



Competitive Market Narrative Series

[238220] Plumbing, Heating, and Air-Conditioning Contractors

Birmingham AL Metro Area

Developed By: CheckPoint CPA LLC



Developed For: ABC Plumbing

ABC Plumbing

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Competitive Market Narrative

ABC Plumbing
operating in the
Plumbing, Heating, and Air-Conditioning Contractors segment
NAICS [238220]
in the **Birmingham AL Metro Area** market area

Competitive analysis scoring relies on developer inputs affecting each of the metrics listed below. Variances indicate the difference from market area **Plumbing, Heating, and Air-Conditioning Contractors** average values:

ABC Plumbing Competitive Analysis Summary	
Sales Rank May 2019 :	121 of 740
Sales Percentile May 2019 :	84
Sales Change (3 years): 2016 to 2018	0.25 (greater than area average)
May 2019 Variance from Market Area Industry:	
Average Site Sales:	10.35 %
Median Site Sales:	145.31 %
Average Small Business Sales:	101.21 %
Average Industry Wage:	14.67 %
Sales per Employee:	22.66 %
Efficiency Index (SPE/Avg. Wage):	1.07 x
Rent per Employee:	-69.28 %

Market Area Population and Economic Demographics

This competitive industry market area analysis includes the **Birmingham AL Metro Area**.

Total population in the market area is **1,144,097** including **511,456** households with a median age of **38**. **29.4%** of the population boasts a bachelor's degree or higher; another **8.1%** holds an associate degree.

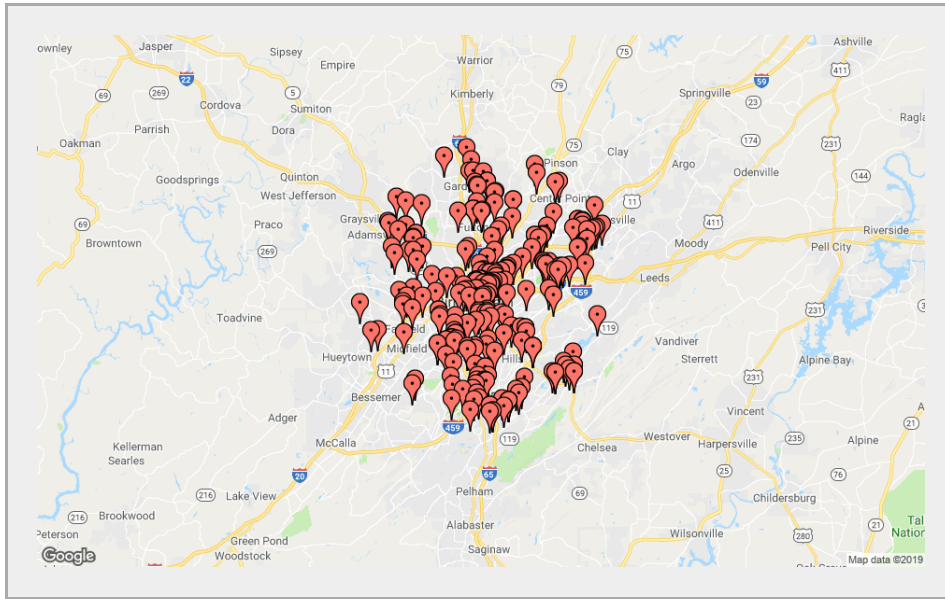
Median housing value in the market area is **\$152,200**, while the median rent level is **\$831** per month.

Per capita income in the market area is **\$28,921**, while average (mean) household income is **\$62,609** and median household income is **\$44,837**. **22.22%** of market area households earn over one hundred thousand dollars per year.

Population demographics are applied from the Census Bureau's American Community Survey. Data for zip-county-metro-state and US markets are applied directly. Demographic totals for radius-based markets are applied at the level of aggregated zip codes which are co-joined to the selected market radius.

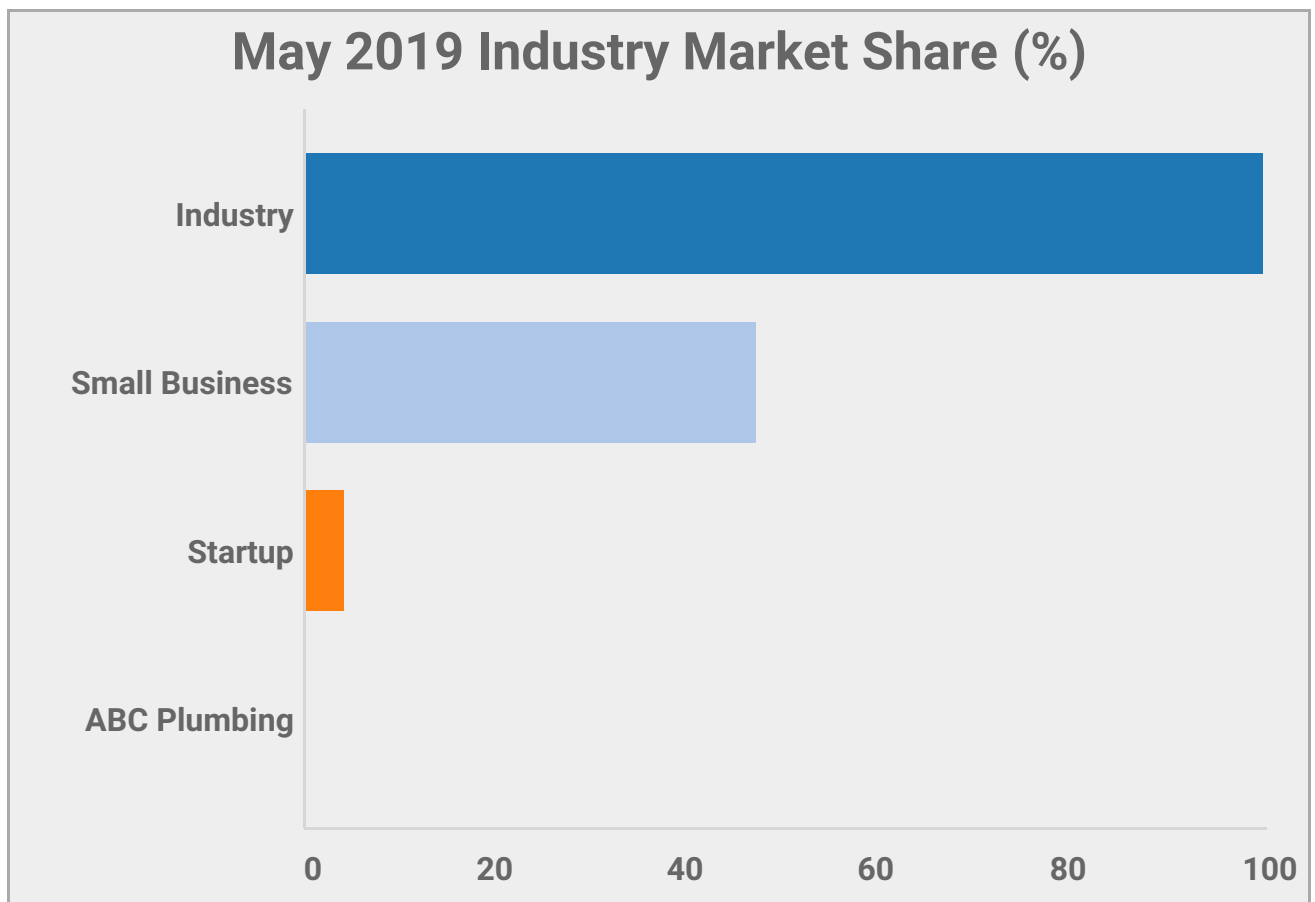
The Industry Market: Competitor Analysis

May 2019 Industry Market Area Operations



In this market area, the **Plumbing, Heating, and Air-Conditioning Contractors** industry includes **740** competitor business operations; **682** independent firms and **58** branch establishments. Among the independent firms, **641** fall within the small business definition of single site firms with fewer than twenty-five employees. Total industry employment is **6,580**; average industry operation employment stands at **9**.

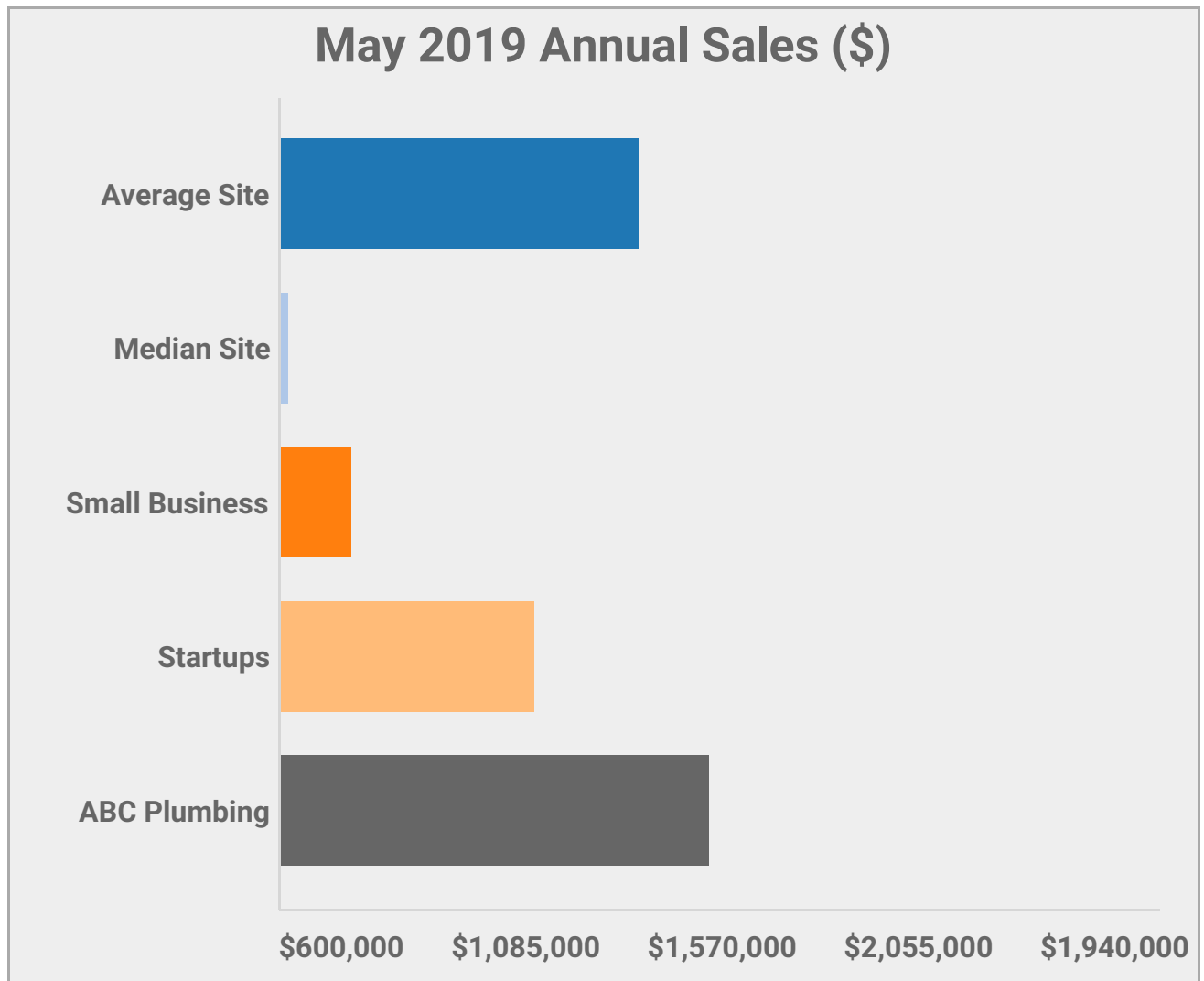
Industry operations in the market area account for a total market volume of **\$1,041,271,840**. Of that, the industry's small business segment in the market area earns **\$494,683,248**.



Average annual industry site sales are \$1,407,124, including branch operations controlled from outside the market area. Median site sales are \$632,992.

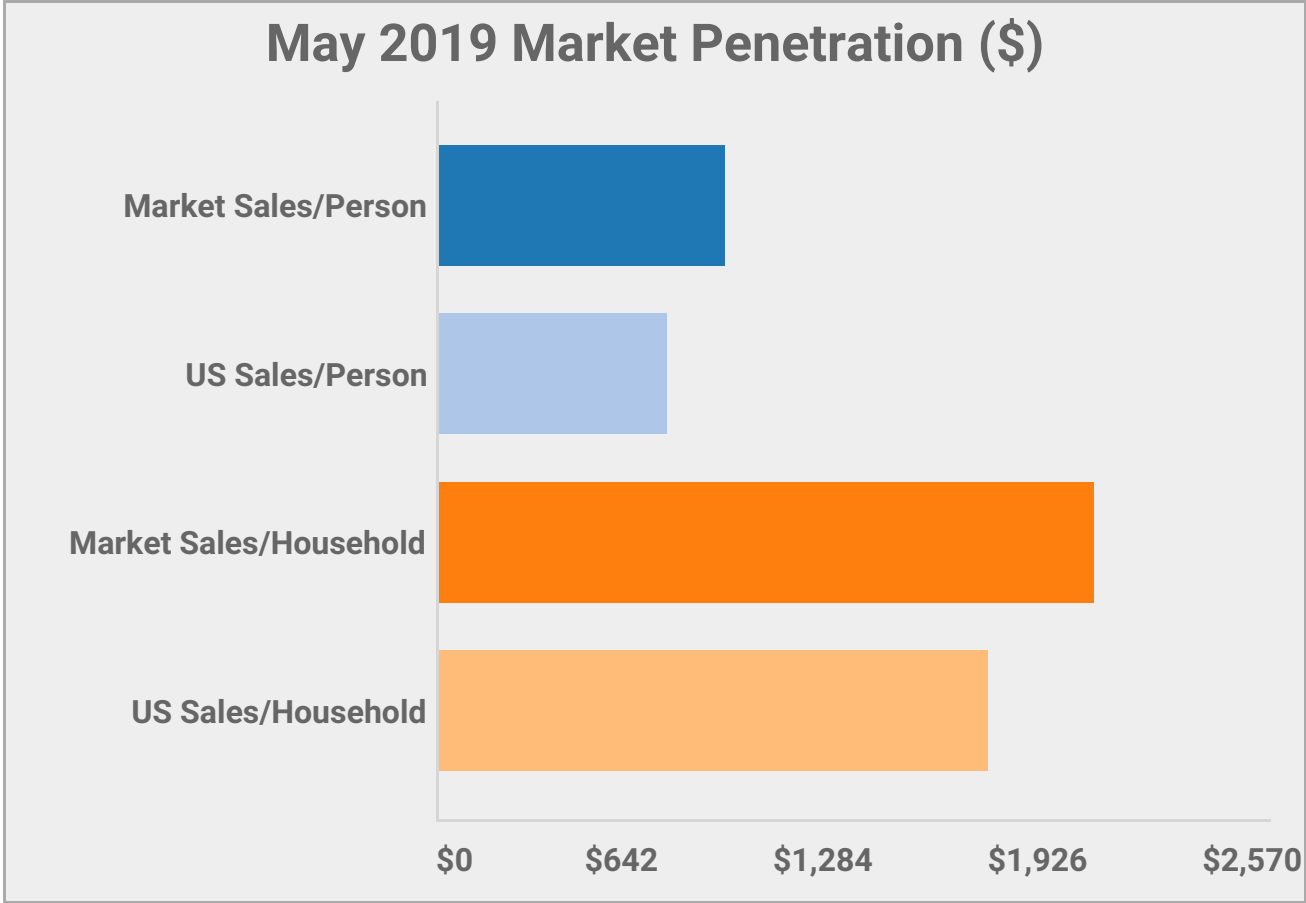
By contrast, US average industry site sales are \$1,565,681, with average industry small business sales registering at \$944,650. The US industry small business market share is 54.4%.

Market area small business sales average \$771,737, or 45.16% below industry market area site average and 17.98% above median market area industry sales. Average annual industry sales have increased by 16.99% in the three calendar years 2016 to 2018; market area small business sales increased by 1.18% during the same period. The small business share of the total market has decreased from 54.93% to 46.93% since 2016.



Market volume and average firm sales calculations are developed with firm-level data which is integrated with BizMiner's internally generated Sales per Employee projections. SPE data is both industry- and location-specific, and is updated monthly by the application of US Census data and five industry and consumer price and productivity indices from the Bureau of Labor Statistics and other federal agencies.

The [Plumbing, Heating, and Air-Conditioning Contractors](#) industry captures \$910 in sales per person within the market area, while national levels are at \$724. Market area sales per household are calculated at \$2,062; by contrast, US industry sales per household are \$1,744.



Of particular note for B2B firms, industry market area sales per business site (all private industry, economy-wide) is \$0 compared to \$0 at the national level. These indicators may suggest whether the local industry market is saturated or under-served, or whether it is outperforming or underperforming national levels. Although all three penetration metrics are presented, only one or two may be relevant to the specific industry or firm, depending on its customer target.

Employment and Productivity

In 2018, the [Plumbing, Heating, and Air-Conditioning Contractors](#) industry supported 7,006 employees in the market area, [up from 2016](#). Of these, 3,698 are employed in small business operations of fewer than 25 workers.

Sales per Employee levels are a common efficiency indicator calculated outside of traditional financial ratio metrics. Industry average sales per employee in this market area are calculated at \$158,248, [below](#) the US industry average of \$202,487. (Value-added differentials can significantly affect sales per employee variations.) Average market area industry wage levels are \$49,883, [behind](#) the US level of \$58,374.

In a separate, targeted efficiency benchmark, local industry market Rent per Employee is calculated at \$2,848, compared to the US per employee rate of \$3,645.

	Sales Per Employee (\$)	Average Annual Wage (\$)	Efficiency Rate
	May-19	May-19	May-19
US	202,487	58,374	3.47x
Market Area	158,248	49,883	3.17x

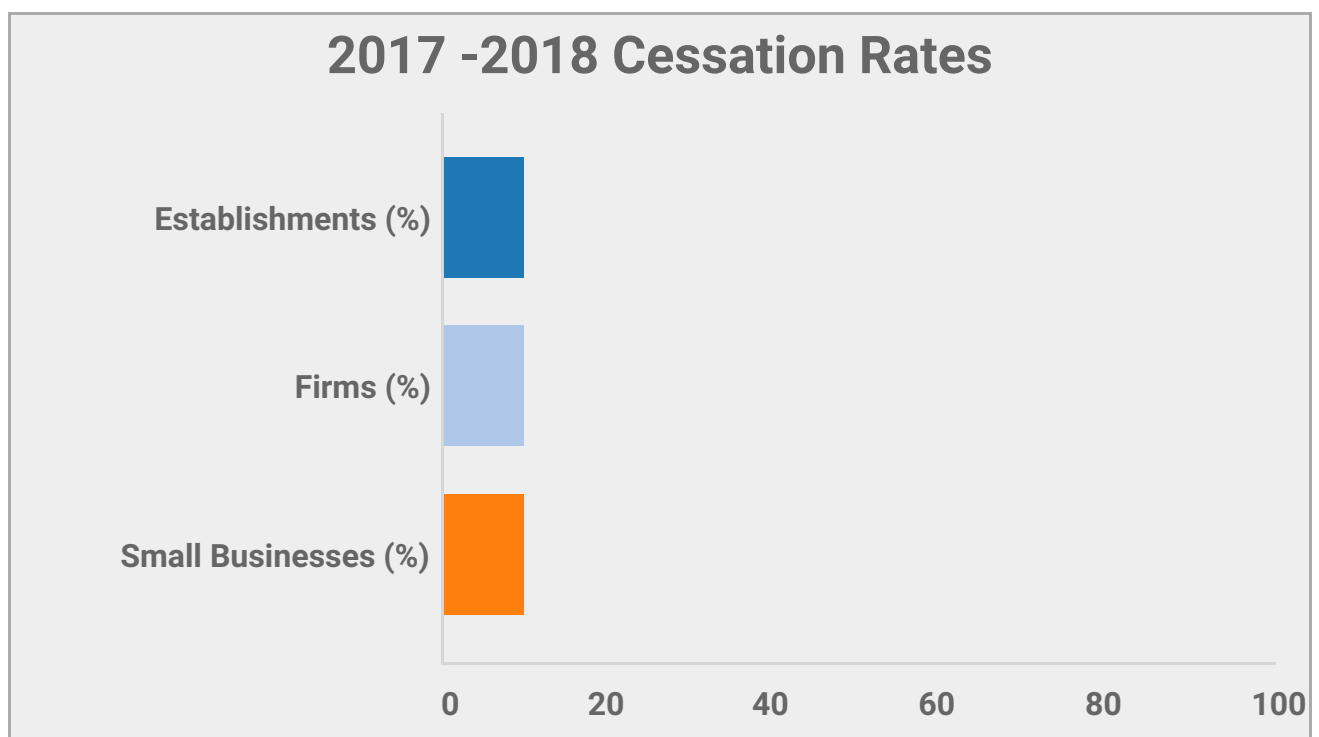
Industry Vitality: Entrepreneurship and Cessation Rates

How vigorous is industry entrepreneurship in the market area? Defined as operations in business for two years or less, 38 independent industry startups and new branch operations were identified in the market area in May 2019, creating a new operation rate of 5.81% in the most recent analysis year, less than the national rate of 6.69%. Unusually low new operation rates can indicate market saturation or lack of perceived opportunity, while high rates suggest both opportunity and the recognition of it. Startup rates are calculated by dividing the number of industry market startups by the total number of operations for which an age is known. (Due to the limited number of new operations at any given time, this indicator may be less useful in small local market areas.)

Industry startup operations hold a 4.26% share of the total local industry market, with average sales of \$1,166,038. Due to the variations in scale, startup sales often diverge from the industry and small business average.

Over 2017-2018, 10.51% of industry establishments (firms and branches), 10.53% of all firms and 10.92% in the industry small business segment ceased operation. US industry cessation rates were 10.74% for all establishments; 10.37% for firms and 10.56% for small businesses

Cessation rates track the experience of business establishments, firms, small businesses, branches and startups doing business at the start of the time series, and still in operation today. Firms which relocate but maintain independent operations are considered survivors if they do not move out of the jurisdiction being analyzed. Firms which become subsidiary locations, or whose location is terminated, are grouped with others which ceased operation. Any business entity which does not evidence ongoing operations (for example, by registering with government agencies, credit reporting services or business directories) is considered to have ceased viable operations and is classified in the "ceased operation" category.



ABC Plumbing Competitive Analysis

ABC Plumbing sales for the 12 months ending May 2019 were \$1,552,797, compared to the market area industry average of \$ 1,407,124 and the median of \$632,992. Company annual sales have decreased by 0.25% in the three calendar years since 2016.

As of May 2019 company annualized sales vary from the local industry average by 10.35%. Variance from the small business bracket average is higher at 101.21%, while variance from median site sales is 145.31%. The variance from median indicates the percentage level of annual sales relative to median sales—the level at which the number of operations above and below is the same.

ABC Plumbing sales rank 121 of 740 industry operations in the market area, giving the firm a 84 percentile rating (the percentage of competitors with sales that fall below ABC Plumbing sales). ABC Plumbing holds a 0.15% share of market sales, which decreased 0.02 percentage points since 2016.

ABC Plumbing sales per employee are \$194,100, 30% above the local industry market level, compared to a 1% differential against the national average. At \$57,201, average annual firm wages are 14.67% above the local industry market average and lower than the Plumbing, Heating, and Air-Conditioning Contractors segment nation-wide. ABC Plumbing Rent per Employee, an expense-specific efficiency metric, is \$875, while the average industry market rent per employee figure is \$2,848. Overall efficiency indices for ABC Plumbing are developed by dividing sales per employee by average wages, and then comparing the results against both market area and national averages. In this instance, the Efficiency Index (SPE/Avg. Wage) for ABC Plumbing is 1.07x of the market area industry level and 0.98x that of the national industry.

	2018	May-19
ABC Plumbing:US Sales per Employee Index	1.04 x	0.96x
ABC Plumbing:Market Area Sales per Employee Index	1.34 x	1.23 x
ABC Plumbing:US Efficiency Index	1.09 x	0.98 x
ABC Plumbing:Market Area Efficiency Index	1.20 x	1.07 x

In the three years 2016 to 2018, ABC Plumbing : US Sales per Employee Index remained flat; the ABC Plumbing : Industry Market SPE Index remained flat. By contrast, ABC Plumbing : US Efficiency Index was 1.56x in 2016 and 1.09x in 2018, while the Market Area Efficiency Index went from 1.71x to 1.20x.

The Efficiency Index divides sales per employee by average annual worker salary to yield an overall efficiency metric expressed as a percentage above or below the industry in the benchmarked area. Non-wage factors may also affect efficiency but are not represented by this index.

Population and Demographics

Total Population

Total population	1,144,097	100%
Male	551,226	48.18%
Female	592,871	51.82%

Age

5-9 Years	73,921	6.46%
10-14 Years	74,617	6.52%
15-19 Years	72,635	6.35%
20-24 Years	72,044	6.30%
25-34 Years	155,571	13.60%
35-44 Years	148,640	12.99%
45-54 Years	153,385	13.41%
55-59 Years	78,289	6.84%
60-64 Years	72,304	6.32%
65-74 Years	99,983	8.74%
75-84 Years	51,360	4.49%
85+ Years	19,255	6.35%
Median Age	38	

Race / Ethnicity

White	756,098	66.09%
Hispanic (all)	49,370	4.32%
African American	327,640	28.64%
Native American	2,907	0.25%
Asian	15,469	1.35%
Asian Indian	4,110	0.36%
2-plus Races	18,331	1.60%

Employment

Population (16+ years)	908,317	100%
Labor force	553,454	60.93%
Mean commute (minutes)	46.2	
Civilian labor force	552,699	60.85%
Civilian employment	514,860	56.68%
Unemployed	37,839	4.17%
Work at home	15,776	1.74%

Income

Total Households	511,456	100%
Below \$10k Income	40,456	7.91%
\$10k-14.9k Income	28,897	5.65%
\$15k-24.9k Income	55,442	10.84%
\$25k-34.9k Income	53,396	10.44%
\$34k-49.9k Income	67,256	13.15%
\$50k-74.9k Income	91,141	17.82%
\$75k-99.9k Income	61,272	11.98%
\$100k-149.9k Income	65,620	12.83%
\$150k-199.9k Income	24,652	4.82%
>\$200k Income	23,374	4.57%
Median HH Income (\$)	44,837	
Mean HH Income (\$)	62,609	
Per Capita Income (\$)	28,921	

Education

Population 25+ Years	778,787	100%
High School Graduate	220,441	28.3%
Some College (no degree)	172,695	22.2%
Associate's Degree	63,367	8.1%
Bachelor's Degree	143,125	18.4%
Graduate/Professional Degree	85,619	11.0%
High School Graduate or Higher (total)	685,333	88.0%
Bachelor's Degree or Higher (total)	228,963	29.4%

Housing

Total Housing Units	511,456	100%
Occupied Housing Units	440,261	86.08%
Type of Housing		
1 Unit Detached Housing Structures	354,884	69.39%
1 Unit Attached Housing Structures	13,139	2.57%
2 Unit Housing Structures	7,298	1.43%
3-4 Unit Housing Structures	13,064	2.55%
5-9 Unit Housing Structures	24,205	4.73%
10-19 Unit Housing Structures	24,605	4.81%
20+ Unit Housing Structures	24,667	4.82%
Mobile Home Housing Units	49,258	9.63%
Boat-RV-Van Housing Units	336	0.07%

Age of Housing		
Housing Built 2010 or Later	18,920	3.70%
Housing Built 2000-2009	85,102	16.64%
Housing Built 1990-1999	86,964	17.00%
Housing Built 1980-1989	66,482	13.00%
Housing Built 1970-1979	80,543	15.75%
Housing Built 1960-1969	57,694	11.28%
Housing Built 1950-1959	54,467	10.65%
Housing Built 1940-1949	25,624	5.01%
Housing Built 1939 or Before	35,660	6.97%
Occupants per Unit	440,261	
Units with less than 1 Occupant Per Room	434,412	98.67%
Units with 1.1-1.5 Occupants Per Room	4,421	1.00%
Units with 1.51-plus Occupants Per Room	1,428	0.32%

Median Value of Owner Occupied Units (\$)	152,200	
Owner Occupied Units: Value < \$50k	35,744	11.73%
Owner Occupied Units: Value \$50k-\$99.9k	60,284	19.79%
Owner Occupied Units: Value \$100k-\$149.9k	53,625	17.60%
Owner Occupied Units: Value \$150k-\$199.9k	49,638	16.30%
Owner Occupied Units: Value \$200k-\$299.9k	52,904	17.37%
Owner Occupied Units: Value \$300k-\$499.9k	36,426	11.96%
Owner Occupied Units: Value \$500k-\$999.9k	13,129	4.31%
Owner Occupied Units: Value >\$1 Million	2,856	0.94%
Owner-Occupied Units with Mortgage	188,920	42.91%
Owner-Occupied Units without Mortgage	115,686	26.28%

Occupied Units Paying Rent	124,580	100%
Median Rent Paid	831	
Occupied Units Paying <\$500 Rent	18,323	14.71%
Occupied Units Paying \$500-\$999 Rent	66,938	53.73%
Occupied Units Paying \$1000-\$1499 Rent	31,309	25.13%
Occupied Units Paying \$1500-\$1999 Rent	5,561	4.46%
Occupied Units Paying \$2000-\$2499 Rent	1,370	1.10%
Occupied Units Paying \$2500-\$3000 Rent	507	0.41%
Occupied Units Paying \$3000 or More Rent	572	0.46%
Rent Paid < 15% of Income (Households)	16,056	12.89%
Rent Paid 15%-19.9% of Income (Households)	16,629	13.35%
Rent Paid 20%-24.9% of Income (Households)	14,265	11.45%
Rent Paid 25%-29.9% of Income (Households)	13,911	11.17%
Rent Paid 30%-34.9% of Income (Households)	10,466	8.40%
Rent Paid 35%-plus of Income (Households)	49,925	40.07%

Glossary and Methodology

Establishments: Firms plus Branch operations.

Firms: Independent companies.

Small Businesses: In order to focus the analysis on the small businesses of greatest interest to our users, the analysis defines small businesses as single site firms with fewer than 25 employees. All small businesses are also “firms”.

Branches: Subsidiary facilities of firms; non-headquarters operations.

The **Employment Concentration** compares the percentage of local industry employees in the market area economy to the corresponding data at the national level. The Sales Concentration is the industry percentage of total economy-wide sales, local and national. In each case, the trend indicates the increasing or decreasing importance of the industry in the economic area under review.

Cessation Rates: Cessation rates track the actual experience of industry establishments and small businesses doing business at the start of the time series, and still in operation at the end of the analysis period. "Mature firms" are business operations within a given category which have maintained operations throughout the time series. Mature Firm measures isolate and report on these ongoing firms. As a result, Mature Firm benchmarks display experience-rated measures, rather than snapshots of the industry at a particular point in time. Firms which have experienced a transfer in ownership but continue as independent firms are considered "survivors". Firms which relocate but maintain independent operations are considered survivors if they do not move out of the jurisdiction being analyzed. Firms which are purchased or merge and become subsidiary locations, or whose location is terminated, are grouped with the "failures". Any business entity which does not evidence ongoing operations (for example, by registering with government agencies or credit reporting services) is considered to have ceased viable operations and is classified with the "failures". The Cessation rate analysis is developed for discrete business segments by segregating the original pool of tracked firms by industry classification, location, and population segment (all establishments, small businesses, etc.) That beginning universe is segregated and tracked to develop the failure rate for that group. As a result, failure rates occasionally reflect performance above 100% or below 0% due to business migration among industries (changes in primary business line) or (in the case of location-specific failure rates) due to business relocations during the analysis period.

New Business Vitality: This metric includes percentage measurements for both entrepreneurial activity and new branch development. The Startup Rate measures the percentage of all industry firms which indicated one year or less of operation during the one –year period reflected by the time series and which maintained operation through its end point. These startup firms are compared to the number of firms in the industry for which ages can be identified. The New Branch Rate measures the number of new branches developed in the final year of the time series and which maintained operation through the end of the time series. These are compared to the total number of industry branches. The two measures are combined into a unified New Business Operation Rate displayed at local and national industry levels.

Industry Market Size and Market Share: Reported Annual Market Volume includes industry sales figures from multi-site firms classified in the selected industry, generally including branch revenues. The Market Volume figures include sales of US firms and US-reporting subsidiaries of firms headquartered outside the US. The volume figures are for the industry (firms identifying this as their primary classification) not the product or service. As an example, a report for retail furniture stores analyzes sales of stores whose predominant revenue stream is furniture sales; that data would not include furniture sold at a general department store, for example. Consequently, more detailed industry segments may underreport volume due to the choice of companies to identify a higher level parent classification as their primary line of business. Market Volume projects sales volume based on the number of local industry employees and sales per employee data developed by BizMiner. This number includes headquarters operations inside the area, as well as branches of any industry firms

located within the selected area. It excludes branch operations located outside the area.

Average Annual Sales: Average Annual Sales indicates average dollar sales for all industry sites (including branches), firms, and small businesses. While there is significant overlap of firms in each category between years, results can be affected by business failures, mergers and the migration of companies between the three categories. Migration between business classifications has a much lesser impact in most cases.

Sales per Employee: A common indicator of productivity, sales per employee data is presented for the US and local market industry. The Sales per Employee Index compares client sales per employee (if inputs for sales and employment are made) to the market, expressed as x.xx where 1.00 indicates equal SPE.

Efficiency Rate and Index: The Efficiency rate of a firm or industry market is calculated as Sales per Employee/Average Annual Wage. The Efficiency index compares markets or a firm and a market, expressed as x.xx where 1.00 indicates equal Efficiency Rate

About the Data

Raw data analyzed for BizMiner reports is sourced from an array of the nation's government and private statistical sources. None of these raw data sources creates the final measures reflected in BizMiner industry profiles. In total, BizMiner accesses over a billion sourced data points from 15 million business operations for each of its twice annual updates covering a 3-5 year time series. Historical data and BizMiner algorithms are used to inform and test projections for non-reporting firms. Data elements are sourced specifically from:

- IRS SOI Corporation Tax Book
- IRS Statistics of Income
- US Economic Census
- US Census Quarterly Financial Reports
- US Census County Business Patterns
- Bureau of Labor Statistics Monthly Employment Reports
- Bureau of Labor Statistics Monthly Unemployment Reports
- Bureau of Labor Statistics Annual Wage Survey
- Bureau of Labor Statistics Industry Productivity Reports
- Bureau of Labor Statistics Price Indices
- National Agricultural Statistical Service
- US Census Quarterly Financial Reports
- US Census Retail Trade Report
- InfoGroup, Inc.
- Credit Reporting Agencies
- Business Directories
- American Community Survey

While 100% firm coverage is desirable for analysis purposes, the greatest value of BizMiner reports rests in discerning patterns of activity, which are reflected in the large samples used to develop our reports. The overall current coverage of the databases surpasses 13 million active business operations at any point in time.

As is the case with any databases this large, some errors are inevitable. Some firms are missed and specific information on others is lacking from the database. Not all information received is uniform or complete, resulting in the need to develop projection algorithms for specific industry segments and metrics in some report series. No representation is made as to the accuracy of the databases utilized or the results of subsequent analyses. Neither the Brandow Company nor its resellers has undertaken

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