

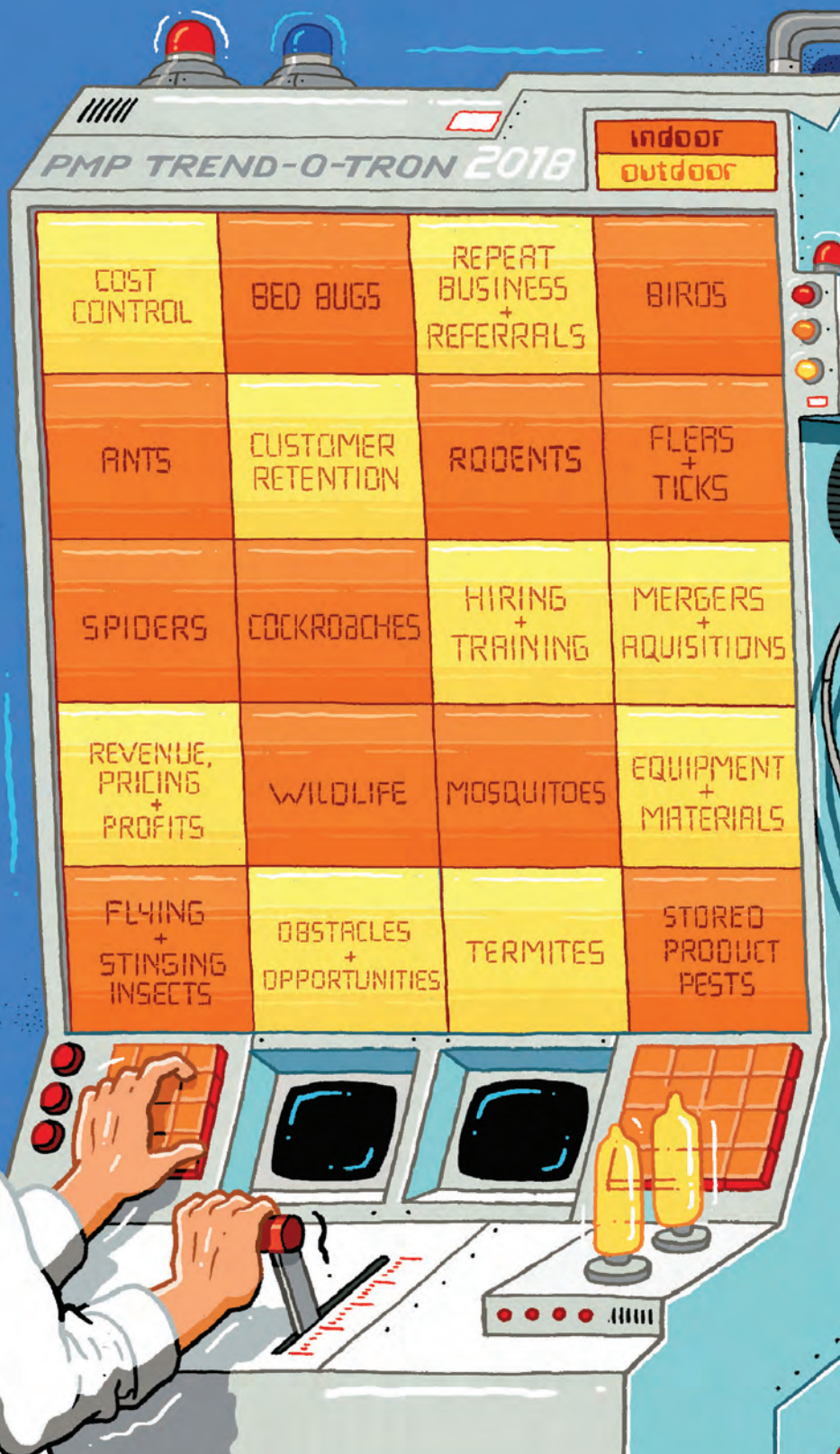
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*2018 State of the
Industry Survey:*
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BY STEVE LEVY
President & CEO Bell Laboratories

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We appreciate your support and thank you for your business.



ALL SYSTEMS GO!

The 2018 State of the Industry Survey finds that PMPs are ready for another banner year.

BY **DIANE SOFRANEC** |
Managing Editor



If you're looking forward to another great year in the pest management business, you're not alone. The 152 pest management professionals (PMPs) — primarily company owners and presidents — who completed our 2018 State of the Industry Survey overwhelmingly say they believe the future of the pest management industry looks bright.

When asked to indicate on a scale of one to five how well they thought the pest management industry will do in 2018, 47 percent

chose five stars. Not one survey respondent opted for the dismal one- and two-star choices.

The reasons for the optimism are as varied as the PMPs who answered the survey. An uptick in local pest pressure, newly hired employees, additional training, effective marketing strategies, and better products and equipment all give PMPs a reason to believe 2018 will be a banner year.



Jeff King

For Jeff King, president of The Pest Rangers in Hanover Township, Pa., the addition of an outside sales representative next year is the reason he expects his company's growth to continue. Compared to 2017, he expects total revenue for 2018 will rise 50 percent or more.

"We developed a solid program with continued monitoring that will ensure reoccurring revenue from clients that would typically be one-time clients," King says. "Word-of-mouth has been the best marketing tool that has made us successful."

Training and education help business, says John Murphy, manager of technical training for Liberty Pest Control in Brooklyn, N.Y.



John Murphy

"In New York City, our laws and regulations help pest control companies succeed, with the staff being properly educated on how to communicate with customers who have many accounts," he says. "It helps bring in more business."

Murphy predicts company revenue will rise because of the quality of the work and the sales and marketing program used in the urban environment Liberty Pest Control serves.

"We will make a profit with hard work, thoughtful spending and the right marketing moves," he says.

Murphy, who learned about pest management from Purdue University's correspondence courses, knows training can make a difference, too.

INSIDE

- S6** Pest management services
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- S14** The healthcare debate
- S15** Obstacles and opportunities

“The education I had took me to another level in the biggest city and pest management market in the world, New York City,” he adds. “I have seen Hurricane Sandy and other things hurt many businesses, yet I have never felt a sense of needing another job.”



Rod Lyles

excited about it,” Lyles says. “We have been growing steadily over the years.”

Sharing his optimism are the PMPs who answered the 2018 State of the Industry Survey. The majority project their revenue and net profits to increase next year.

And why wouldn’t the future look bright when you have an outlook like Murphy’s? He says the pest management industry is practically recession-proof.

“The threshold for pest issues is unique to each person,” Murphy says. “Every person I have ever met deals with something at some point, which in turn makes everyone a potential customer.”

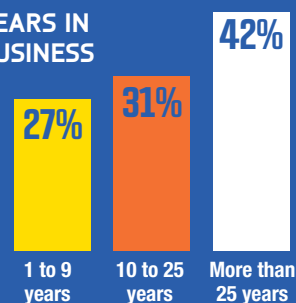
To learn more about what PMPs say is in store for 2018, check out the rest of the *Pest Management Professional’s (PMP’s) 2018 State of the Industry* supplement, sponsored by Bell Labs. It features *PMP’s* exclusive data, infographics and analysis that detail key industry trends and projections. *PMP*

You can reach SOFRANEC at dsfranec@northcoastmedia.net or 216-706-3793.

PMPs who tell it like it is

One hundred and fifty-two pest management professionals (PMPs) — primarily company owners and presidents — completed our 40-question 2018 State of the Industry Survey in the summer of 2017. Here’s some background on their companies:

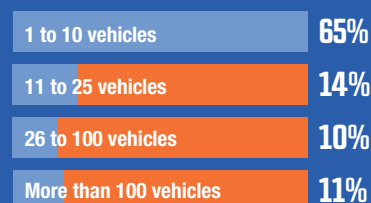
YEARS IN BUSINESS



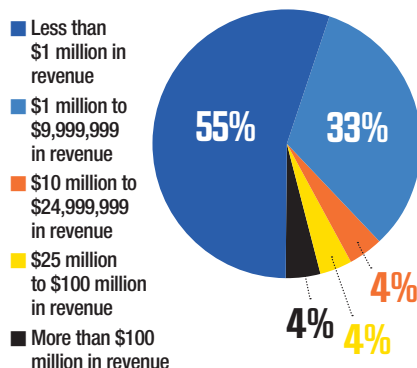
NUMBER OF EMPLOYEES



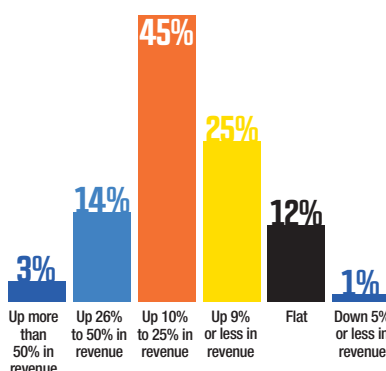
FLEET SIZE



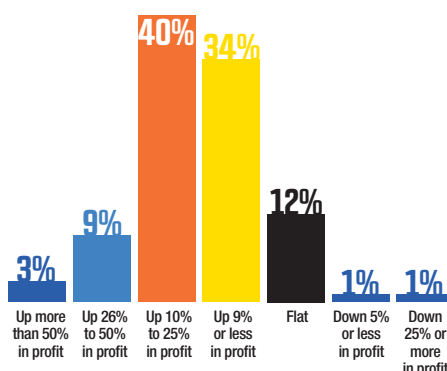
PROJECTED 2018 REVENUE



PROJECTED REVENUE CHANGE – 2018 vs. 2017



PROJECTED NET PROFITS CHANGE – 2018 vs. 2017



What's on the menu for

2018

By and large, our survey finds, PMPs plan to stick with the services they currently offer.

BY **DIANE SOFRANEC** | Managing Editor

Here's something nearly all pest management professionals (PMPs) can agree on: Customers hate ants.

A whopping 99 percent of PMPs say they currently offer ant management services. No matter what ant species is prevalent, customers don't want them around.

For many who offer general pest management services, ants, cockroaches and rodents comprise the majority of work for residential and commercial customers. Although bed bugs and termites round out the list, these pests appear farther down the list. (See p. S10 for detailed pest breakouts.)

ON THE MOVE

Spiders are creeping up as a service more and more customers demand. Of those asked, 97 percent say spider management is currently on their roster of pest management services.

Fleas and ticks are becoming more of a problem in many parts of the country, so it's no surprise that they appear at the top of the list, too. Sizeable deer and rodent populations, residential

developments encroaching into tick habitats, and pet owners who now know a tick when they see one are just a few of the reasons why these pest management services are on the rise.

PMPs also currently manage occasional invaders and stinging insects, which take precedence over bed bugs. That's not to say bed bugs are not a problem for customers; it's just that other pests are becoming more prevalent.

More than half of those asked currently offer services to manage flies, stored product pests, termites and other wood-destroying insects and organisms (WDI/WDO), and mosquitoes.

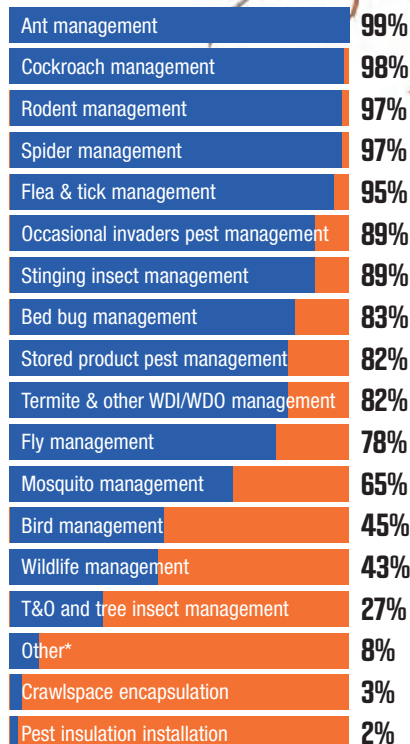
LOOKING AHEAD

What's on tap for 2018? A lot of the same, apparently. Just 41 percent of responding PMPs say they will add services to their current lineup next year.

Mosquito management comes out on top as the planned new service mentioned most. Customers will continue to turn to PMPs to help alleviate their public health concerns. PMP

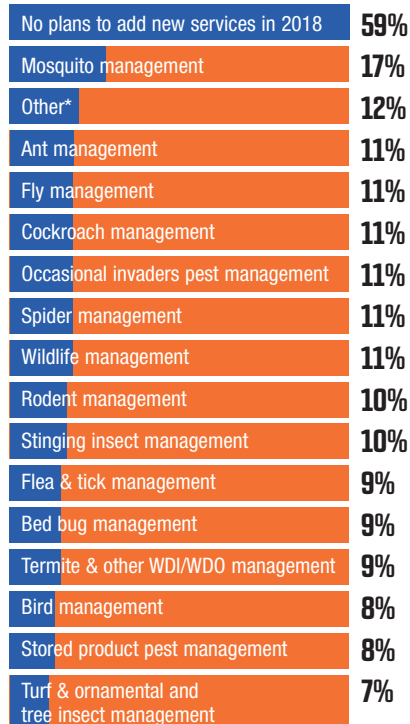
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Current Services



* Specific services mentioned include bee removal, landscaping, mold control, pest management auditing, radon testing, retail product sales, vegetation management, and wildlife cleanup.

Planned New Services for 2018



* Specific services mentioned include basement waterproofing, crawlspace encapsulation, food industry risk assessments, insulation, landscaping, odor control, and retail product sales.

Industry engines

There are no surprises in this year's roundup of the most reliable profit and revenue generators.

BY **DIANE SOFRANEC** | Managing Editor

Ask a pest management professional (PMP) to list the Top 5 pests that will generate the most profit and revenue in 2018, and the answer is hardly shocking.

More than half of the respondents of *Pest Management Professional's* 2018 State of the Industry survey rank ants first, and then cockroaches, rodents, termites and other wood-destroying insects and organisms (WDI/WDO), and finally, bed bugs. (*Editor's Note: To see the top species in each category, please turn to p. S10.*)

Additional revenue and profit possibilities are out there for PMPs who target more than these five pests. PMPs report spider management is next on the list of services that generate the most revenue and profit.

Fleas and ticks, mosquitoes, occasional invaders, and stinging insects all follow as the services that generate the most revenue and profit. The order in which they rank differs for the two categories, however.

The services in this group that generate the most revenue are for mosquitoes, fleas and ticks, occasional invaders, and stinging insects. Those that generate the

most profit are for fleas and ticks, mosquitoes, stinging insects, and occasional invaders. Requests for flea and tick management services — the most profitable of the four — is expected to rise, due to the likelihood of unseasonably warm winter and spring months.

Bird management may be last on the list of top revenue-generating services, but it generates a decent profit, according to responding PMPs. And while wildlife management is not a specialty many PMPs offer, that may change. More and more PMPs are in demand for this service thanks to urban sprawl in many areas of the country, and extensive licensing requirements that make for highly trained technicians.

Rounding out the list of top profit-generating services are stored product pest management; turf, ornamental and tree insect management; and fly management. Although managing stored product pests and flies often are included in the general pest management services most PMPs offer, that's not the case for turf, ornamental and tree insect management. Instead, that work often falls to PMPs who work with companies that also offer lawn service.

Top Revenue-Generating Services

Ant management	81%
Cockroach management	66%
Rodent management	66%
Termite & other WDI/WDO management	62%
Bed bug management	56%
Spider management	40%
Mosquito management	26%
Flea & tick management	22%
Occasional invaders pest management	19%
Stinging insect management	17%
Wildlife management	11%
Turf & ornamental and tree insect management	8%
Fly management	7%
Stored product pest management	7%
Bird management	6%

Top Profit-Generating Services

Ant management	71%
Termite & other WDI/WDO management	64%
Bed bug management	62%
Rodent management	58%
Cockroach management	51%
Spider management	36%
Flea & tick management	29%
Mosquito management	26%
Stinging insect management	25%
Occasional invaders pest management	19%
Bird management	14%
Wildlife management	14%
Stored product pest management	7%
Turf & ornamental and tree insect management	7%
Fly management	5%

For PMPs who have never considered offering many of these revenue- and profit-generating services, it may be time to expand their pest management offerings. PMP

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The Big 5

PMPs rank the prevalence of different species of ants, bed bugs, cockroaches, rodents and wood-destroying insects/organisms in their markets. BY **HEATHER GOOCH** | Editor

Carpenter ants top our State of the Industry lists this year in two places: *Camponotus* spp. are No. 1 in prevalence among all ant species and all wood-destroying insect/organism (WDI/WDO) species. That means they outranked last year's WDI/WDO favorite, the Eastern subterranean termite — which actually came in at No. 3, behind carpenter bees. (Editor's Note: For a discussion on which pests generate the most business and profit, please turn to p. S6.)

Paul Morrow says he's been seeing lots of carpenter ants — after being called out for termites.

"You just never know what you're going to get when you arrive," says Morrow, owner of Glen Rose (Texas) Pest Control. "Most new homes have no ant problems. But it seems carpenter ants are finding their way from live oak trees to the homes that are in the 30- to 100-year-old range."



Jeff King

Morrow, who majored in agriculture and minored in entomology in college, notes that interestingly, some carpenter ants are outdoor-only residents. For his accounts that have ants but never inside, he just keeps an eye on them.

"You don't even know you have them until you see a pile of insulation outside," he adds. "Generally, that's how a customer will catch it and think they have termites."

BED BUGS STAY IN THE GAME

Bed bugs continue to be of importance to pest management professionals (PMPs). While bat bugs (among them *Cimex pilosellus* and *C. adjunctus*) and the tropical bed bug (*C. hemipterus*) are also encountered, most bed bug accounts deal with the humble common species (*C. lectularius*).

Jeff King, president of The Pest Rangers, Hanover Township, Pa., says revenue is up 71 percent. He attributes the growth to bed bugs, even

though he did nothing different marketing-wise.

While King is stumped on the precise reasons why they're getting more calls, he hypothesizes that offering a combination heat-and-chemical approach is gaining more popularity. When consumers research how to treat bed bugs, heat is coming up as a viable solution.

**SURVEY SAYS:
MORE THAN
80%
OF PMPS OFFER
BED BUG
MANAGEMENT.**

"People used to be turned off by the higher cost, but that no longer seems to be as big a factor," he adds. "They're calling up and specifically asking for heat treatment."

The Pest Rangers try to reassure customers that trying to prevent bed bugs is akin to trying not to be struck by lightning: It can happen to anyone.

"We're getting calls from rehab centers, doctor's offices and professional call centers — accounts that we wouldn't have before," he says.

COCKROACHES BRING HOME THE BACON

Led by the ubiquitous German cockroach (*Blattella germanica*), the Top 5 most-prevalent cockroaches for PMPs is a carbon copy of last year's list.

David Hersh, second-generation owner of Hersh Exterminating Service, Hermitage, Pa., jokes that his 71-year-old company is "older than dirt, and I'm not far behind it." He recalls the "bad old days" of basically harvesting cockroach populations at restaurants and other accounts. Products and sanitation practices have improved greatly over the years, he notes, but cockroach problems will still persist.

"We find that one of the biggest culprits now is getting cockroaches in with distributed products," Hersh says, noting that a delivery to a restaurant can contain tiny hitchhikers, who then quickly proceed to set up housekeeping in the kitchen. "Everyone has commercial accounts that are all over the place with sanitation, which doesn't make it easier. But it doesn't make it impossible."

RODENT RUNDOWN

House mice (*Mus musculus*) once again top our most-prevalent rodent list, followed in the same order as last year by Norway and roof rats, deer mice and moles.

Glen Rose's Morrow is concerned about unscrupulous, non-licensed companies who scare consumers into unnecessarily redoing their attic insulation in the name of "rodent control."

"I recently had an account where the wife called about a dead

mouse behind the bathroom wall. After taking care of that, I set a few traps in the attic and a couple days later caught about four mice," he says. "Her husband, meanwhile, called in a different company who informed them they had at least 100 rats in the attic and to replace all their insulation to the tune of about \$15,000. 'It's a wonder you're not sick,' the guy told them.

"I gave them the number of the Texas Structural Pest Control Board to report this company. I told them, 'If you had 100 rats in your attic, it would sound like a disco up there.'"

WHITHER WDI/WDO?

This year's list of most prevalent WDI/WDO deviated the most from the year before, where Eastern subterranean termites dominated and carpenter ants were second. Carpenter bees moved up a notch from last year's third-place showing, perhaps because of weather, or perhaps because of how, as Morrow noted earlier, termite calls turned into carpenter ant accounts.

Last year, wood-decay fungi and true powderpost beetles tied for fourth place. This year, the beetles had the edge, nudging fungi work to fifth place.

Dealing with all manner of pests is all in a day's work.

Morrow notes he's dealt with everything from boa constrictors to feral hogs.

But he adheres to one credo: Leave it all at work.

"If you read my obituary, it's probably because my wife warned me not to bring bed bugs home ... and I did." PMP

You can reach GOOCH at hgooch@northcoastmedia.net or 330-321-9754.



Paul Morrow

Top 5

REVENUE-GENERATING SPECIES

ANTS

1. Carpenter (*Camponotus* spp.)
2. Odorous house (*Tapinoma sessile*)
3. Pavement (*Tetramorium caespitum*)
4. Argentine (*Linepithema humile*)
5. Fire (*Solenopsis* spp.)

COCKROACHES

1. German (*Blattella germanica*)
2. American (*Periplaneta americana*)
3. Oriental (*Blatta orientalis*)
4. Smoky brown (*P. fuliginosa*)
5. Brown-banded (*Supella longipalpa*)

RODENTS

1. House mice (*Mus musculus*)
2. Norway rats (*Rattus norvegicus*)
3. Roof rats (*R. rattus*)
4. Deer mice (*Peromyscus maniculatus*)
5. Moles (*Talpidae*)

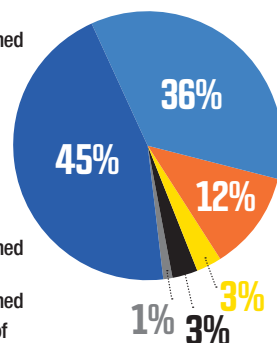
WOOD-DESTROYING INSECTS/ORGANISMS

1. Carpenter ants (*Camponotus* spp.)
2. Carpenter bees (*Xylocopa* spp.)
3. Eastern subterranean termites (*Reticulitermes flavipes*)
4. True powderpost beetles (Lyctinae)
5. Wood decay fungi

PMP business dashboard

FORECASTED CUSTOMER RETENTION IN 2018

- 90% to 100% of customers retained
- 80% to 89% of customers retained
- 70% to 79% of customers retained
- 60% to 69% of customers retained
- 50% to 59% of customers retained
- Less than 50% of customers retained



treatments. Hersh is quick to point out that it's not going to be viable for every account, but offering it as an option could broaden the base quickly and easily. The extra visits required will be built into the price.

"We believe there is some demand for it in our market," Hersh says.

EMPLOYEE MORALE IS KEY

Keeping employees is just as important as keeping customers, as 78 percent report at least 80 percent of their employees are retained. The majority, 61 percent, report a retention rate of 90 percent or higher.

"Having the right people on my team is first priority," says Joe Sheehan, president of Colony Pest Management, Brooklyn, N.Y. He notes that he supports his team with follow-up phone calls and quality assurance inspections, addressing and correcting any issues that may arise as quickly as possible. Sheehan reports he hopes to retain the majority of his employees in 2018, but admits that hasn't always been the case.



Joe Sheehan

Money in, money out — the more loyal your customers and employees are, the more you can spend to maintain those relationships.

BY **HEATHER GOOCH** | Editor

The prevailing wisdom is that pest management is a people business above all else. Such a notion is reflected in our 2018 *PMP* State of the Industry Survey, where 81 percent of those asked report an 80 percent to 100 percent retention in customers, 45 percent of whom report 90 percent or above.

While not desirable from a recurring revenue/customer retention standpoint, one-time customers can still be of great benefit for pest management firms. David Hersh, president of Hersh Exterminating Service, Hermitage, Pa., reports a retention rate of about 86 percent. But that's not taking into account the one-timers — and they can be the cheerleaders for your company when their friends or families encounter a pest problem.

"We try to be as customer-oriented as we can," Hersh says.

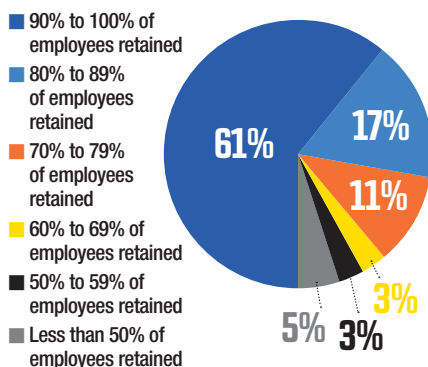
"We're not perfect, but that's not from a lack of trying."

In his 45 years in the business, which he took over from his parents, Hersh says one of the biggest lessons he's learned is that some customers are good and some, well, aren't. You have to be able to discern when to walk away — especially if the customer is trying to dictate how to do your job.

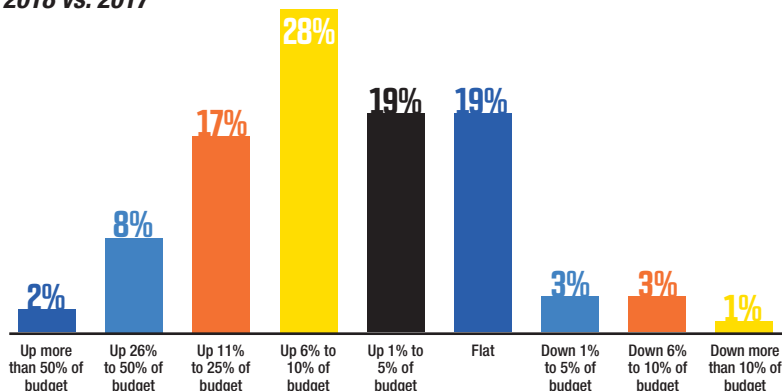
"We tell customers that it's their house and they're entitled to do what they want," he explains. "But we have to be able to work with our tools: 'You're not going to remember we did it your way if it doesn't work.'"

That said, in 2018 Hersh Exterminating Service will be rolling out a "low-impact" service option for customers who are concerned about chemical

FORECASTED EMPLOYEE RETENTION IN 2018



EQUIPMENT & MATERIALS BUDGET 2018 vs. 2017



“A year or so ago, I would have been closer to 40 percent or 50 percent,” he continues, noting that implementing a new pay scale this year has made a big difference in employee loyalty. “We are trying to be more understanding of employees’ needs. We always offered paid vacation, for example, but we have altered it slightly [to make it easier to accrue additional time off].”

Paul Morrow, who purchased Glen Rose (Texas) Pest Control from his wife’s uncle in 2005, is a one-man operation with a part-time bookkeeper.

“I’ve had lots of inquiries to work with me, but all my clients have both my [home] phone number and cell number,” he says, admitting he’s worked through several holidays and is getting to the point that he might need to make a formal hire. For now, though, family members pitch in with marketing, social media and even help out on calls as needed.

2018 SHOPPING SPREE

A commonly quoted statistic is that it costs five times more to attract a new customer than to retain an existing one. With all that money PMPs have saved by keeping their

current customer rosters, just what are they going to buy?

Beyond the typical inventory of chemicals, sprayers, traps and other supplies, more than half of those surveyed plan to expand their fleet (52 percent) and/or add employees (66 percent) in 2018.

Many PMPs are going on the defensive to retain employees next year by increasing the wages of hourly (42 percent) and/or salaried (33 percent) team members.

Some are speaking to their Realtors in 2018, either for adding a branch (17 percent) and/or to buy property to expand or replace their current lease (19 percent).

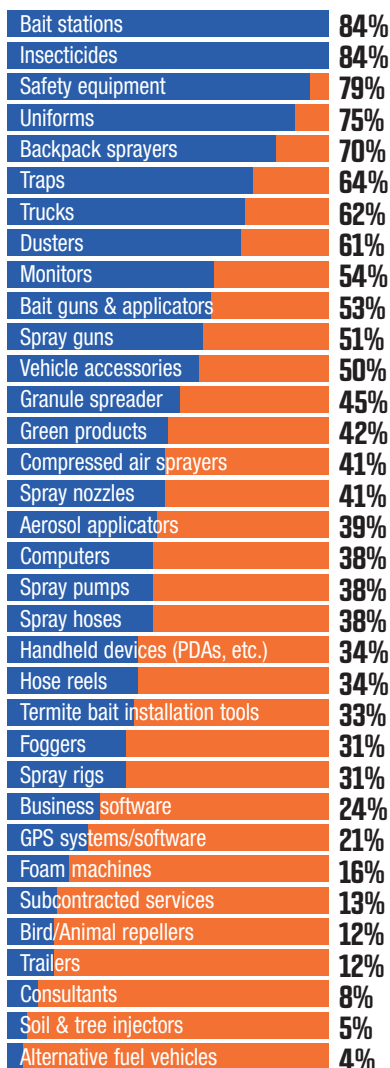
BUSINESS OUTLOOK

Sheehan says that overall, 2018 is looking to be a banner year — not only for Colony Pest, but for the industry at large.

“I know many PMPs are concerned about the mass consolidation going on, but I look at mass consolidation as an opportunity for small business to prosper. I know we have benefited directly from mergers in our region,” he says. “The industry is strong.” PMP

You can reach GOOCH at hgooch@northcoastmedia.net or 330-321-9754.

2018 Planned Purchases



The healthcare debate

Nearly half of the respondents to PMP's 2018 State of the Industry Survey report that they either don't offer healthcare coverage to employees at all or are stymied about whether their current offerings are the best option.

BY **HEATHER GOOCH** | Editor

With the healthcare debate raging in Washington D.C., and no clear end in sight, it's reassuring to know at least one industry entity has the backs of pest management professionals (PMPs). The National Pest Management Association (NPMA) recently unveiled a health insurance exchange program for its members.



Dominique Stumpf

"Survey data has shown us more than 60 percent of employees make decisions on where to work based upon the benefits offered by the employer, with healthcare being the most desired benefit," says NPMA CEO Dominique Stumpf, CAE, CMP, referring to a study that appeared in the February 2017 edition of *Harvard Business Review*.^{*} "To help our members recruit and retain skilled and professional staff, we created our health insurance exchange."

Stumpf notes that the exchange "provides small and mid-sized companies the ability to compete with large companies on offering healthcare insurance,

and we've tried to make it as easy as possible for them to do."

The program's à la carte options can be found online at NPMApestWorld.org/member-center/npma-health-insurance-exchange.

They include:

- **Health reimbursement arrangements (HRAs)** allow employees to use tax-advantaged account dollars to pay for individual healthcare premiums and any out-of-pocket cost they or their dependents may incur. There is no setup fee or monthly minimum charge.
- **Health savings accounts (HSAs)** are tax-advantaged personal savings accounts that can be used to pay for medical, dental, vision and other qualified expenses now or later

in the employee's life. The funds can be invested, making it a great addition to employees' retirement portfolios. HSAs provided through the exchange include a centralized employer portal for establishment, funding and administrations of employee HSAs.

• **Flexible spending accounts (FSAs)** are an employer-sponsored benefit account that allows employees the opportunity to set aside pre-tax funds to help pay for eligible healthcare expenses. The NPMA's program offers healthcare FSAs, dependent care FSAs and limited-purpose FSAs.

• **Voluntary Insurance Products (VIPs)** are offered to NPMA members by the Transamerica Life Insurance Co.

"We rolled out the NPMA Health Insurance Exchange program this fall in time for the 2018 open enrollment, and already have received numerous inquiries and have generated policy quotes," Stumpf reports. "The interest generated confirms that providing healthcare insurance is a huge concern for PMPs." PMP

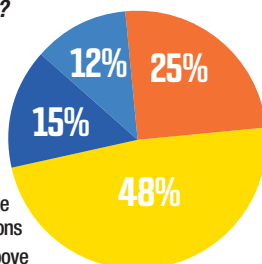
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^{*}The study is available online at HBR.org/2017/02/the-most-desirable-employee-benefits.

HEALTHCARE COVERAGE

How will your company primarily try to better control health care coverage costs in 2018?

- Increase participating employees' share of total costs
- Offer less-comprehensive coverage options
- Both of the above
- Other



Usual suspects comprise PMPs' growth obstacles, opportunities

BY **MARTY WHITFORD** | Publisher & Editorial Director

The usual suspects comprise pest management professionals' (PMPs) projected 2018 growth obstacles and opportunities. Top obstacles include lowballing competitors, healthcare coverage, and hiring and training technicians; top opportunities remain increasing referrals, repeat business and customer retention.

Michael Broder expects his company, New York-based BHB Pest Elimination, to increase revenue 25 percent this year and another 20 percent in 2018. But Broder's growth plan hinges on BHB Pest Elimination finding and hiring qualified technicians.

"We could increase our revenue from \$2 million in 2016 to \$3 million in 2018," Broder says. "But to accommodate this growth, we'll need to double our

employment roster from three technicians to six next year."

Broder says a tight labor market is making it increasingly difficult to recruit qualified technicians. Employee healthcare also remains an obstacle.

"With healthcare, we never know what to expect or budget for year-to-year — except that costs will increase," Broder adds.

BHB expanded its geographical reach deeper into New Jersey by acquiring Tri-County Pest Control in May 2017. Broder says expansion in New York's hot hotel market also is fueling BHB's growth.

"At the start of 2017, we serviced two hotels," Broder says. "We've since added 10 hotels — large New York properties, each with a few restaurants. It's a nice, profitable niche for us. By 2020, we hope to safeguard 50 or more full-service hotels."

2018 also looks like a banner year for McHenry, Ill.-based Schopen Pest Solutions.

"We are kicking a** this year, and next year looks like more of

TOP 2018 OBSTACLES

1. Lowballing Competitors
2. Health Insurance
3. Hiring & Training
4. Do-It-Yourself Competition
5. General Economy

TOP 2018 OPPORTUNITIES

1. Increase Referrals
2. Increase Repeat Business
3. Increase Customer Retention
4. Upsell Services
5. Increase Prices

the same," says President Pete Schopen, who is also *PMP's* Start-up Diaries columnist.

"We're on track to increase our revenue 30 percent in 2017 to \$1.5 million. Stink bugs, bed bugs, mosquitoes, fleas and carpenter ants are becoming some of our best sales reps.

"Our top growth obstacle and opportunity are one and the same for 2018: Getting all of our technicians licensed in multiple categories — in general pest control, mosquito control, food-handling establishments, etc.," Schopen adds. *PMP*

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Michael Broder



Pete Schopen

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