

Quantifying the opportunity  
European Market Sizing Study for ETSA  
(June 2014)



**ETSA**

EUROPEAN TEXTILE SERVICES  
ASSOCIATION

**Deloitte.**

## 1. Objective, scope and approach

Deloitte has been asked by the European Textile Services Association to estimate the potential textile rental market size in European countries. This study is intended to provide updated benchmarking information necessary to follow the development of the textile rental market in Europe.

The scope included:

- **30 countries:** Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom
- **4 market segments:** hotels, Restaurant, Healthcare, industry / trade / services (ITS)
- **5 product ranges:** flat linen, workwear, washroom, dust control, cleanroom

The study was realized in 4 phases.

(1) We first designed templates and validated their format with ETSA to ensure optimal data gathering. The templates covered the main items necessary to size the markets and assess their future growth: sales of the company; market shares; historical revenue growth; percentage of company's revenues in segment / product; number 1 & 2 companies in the segments / product types and their estimated market shares.

(2) As a second step, ETSA members were asked to fill out the templates validated in phase 1. *During this phase Deloitte collected the completed template but did not audit data transmitted by ETSA members. Hence Deloitte cannot guarantee the accuracy of the data provided by ETSA members.*

(3) Then, following data collection, 30-minute phone calls covering current and future trends and figures were conducted with the ETSA members (10) who had accepted to answer our questions. The main objectives were to validate ETSA members market share for each country, estimate future growth and confirm market trends.

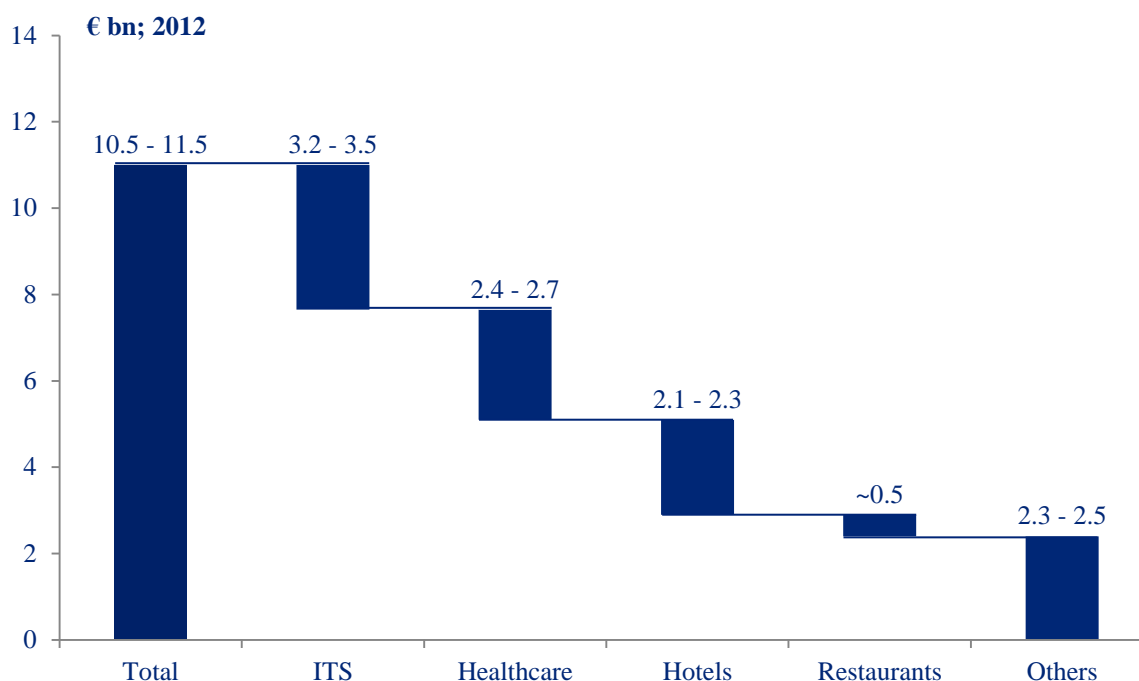
(4) Finally, based on interviews and data provided by ETSA, estimates of current rental market (by segment and product types) and potential market were made at European level and per group of countries.

## 2. Key Findings

### 2.1 Estimated total European textile rental market in 2012

Based on data provided by ETSA members, the total European textile rental market size is estimated to be between € 10.5 – € 11.5 bn.

#### A. European textile rental market by segment



The textile rental market can be divided into four main segments: ITS, healthcare, hotels and restaurants.

#### ITS



ITS (industry – trade – services) is a segment that includes customers from public and private companies and institutions. It most notably includes manufacturing, trade, services (excluding hotels and restaurant) and pharmaceutical companies. In terms of products types, ITS consists of flat linen, industrial, corporate and services workwear and cleanroom but excludes washroom, mats and mops and dry cleaning.

- With a **market size** estimated at € **3.2 – € 3.5 bn**, ITS is the **largest segment** and represents **30%** of the overall textile rental market.
- Among ETSA members companies, ITS has been **growing** annually by **4%** between **2008 and 2012** due to increasing trends towards outsourcing in all ITS customers.
- The **outlook** for ITS is still **favorable** as outsourcing is expected to expand in the coming years.

## Healthcare



Healthcare designates products for hospitals, operating rooms and retirement and elderly care. It consists mostly of flat linen products but also includes staff and kitchen work wear.

- Healthcare, with a **market size** of € 2.4 – € 2.7 bn, is the **second largest segment** and represents **23%** of the overall textile rental market.
- Healthcare segment has been **suffering in recent years** (+1.7% annual growth between **2008 and 2012**) due to stronger **price sensitivity** than other segments.
- However, growth **potential exists** where rental share is currently low, which is the case in major markets like **France** and **Eastern Europe**.

## Hotels



As its name suggests, hotels designates products for the hotel industry. It consists mainly of flat linen and corporate workwear.

- The hotel segment has a **market size** of € 2.1 - € 2.3 bn (**20%** of the overall textile rental market)
- The hotel segment has experienced the **lowest growth in recent years** (+1.1% growth annually between 2008 and 2012) for two main reasons: (1) it is currently the **most-developed segment** (high outsourcing rates) in Western European countries; (2) **price pressure is strong** because it is one of the only segments where customers use **professional buyers to select providers**.
- **Eastern Europe** represents opportunities for textile rental companies, as the hotel industry is growing and textile rental is less developed.

## Restaurants



The restaurant segment consists almost exclusively of flat linen and workwear.

- The market size of this segment is estimated to be circa **€ 0.5 bn**.
- In terms of trends, the restaurant segment shares the same characteristics as hotels. In southern countries, there is **strong competition** from substitutes such as **paper products**.

## Others

“Others” includes all the items that do not fit into the first four segments (e.g. washroom, mats, wipers, etc.). The segment has a **market size** of € 2.3 – € 2.5 bn.

## European textile rental market, by segment

### 1 Industry / Trade / Services



**Current Size** € 3.2bn - € 3.5bn  
**Growth<sup>(1)</sup> '08-'12\*** +4.0%  
**Trend '12-'16\***

### 2 Healthcare



**Current Size** € 2.4bn - € 2.7bn  
**Growth<sup>(1)</sup> '08-'12\*** +1.7%  
**Trend '12-'16\***

### 3 Hotels



**Current Size** € 2.1bn - € 2.3bn  
**Growth<sup>(1)</sup> '08-'12\*** +1.1%  
**Trend '12-'16\***

### 4 Restaurant



**Current Size** € ~0.5bn  
**Growth<sup>(1)</sup> '08-'12\*** +2.3%  
**Trend '12-'16\***

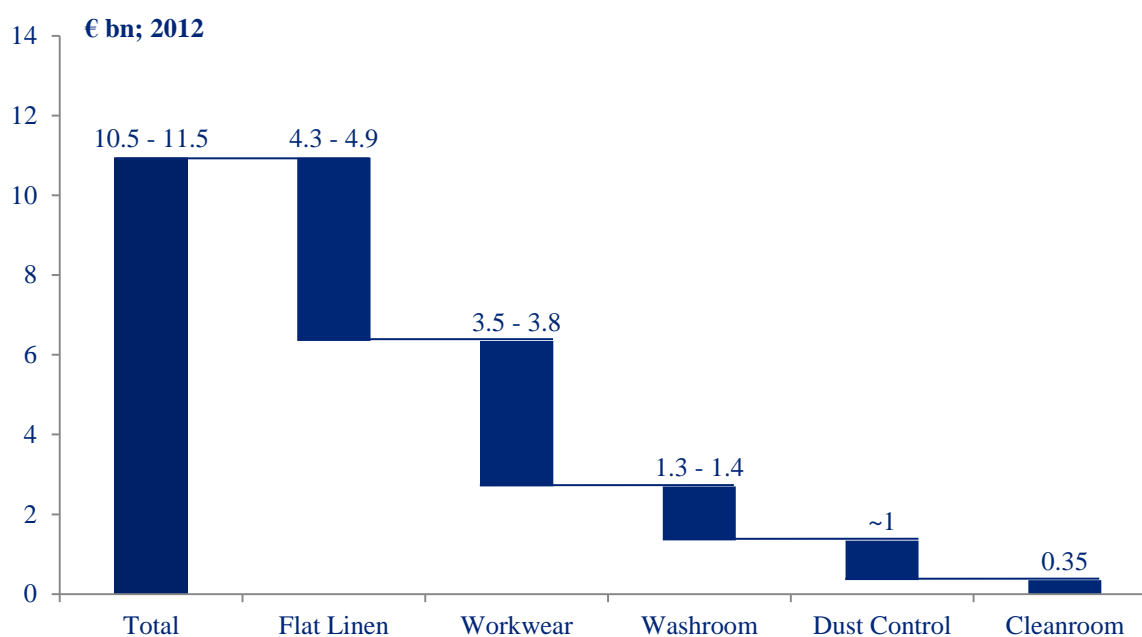
Favorable outlook

Weak outlook

Note: (1) CAGR: Compounded average growth rate. CAGRs, obtained from companies' data, may be overvalued due to acquisitions completed during the period

(\*) CAGRs and trends based on data given by ETSA member companies

## B. European textile rental market by product



The textile rental market can be divided into five product types: flat linen, workwear, washroom, dust control and cleanroom.

## Flat linen



Flat linen is a category of products that includes bedspreads, sheets, pillowcases, mattress pads, blankets, towels and shower curtains, table linen, table skirting, napkins, place-mats and kitchen towels.

- With a **market size** of € 4.3 - € 4.9 bn, it is the **largest product type** and represents **42%** of the overall textile rental market.
- In recent years, **growth** in flat linen revenue has been **limited** by price pressure from professional buyers and already **high outsourcing rates** in the hotels segment in Western European markets.

## Workwear



The workwear category consists of industrial, services and corporate workwear. It excludes protective equipment such as helmets, eye protection, shoes and cleanrooms.

- Workwear, with a size estimated to be € 3.5 - € 3.8 bn, is the second largest product type and represent **33%** of the overall textile rental market.
- Growth has been important for workwear in recent years (+3.8% annually between 2008 and 2012), thanks to a **better penetration** in large accounts. Smaller accounts are **more difficult to capture**, as they usually do not match the minimum quantity of garments set by most of the textile rental companies to operate.

## Washroom



Washroom products include textile towels and other products and services such as soap dispensers, feminine hygiene, toilet paper or air fresheners.

- Although washroom **market size** is estimated to be € 1.3 - € 1.4 bn – representing **12%** of the overall textile rental market in 2012 – it has been **decreasing** in the past years (-0.3% annually between 2008 and 2012).
- Washroom is seen as a **convenience product** and even as a premium service in recent EU countries. Hence, due to the economic environment and the **growing competition** of **cheaper alternatives** – ranging from facility management companies to do-it-yourself solutions (e.g. cash&carry, supermarkets, etc.) – customers have reduced the purchase of washroom products.

## Dust control



Dust control includes products related to floor cleaning (e.g. mats and mops).

- Its market size is estimated to be circa. € 1 bn.
- Dust control revenues and outsourcing rates are **strongly tied to climate** (e.g. outsourcing more common in rainy and snowy regions). Sources of growth exist in **Eastern Europe**, where the **penetration** across all types of customers is **still low**.

## Cleanroom



A cleanroom is an environment that has a low level of environmental pollutants such as dust, airborne microbes, aerosol particles and chemical vapors. Cleanroom products are suited for specific types of customers (e.g. hospitals, pharmaceutical sector, micro-electronics, etc.).

- Although a niche market (**3%** of the overall textile rental market), with an estimated size of € **0.35 bn** in 2012, cleanroom is a **growing business** for textile rental companies (+7.5% annual growth rate between 2008 and 2012).
- Most of the growth comes from **market share gains** from cleanroom specialists (e.g. focusing only on this specific type of product), because there is an already high level of outsourcing due to **regulatory constraints**.

### European textile rental market, by product

#### 1 Flat Linen



Current Size € 4.3bn - € 4.9bn  
 Growth<sup>(1)</sup> '08-'12\* +2.1%  
 Trends '12-'16\*

#### 2 Workwear



Current Size € 3.5bn - € 3.8bn  
 Growth<sup>(1)</sup> '08-'12\* +3.8%  
 Trends '12-'16\*

#### 3 Washroom



Current Size € 1.3bn - € 1.4bn  
 Growth<sup>(1)</sup> '08-'12\* -0.3%  
 Trends '12-'16\*

#### 4 Dust control



Current Size € ~1.0bn  
 Growth<sup>(1)</sup> '08-'12\* +3.3%  
 Trends '12-'16\*

#### 5 Cleanroom



Current Size € ~0.35bn  
 Growth<sup>(1)</sup> '08-'12\* +7.5%  
 Trends '12-'16\*

Favorable outlook

Weak outlook

Note: (1) CAGR: Compounded average growth rate. CAGRs, obtained from companies' data, may be overvalued due to acquisitions completed during the period

(\*) CAGRs and trends based on data given by ETSA member companies



## 2.2 Estimated potential European textile rental market

The “potential” market is the market that could be achieved if current and potential customers decide to outsource their textile service needs. Our calculation is only based on the increase of the outsourcing rate, at current market conditions (same level of price and size and number of end-users / customers).

Currently, the overall outsourcing rate for textile rental service is roughly equal to 30%. Outsourcing rates differ per product type:

- Flat linen outsourcing rate is **35%** (with flat linen outsourcing rate for hotels equals to 40% and flat linen outsourcing rate for hospitals closer to 25-30%);
- Workwear outsourcing rate approaches **30%**;
- Washroom and dust control outsourcing rate is lower, at **15%**;
- Cleanroom has the highest outsourcing rate with **65%**.

### A. Potential European textile rental market

Based on our discussion with ETSA members, we **calculated two scenarios** of the estimated potential European textile rental market.

- **“Conservative” scenario: potential market between € 21.5 bn and € 26 bn**

The **first scenario**, based on interviews with ETSA members, makes “conservative” assumptions on the reachable outsourcing rate.

At a European level, while the flat linen outsourcing rate could increase up to a level of **80%** sustained by the **professionalization of buying processes** in hospitals, hotels and restaurants, workwear outsourcing rate would only increase to a level of **50%** due to the **difficulty to reach smaller companies**.

Washroom outsourcing rate would also reach **50%** driven by the **tendency to choose textile products** over others solutions while dust control penetration would remain **limited to specific markets** and only go up to **35%**.

Cleanroom outsourcing rate would attain **100%** due to **tougher regulation** for customers.

The potential textile rental market size would then be between **€ 21.5 bn and € 26 bn**.

Within this scenario, flat linen and workwear would remain the **biggest product types**: flat linen market size would reach **€ 9.5 – € 11.5 bn**, while workwear market size would only increase to **€ 5.5 - € 6.5 bn**.

Washroom market size would reach **€ 4 - € 5 bn**, dust control market size would reach **€ 2 - € 2.5 bn** and cleanroom market size would only reach **€ 0.5 Bn**.

- **“Aggressive” scenario: potential market between € 38 bn and € 46 bn**

The **second scenario** uses “aggressive” assumptions. Every product type would reach a 100% outsourcing rate.

The potential textile rental market size, in this case, would be between **€ 38 and € 46 bn**.

However, this estimation is more difficult to justify in practice, as it implies that every potential customer all across Europe would switch to textile rental.



## B. Potential textile rental market per groups of countries

Due to sensitivities expressed by certain member firms about ETSA publishing Deloitte's aggregated results by country, geographical groupings have been chosen to publish current and potential textile market.

- **Area 1** regroups Germany, Austria, Switzerland;
- **Area 2** is composed of France, Italy, Spain, Portugal, Greece, plus Cyprus and Malta
- **Area 3** gathers UK and Ireland;
- **Area 4** clusters Scandinavia (Norway, Sweden, and Denmark) and Finland;
- Benelux (Belgium, Netherlands and Luxembourg) forms **Area 5**.

Only individual results for Germany, France, Italy and Spain are disclosed.

Unit : M€	Rental Market (2012)	Potential Market – Conservative scenario	Potential Market – Aggressive scenario
Area 1	3,450 – 3,650	7,100 – 8,100	11,500 – 13,500
Germany	2,600 – 2,800	5,500 – 6,300	8,500 – 10,500
Area 2	3,400 – 3,600	7,500 – 8,500	14,500 – 16,500
France	1,700 – 1,800	3,000 – 3,500	5,500 – 6,500
Italy	1,000 – 1,050	2,250 – 2,750	5,250 – 6,250
Spain	575 – 600	1,500 – 1,900	2,750 – 3,250
Area 3	1,250 – 1,350	2,000 – 2,300	3,500 – 4,000
Area 4	1,100 – 1,200	1,800 – 2,100	3,200 – 3,700
Area 5	750 – 800	1,550 – 1,750	2,700 – 3,000
<b>TOTAL (*)</b>	<b>10,500 – 11,500</b>	<b>21,500 – 26,000</b>	<b>38,000 – 46,000</b>

(\*) Data for countries outside the 5 areas is not disclosed.

## 3. Conclusion

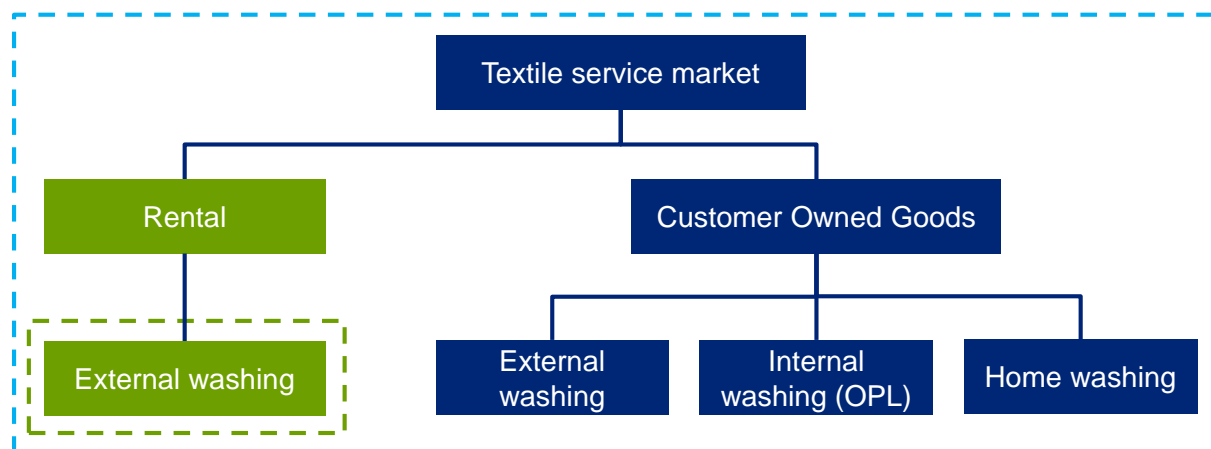
With a current market size of circa € 11 bn, the European textile rental service industry has a significant economic importance and is a non-negligible contributor to value creation and employment in the European economy. Though currently mostly located in western European countries – the German market representing alone roughly a quarter of the overall market – textile rental services have grown in recently-joined European Union countries, following the development of their overall economic activity.

The overall market grew in recent years in almost every segment and product type, despite negative trends due to the economic climate that have affected the industry, such as downward pressure on prices for most segments or product types. Market consolidation and race for critical mass lead by ETSA member firms could also partly explain this increased activity.

With the increasing trend for outsourcing, the industry has a bright future: the actual level of penetration can still increase in every segment and product type of the textile rental industry.

## Appendix

### Definitions



**Rental market & external washing** means renting textile products (e.g. linen, garments) to customers and washing them (i.e. in industrial laundries);

**Customer owned goods & externally washing** means textile products that are owned by the clients and washed by the rental firms;

**Customer owned goods & internally washing** means textile products that are owned by the clients and washed in on-premise laundries;

**Customer owned goods & home washing** means textile products that are owned by the clients and washed by employees at home;

**Outsourcing rate** is defined as the ratio between current textile rental market and total textile service market;

The **potential market** is the market that could be achieved if current and potential customers decide to outsource their textile service needs.

Our calculation is only based on the increase of the outsourcing rate, at current market conditions (same level of price and size and number of end-users / customers).

## Sources

For this market study, several types of sources were used.

Primary sources include:

1. Questionnaire (Excel spreadsheets) completed by ETSA members with the following questions:
  - Revenues
  - Market shares
  - Average yearly revenue growth ('08 – '12)
  - % of company's revenues in segment / product
  - Number 1 & 2 companies in the segments / product types and their estimated market shares
  - Estimated share of customer owned & internally washed goods
  - Estimated share of customer owned & externally washed goods
2. Interviews
  - ETSA member companies

Secondary sources include:

1. Former ETSA reports
  - Intex (Germany)
  - ETSA Textile Rental Market Survey 2007 / 2009 / 2011
2. National textile rental associations reports
  - Intex (Germany)
  - Geist (France)
  - VTS (Switzerland)
3. Databases
  - Eurostat
  - EIU
  - Deloitte