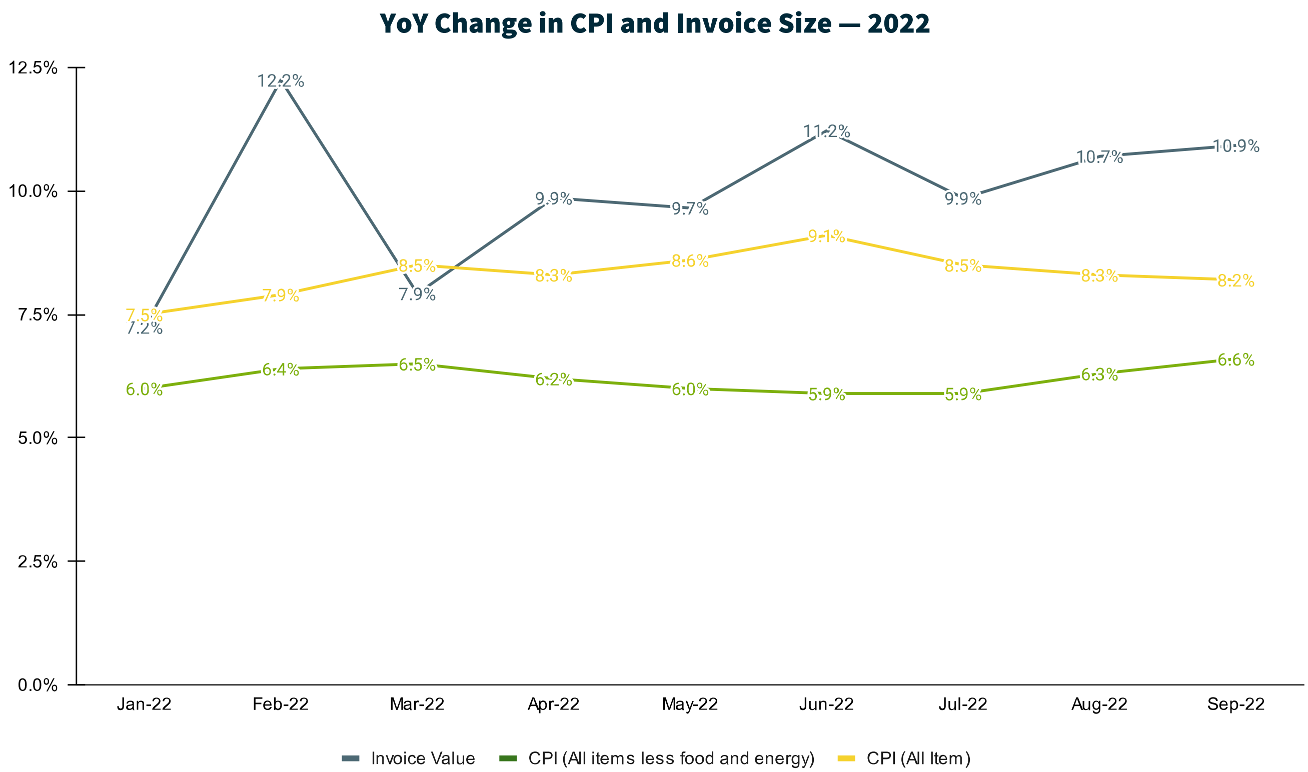
Consumer Price Index

Increases in production costs such as raw materials and wages, and customers who are willing to pay more due to a surge in demand for products and services, are contributing to the rise of inflation across the U.S. In 2022, year-over-year growth in the Consumer Price Index (CPI) for “All Items” was 8.2%.[7] Both food and energy have experienced higher than overall inflation rate, which impacts labor and transportation costs for Home Service businesses.

> ***TAKEAWAY***
>
> **The annual inflation rate reached 8.2% year-over-year in 2022 but by Q3 showed signs of improvement.**

The rise in invoice sizes in home services is a direct result of inflation experienced in the market. In 2022, inflation on all items was always above 7%. Overall inflation less food and energy is around 6% since the beginning of the year and continued to increase in the last quarter. We also measured year-over-year growth in average invoice size using our data, and it experienced a higher price increase than average inflation of over 10%. Both invoice size and CPI (all items less food and energy) show an upward trend in year-over-year growth in Q3.

> ***TAKEAWAY***
>
> **Invoice sizes experienced a higher price increase year-over-year than average inflation with over a 10% increase in values.**


YoY Change in CPI and Invoice Size — 2022
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
Jan-22
Feb-22
Mar-22
Apr-22
May-22
Jun-22
Jul-22
Aug-22
Sep-22
7.2%
12.2%
7.9%
9.9%
9.7%
11.2%
9.9%
10.7%
10.9%
7.5%
7.9%
8.5%
8.3%
8.6%
9.1%
8.5%
8.3%
8.2%
6.0%
6.4%
6.5%
6.2%
6.0%
5.9%
5.9%
6.3%
6.6%
Invoice Value
CPI (All items less food and energy)
CPI (All Item)

Digital Payment Trend

Although Home Service has been slower to adopt the digital payment trend compared to other categories, the COVID-19 pandemic and social distancing rules that came with it have provided some tailwinds. Our 2020 data indicates a rapid increase in the amount of digital payments received as a percentage of total payments collected.[8] Digital payments as a percentage of total payments collected grew from 33% at the beginning of 2020 to 36% by the end of the year. Since then, we have seen steady performance, and currently sit at 40% of payments collected digitally.

> ***TAKEAWAY***
>
> **The adoption of digital payments was at 40% of total payments collected in Q3 2022.**

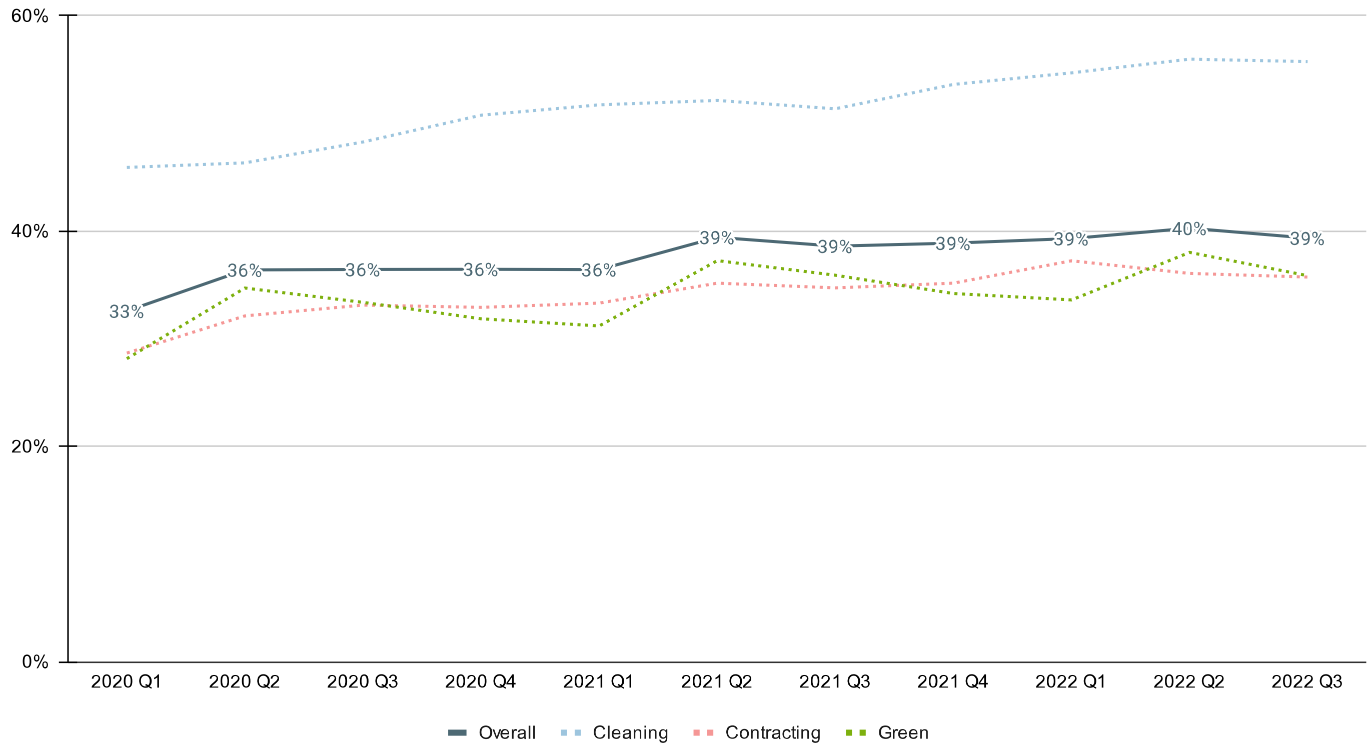
Of all the three segments we measure for, Cleaning businesses experienced the highest adoption of e-payments. Green businesses collected more payments digitally during their peak season. Contracting businesses used to be the segment with lowest adoption rate in digital payments [9] but now shows a similar trend as Green businesses and the percentage continues to increase compared to 2021 levels.

> ***TAKEAWAY***
>
> **Cleaning businesses experienced the highest adoption of e-payments overall and Green businesses collected more digital payments during peak season.**

TAKEAWAY

Historically Contracting was the slowest segment to adopt digital payments but now shows a similar trend as Green businesses.

E-payments as % of Total Payments Collected (2020–2022)



Future Outlook

Over the last three years, Home Service businesses have successfully navigated through considerable challenges; from the uncertainty and economic turmoil created by the COVID-19 pandemic, to ongoing supply chain issues, labor shortages, and rising material costs. While these issues impacted every sector, Home Service has proven its resilience—recovering faster, and showing stability and strong revenue growth compared to other categories.

Supply chain challenges and labor shortages impacting every sector are not going away next quarter or next year, while inflation and changes to interest rates will continue to have unpredictable effects on the economy, but Home Service businesses are expected to continue to show stability. Businesses will be able to draw on the experience gained over the last three years to withstand these challenges, and the essential nature of Home Service will allow this category to persevere.

There is still an incredible opportunity for entrepreneurs in Home Service as the category has shown signs of being recession proof. Not only did these businesses take great advantage of the home improvement trends that presented themselves in 2020 and 2021, but they are now showing great resilience as the overall macroeconomic environment slows down in 2022. Even in these tougher economic times, the category continues to show positive revenue growth, currently outpacing inflation, and the future looks positive.

— Sam Pillar, CEO & Co-founder, Jobber

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] Home renovation trends was discussed previously in Home Service Economic Report - Record Growth Fuels Labor Shortage (published in November 2021).

[3] US economy condition is summarized from the article 'The US Economy's Inflation Challenge' published by International Monetary Fund (IMF).

[4] The year-over-year change in new work scheduled, median revenue, job types, and invoice sizes have been calculated by aggregating data across a cohort of businesses using Jobber since October 2019. This doesn't include any new businesses that started using Jobber during that period.

[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.

[6] The supply and demand dynamics for the construction industry and labor shortage were covered in depth in our Home Service Economic Report: Mid-Year Review.

[7] The consumer price index data is from the U.S. Bureau of Labor Statistics.

[8] Digital payment trend is calculated based on all businesses using Jobber since 2020. This does include new businesses that started using Jobber during the period.

[9] Digital payment trend in 2020-2021 were published in Home Service Economic Report - 2021 Review edition.

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