


ADVERTORIAL



State of the **TERMITE** **MARKET**

While swarm activity may be down, forward-thinking companies are delivering steady growth through creative marketing, enhanced technology and innovative solutions.

EXCLUSIVE MARKET RESEARCH:

- Key Service Offerings
- Termite Service Pricing Trends
- 2017 Market Forecast
- Termite Technicians vs. Universal Technicians
- Customer Perceptions
- Primary Factors Driving Termite Revenue

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BASF: Innovative Termite Control Solutions

BASF Professional & Specialty Solutions is pleased to sponsor PCT's "State of the Termite Market" report. This eight-page supplement, featuring PMP interviews, market analysis, and the results of a comprehensive survey, provides valuable insights about one of the industry's key service offerings — termite control.

What are your peers' predictions for the coming termite season? How did last year's season stack up to this year? What are some of the key factors driving termite service revenue? The answers to these and other questions are featured in this special report.

As you know, termites cause millions of dollars of damage to homes and property every year in North America, and the professional pest management industry is the consumer's first line of defense against this destructive pest. Joining PMPs in this battle is BASF Professional & Specialty Solutions, offering a complete line of innovative termite control products designed to grow your company's revenue and enhance its bottom line.

BASF's comprehensive product portfolio includes our flagship product, Termidor® HE High-Efficiency Termiticide, as well as the complete family of Termidor products: Termidor Termiticide/Insecticide, Termidor Foam Termiticide/Insecticide, Termidor Dry Termiticide, and Termidor 80 WG, as well as the newest additions to our line, Termidor HP High Precision Termiticide and the Termidor HP High Precision Injection System.

The Termidor HP High Precision Injection System provides control of termites with a completely different application method that places Termidor HP High Precision Termiticide in precise, measured doses around a structure. Even more significant, the innovative injection system uses less water, minimizes landscape disruption, and reduces labor-intensive trenching and rodding, making it a valuable new addition to any PMP's termite control arsenal.

In addition, don't forget our Trelona® Advance® Termite Bait System, containing novaluron, which promotes faster termite discovery, leading to faster bait consumption and faster colony elimination.

And every BASF termite control solution comes with superior customer support, including web-based training, consumer advertising, customer education tools, product labels, marketing materials, and more.

It all adds up to a business partner that is singularly-focused on your company's success.

Here's to another productive termite season!

Sincerely,

Jonathan K. Sweat

Jonathan K. Sweat
Director, BASF Professional & Specialty Solutions



Jonathan K. Sweat



STATE OF THE TERMITE INDUSTRY REPORT

What Do Swarms Got to Do With It?

PCOs agree that while termite swarming is down, business is up thanks to an improving economy, favorable weather conditions in many parts of the country, and a modest upturn in housing. by Kristen Hampshire

There was a time not that long ago when a pest control company's termite season was predicated on the strength of the swarm season, but that's no longer the case today.

Swarms aren't prompting customers to call like they once did, so a growing number of PMPs are turning to creative marketing, cutting-edge technology and innovative business solutions to drive their termite revenue. Jeff Annis, president of Advanced Services, Augusta, Ga., says the last "big swarm season" for his company was in the mid-1990s. Ever since, swarms have diminished as have calls related to customers seeing termites.

"We receive about 1,000 calls per week and only about 100 swarm calls per year," Annis observes. Those swarm calls are mere drops in the customer service bucket.

But that no longer matters to a great degree because Annis isn't waiting for customers to notice termites. He's selling them protection against ever seeing these destructive pests in the first place. "We sell termite work as insurance," he says. "Our service has converted over the decades from, 'Kill those rascals,' to 'Prevent those rascals.' Our *engagement* with customers is what's driving the termite business."

It's a philosophy embraced by a growing number of PMPs who have witnessed their termite business ebb and flow with the vagaries of the swarm season. "We have termite jobs booked through March already, but it's not due to Mother Nature — it's due to business innovation," says Jeffrey Hauf, president, Regional Pest Management, Baltimore, Md.

Pro-active marketing is key. Radio.

Television. Sales flyers. It's essential to keep your existing and potential client base aware of the threat posed by termites.

By the second week in January, Hauf's business log was packed because he was successful in doing just that. Are there more termites in Maryland? Not exactly. "Termite business has been going down a little bit since 2007, but we hooked up with our supplier and started advertising our product and treatments, so revenues increased in 2016," Hauf says.

It's a trend echoed by those responding to PCT's State of the Termite Market survey. In fact, 53 percent of respondents indicated the percentage of their location's termite service revenue had increased "somewhat" or "significantly" in the past three years, with only 16.5 percent saying termite service revenues had decreased. And more growth is anticipated this year, with 63 percent of respondents saying they expect termite service revenues to increase "somewhat" or "significantly" in 2017 versus 2016 (see "Market Forecast" charts on page 5).

**State of the
TERMITE MARKET**

AN EVOLVING MARKETPLACE

Swarms are not what they used to be, if you ask most pest control operators (PCOs) across the country. In certain regions where Formosan termites have gained a foothold — such as the Gulf Coast — termite damage and swarming activity is highly visible. But many other regions report sporadic or even rare instances of swarming.

Termites are still present in large numbers, but have their behaviors changed? Are today’s products taking on Mother Nature so effectively that colonies are suffering? Is climate change having an impact? Or are customers just not noticing them?

There are no easy answers to these questions, but regardless of the ups and downs of the termite market, forward-thinking PCOs are pro-actively engaged in the marketplace and experiencing success.

For instance, in the PCT State of the Termite Market survey, 71 percent of respondents indicated they offer termite services. Of those, 40 percent of firms said termite services make up between 20 and 39 percent of overall revenue. Thirty-nine percent said termite revenue represents less than 20 percent of their business. A minority (5 percent) reported that termite work is 60 percent or more of the service pie, with the overall average of those surveyed being 27.2 percent (see charts on page 5).

All told, termite treatments continue to be an important service offering for PCOs across the country. And those growing the service say a healthier economy, favorable weather conditions and a more prosperous

Termite Technicians vs. Universal Technicians

About half of all termite treatments are provided by universal technicians, according to the PCT survey, with only 20 percent performed by termite technicians only.

Do you use fully-dedicated termite technicians or universal technicians (those providing both general pest control and termite control services) to perform your company’s termite work?

Technician Type	Percentage
Universal technicians only	50%
Termite technicians only	20%
Both termite and universal technicians	29%
No answer	1%

(Source: Readex Research, December 2016); (Number of Respondents: 185)

housing market come into play. Just 11 percent said increased swarming activity is driving business.

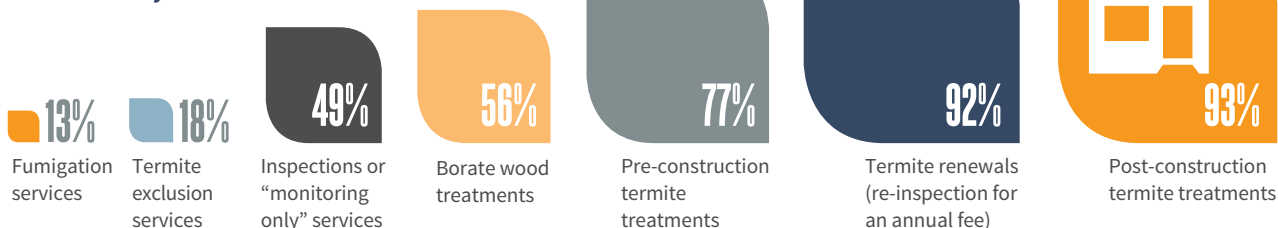
The most popular termite service offering, not surprisingly, is post-construction termite treatments (93 percent), followed by termite renewals (92 percent); pre-construction termite treatments (77 percent); borate wood treatments (56 percent); inspection or “monitoring only” services (49 percent); termite exclusion services (18 percent), and fumigation (13 percent). In addition, 41 percent of PMPs surveyed offer a termite damage warranty, with 58 percent not offering such a service.

As the technology used to control termites has evolved, so have the individuals utilizing that technology, with more and more universal technicians performing both general pest control services *and* termite services (see chart above). As a result, only 20 percent of those companies surveyed utilize “termite-only” technicians.

Thanks to a more robust termite market, PMPs also are predicting a modest increase in prices in 2017, with 39 percent of survey respondents saying prices will increase “somewhat” in the coming year compared to 2016, with an additional 54 percent predicting static pricing (see charts on page 5).

Key Service Offerings

What types of termite control services does your location offer?

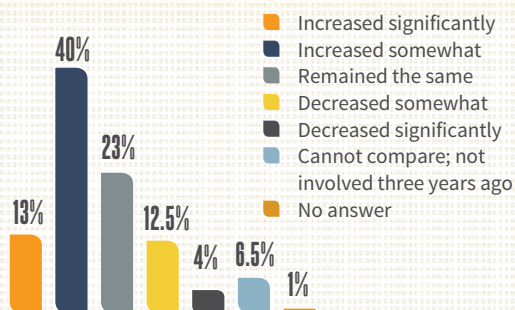


(Source: Readex Research, December 2016); (Number of Respondents: 185)

2017 MARKET FORECAST

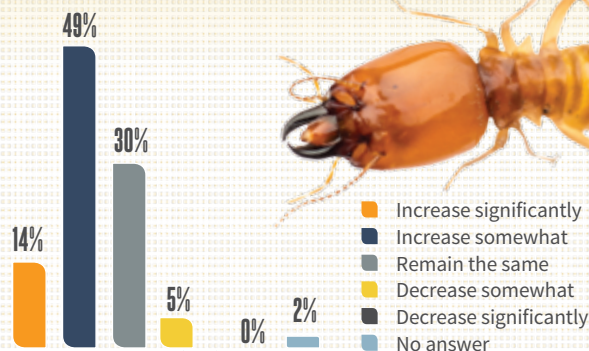
PMPs Say Revenues are Growing ...

In the past three years, has the percentage of your location's revenue generated from termite control services increased, remained the same, or decreased?



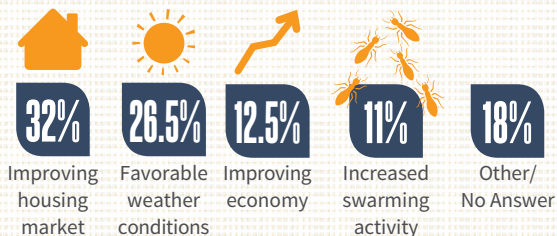
... And More Growth is Expected in 2017

Compared to 2016, do you anticipate the percentage of your location's revenue generated from its termite control services to increase, remain the same, or decrease in 2017?



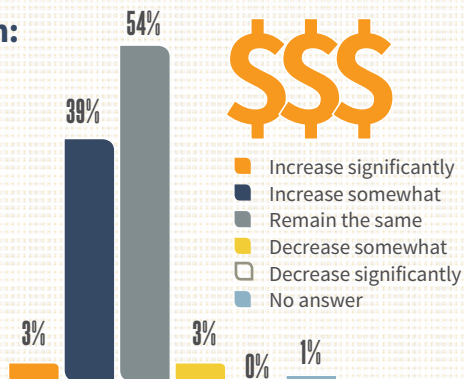
Key Factors Driving Termite Revenue Growth

In your opinion, what is the primary factor driving termite service sales in your market area?



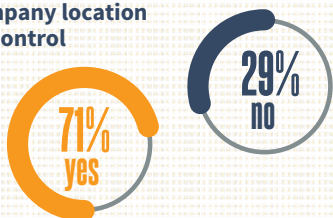
2017 Prediction: Prices Flat or Up Modestly

Compared with 2016, do you anticipate your location's termite service pricing will increase, remain the same, or decrease in 2017?



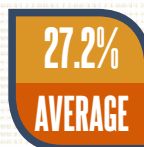
Nearly Three-Quarters of Companies Offer Termite Services

Does your company location offer termite control services?



Revenue Generated from Termite Services

What percentage of your location's overall 2016 revenue was derived from termite control services?



2016

(All charts: Source: Readex Research, December 2016); (Number of Respondents: 185)

State of the TERMITE MARKET

With so many mixed signals in the marketplace, PCT magazine talked to business owners to find out what factors are driving or dragging down their termite service revenue.

TRACKING TERMITE BUSINESS

Years ago, Bobby Jenkins, owner, ABC Home & Commercial Services, could count on fielding non-stop termite phone calls on the first humid spring day in Austin, Texas. Swarming lasted for weeks. “It would go on and on for quite a while,” he remarks. “Now, we get a sputter here, a sputter there, and then it seems to be over.”

Are there fewer termites out there? Jenkins isn’t sure. “There’s been lots of guessing,” he says. “Does less swarming mean less termite activity or have their swarming habits changed?”

Jenkins grew up in the pest control industry. His early years were spent doing termite sales. “So, I know what happens out there and what swarms look like — and they don’t look like what they did,” he remarks.

Years ago, the sheer number of termites in a house created a visible cloud of activity during daylight hours. “At night, they’d drop their wings and it was just thousands...and today it’s a fraction of that.”

Oddly enough, as the termite business has moderated or declined in some markets, other services have filled the void. Bed bugs have replaced the decline in termite work for Bernie Cox of Fidelity Exterminating in Aberdeen, Md. “We have 1,200 accounts we do,” Cox says. Termites were once 75 percent of the business at Fidelity, and now it’s closer to 25 percent.

Gene Walsh at Apex Exterminating in Charlotte, N.C., says swarms are mediocre. “We’re supposed to be in the termite capital of the world here, but it’s nothing like it was a few years ago when they were real heavy,” he says. Termite work represents about a quarter of his total revenue.

CUSTOMER EDUCATION IS KEY

Consumer awareness or lack thereof impacts termite sales.

Clay Metcalfe couldn’t believe it. He was called in to treat a rental home for termites, and when he arrived at the address he asked the tenant how she knew she had the pest. Apparently, her cat scooted a toy under the couch.

She slid the couch over and found the toy pushed into a crawlspace. She found damage, too.

“I asked, ‘Do you get swarms?’” Metcalfe says. “I thought, this couldn’t be the first instance.” She told him, “Oh, yeah, they swarm every year but then they go away. I never thought about it.” The landlord paid thousands to fix the damage. “I was kind of blown away,” admits Metcalfe, who believes there’s a lack of awareness about termite activity and potential damage. He remembers the old Terminix TV commercials that showed a computer graphic image of what a termite swarm looks like. “It did a good job of educating,” he adds.

Metcalfe has talked to customers who assume if they see a swarm one day and not the next, that termites are gone — and certainly not a problem. Ed Prine runs into the same issue in Stone Mountain, Ga., where he operates Sonic Services. People aren’t outside like they used to be, Prine says. In his area, homeowners aren’t doing their own yard work. They spend three hours daily commuting to work, leaving and returning home in the dark. “A lot of people are just not in tune with their homes,” he says, relating that plenty of customers he’s talked to also don’t know where to find the water shut-off in their houses.



“Some people just don’t notice [termites], and the ones who do think if a swarm happens one day and they don’t see them again, it’s no big deal,” Metcalfe says.

Consumer education focused on termite protection makes a difference. Ask David Mayley of Mayley’s Pest Control in Gulfport, Miss., where Formosan termites are feeding a business that’s 72 percent termite treatments. Located about 55 miles from New Orleans, La., where awareness of Formosan termites is “fairly high,” Mayley says people hear radio spots sponsored by the National Pest Management Association. “The awareness of the public here has dramatically increased,” he says of the ripple effect.

Gordon Redd of Redd Pest Solutions in Mississippi and Alabama agrees that more people in his area are aware of termites, particularly Formosans, because of news coverage. “Then with the advertising we do, people become more educated and that has helped grow our business,” he says.

Unfortunately, some of that education happens the hard way. One guy has termites and \$50,000 in damage. He tells his brother and cousin. They tell their neighbors and friends. “An important part of our business is educating people on how to make their houses a little less conducive to termite infestation,” Mayley relates.

Manufacturers can partner with PCOs using their products to run campaigns. The key is to make sure that out-of-sight swarms are not out of mind. Education can happen during general pest inspections, or through advertising. “The companies that will grow their businesses with termites are engaging with individual homeowners and gaining inroads through homebuilders,” Mayley says.

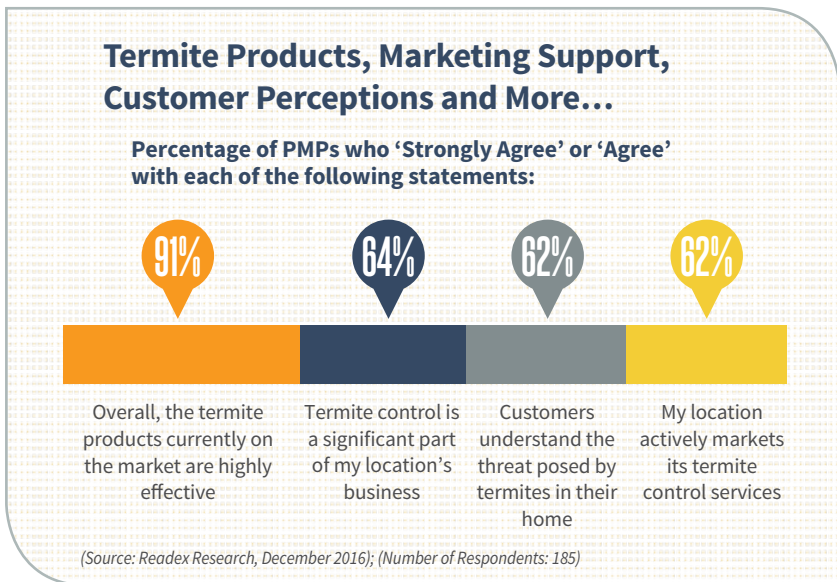
Walsh says when a swarm comes, a night-time cold snap shuts it down. “Termites are still here, but swarms are not as evident,” he relates.

For David Mayley of Mayley’s Pest Control in Gulfport, Miss., termites are swarming strong, but the type of termite is opposite of what the company treated 20 years ago. Today, 98 percent of Mayley’s termite work along the Mississippi Gulf Coast is treating Formosan termites. “That area of the business is growing real fast, and there’s a lot of pre-treat work in our area,” he says, relating an increase in construction.

Meanwhile, Mayley was driving to Jackson, Miss., in mid-January on a 70 degree, sunny day. He got a call from an architect client of his with a building Mayley’s firm treats. It was 4:45 p.m. “He said, ‘Looks like I have those Formosans swarming in my building again,’” Mayley says. “It’s the second week of January and typically Formosan termites don’t swarm until May and into June.”

Are termite swarms a year-round affair now? “It hasn’t been...until maybe now,” Mayley remarks. “We are trying to figure it out.”

In 2006, Mayley said 99 percent of treatments were for native subterranean



termites. Now, maybe 3 percent of termites his firm treats are native subs and only on post-construction termite calls. “Formosans have gotten crazy,” he reports.

Mayley will pre-treat the slab of a new building. When his company returns to treat the vertical exterior perimeter up to 10 months later, and as soon as six months after that initial application, the site already could be infested with Formosans. A preventive call becomes a curative treatment. Just like that.

Mayley’s overall business — he has five employees — was up by 52 percent in 2016. A good part of that was termite service.

Ed Prine of Sonic Services in Stone Mountain, Ga., says swarms are almost non-existent. But termite work is still up to 70 percent of his revenue. The area he services 30 miles north of Atlanta, Ga., is buying termite services when a homeowner lists their house for sale. Buyers ask for inspections, termite treatments and a log of all damage repair. “An average house here is \$400,000, so the people buying those — it’s not their first rodeo,” Prine says. “They ask for the termite treatment for protection.”

AN OPPORTUNISTIC APPROACH

Prine is expecting his termite business to increase in 2017. The economy is looking better, he says, echoing the sentiment of 12.5 percent of PCT survey respondents. It’s not like the recession when people pinched every penny, he says. “With the election over, the general outlook is better and I think people do have some disposable income.”

Prine says this is important because he’s not necessarily competing with other termite service providers. “I’m competing with, ‘Do we have extra money to spend at Disney World or not?’” he says. People will put off termite work or not pay the pest control bill and spend on the vacation instead, he says. If there’s extra money in the house, they’ll do it all.

So termite business is perhaps not about the swarms or the damage. Gordon Redd of Redd Pest Solutions says, “There is plenty of termite business out there if we just go after it.”

That’s how Bill Jacobsen of Apex Pest Control in Louisville, Ky., feels. When he learns that a company does not tap into the termite business at all, he thinks, “Why would you turn down a chance for revenue?” he says. “I’m always anxious for termite season.” ●





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