

PestManagement

PROFESSIONAL

Focus On 2011

THE STATE OF YOUR INDUSTRY

How pest management professionals are breaking through economic barriers and finding ways to increase profit margins.

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Education Opportunity

Rodent infestations and related sanitation issues spark food recalls and offer new sales approach.



Q&A

with Steve Levy

PMP interviewed Steve Levy, president and CEO of Bell Laboratories, a Madison Wis.-based manufacturer of rodent control solutions, on the myriad of rodent management, sanitation and pest prevention issues that have triggered numerous food recalls recently. Levy says pest management professionals (PMPs) can leverage these stories to educate their commercial customers and prospects — while protecting public health and bolstering business.

PMP: Steve, the recent salmonella outbreak found in eggs has made headlines across the nation. What impact does that have on your business, as well as on the industry?

SL: Sometimes the customer takes pest control for granted. Because we do such a good job as an industry, many customers are not aware of the potentially severe consequences of not controlling pests — in this case, rodents. This instance facilitated the recall of more than 500 million

eggs. That impacts a lot of people.

PMP: What do you think is the best way for PMPs to take advantage of the news surrounding this recent rash of food recall stories?

SL: We certainly do not want to run around the country warning about the next outbreak of this or that disease. However, when talking to our customers, especially commercial accounts, it is wise to use these stories as an opportunity to illustrate some negative consequences of inadequate rodent control and related sanitation issues. This is also a good illustration of the need to take preventative measures, prior to the need for treating enhanced rodent populations.

PMP: Have you noticed an increase in your business as a result of the egg recall?

SL: Yes, we've seen a spike in the sale of rodent control products since the egg recall. We also saw a meaningful increase a few years ago, when a video of rodents wandering in a New York City Taco Bell was transmit-

ted all over the airwaves. No commercial customer wants to be in the position of having pests in his or her establishment. And they certainly do not want to have it become mass publicized. Although we are in difficult economic times, and businesses are looking for areas to tighten, it is our job to point out that pest control should *not* be one of those areas.

PMP: Do you expect companies will change their behavior as a result of this outbreak?

SL: I don't know if that will happen. What I do know is that the owners of the involved egg production facilities got hauled in front of Congress to explain how they let the situation get as bad as it was. I think, as PMPs, we need to continue to communicate that rodents are public health pests capable of transmitting disease, and that it is in customers' best interests to have comprehensive rodent control programs.

Here's what can happen ...

The following are just a few recent rodent infestation-related food recalls:

- In mid-2008, at the request of the U.S. Food & Drug Administration, U.S. Marshals seized pet food products from PETCO's distribution center in Joliet, Ill., after finding widespread, active rodent and bird infestations and related unsanitary conditions at the storage facility.

- In early 2009, health officials temporarily closed two food plants operated by The Peanut Corporation of America after finding evidence of dead rodents, rodent excrement and bird feathers in air-handling systems. The rodent and bird infestations and related sanitation issues

were linked to a salmonella outbreak.

- And, last but not least, after an outbreak of salmonella made more than 1,500 people sick, the FDA this summer forced a recall of more than a half-billion eggs. An FDA investigation found filthy conditions — including rodent holes, liquid manure streaming through holes, and dead birds and maggots — in the egg-laying houses of Wright County Egg and Hillandale Farms.



TOTAL RECALL

To listen to an audio podcast recording of this Q&A, please visit www.mypmp.net/recallpodcast.

The State is 'Good'

Pest management professionals report growth in 2010, optimism on the rise

Compiling this State of the Industry report was different in many ways than years past. Our goal — as it is with every issue of *Pest Management Professional* magazine — is to tell *your* story.

We surveyed hundreds of pest management professionals (PMPs) from all parts of the country to compile the data for this report. The information in these pages is a reflection of the work you do every day. This is *your* information. This is *your* story.

What you've told us, quite simply, is that everything is good. While "good" may not encourage you to uncork a bottle of champagne, in today's economic climate being "good" is, well, a good thing.

Two years ago, despite a challenging market, PMPs reported they were holding steady with resilience and resourcefulness. Last year, a continuation of a less-than-stellar economic climate forced PMPs to take a closer look at their businesses.

The last two years were rocky, to say the least, but this "recession-proof" industry was optimistic heading into 2010.

PMPs are reporting slow, but steady, growth this year.

"In a normal year, we would have grown at least 30%," says Keith Pratt, owner of Keith's Pest Control in Las Vegas. "We're having people call to 'temporarily' cancel because they're no longer working. The good news is, for every two of those calls, we're adding three *new* customers."

What amazed us as we put together this report is that despite the ongoing economic challenges of the past few years, PMPs continue to keep their heads up — 34% of respondents are "very optimistic" about 2011, which is a 6% increase from 2010.

After analyzing the results of our survey, we're excited about the year ahead — and you should be, too. **PMP**

— Pete Grasso, Technical Editor

WHO RESPONDED?

Average Make-up of Respondents to 2010 State of the Industry Survey

\$59,798 — Total Revenue for 2009

11 — Number of Employees

51 — Number of Years in Business

14% — Increase in Operating Costs from 2008-2009

15% — Increase in Operating Costs from 2009-2010



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Rising to the Occasion

Bed bugs, rodents, ants and cockroaches are on the rise, and PMPs are more prepared than ever to face the challenges head-on.

It's been an interesting year for pest management professionals (PMPs). Despite shaky economic conditions, profits are up — with many PMPs reporting double-digit increases in gross revenue in many categories.

The number of bed bug calls has increased significantly for most PMPs. From 2008 to 2009, gross revenue increased by an average of 43% for bed bug jobs, according to the results of the 2010 State of the Industry survey. That number dropped ever-so-slightly from 2009

to 2010, as PMPs reported a still-impressive increase in gross revenue of 40%.

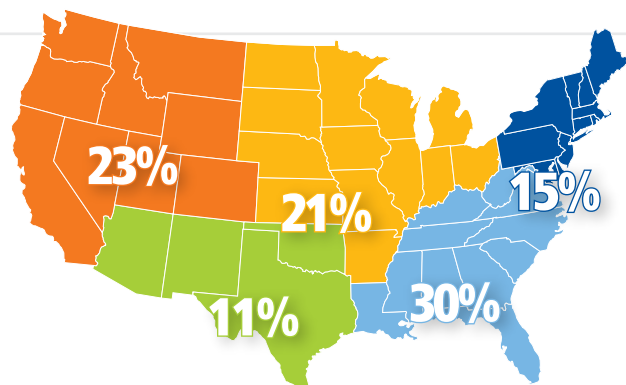
News of the bed bug's emergence as a major pest threat — which isn't really news to most PMPs — has saturated the country this year. With the sudden increase in consumer interest in bed bugs, it's a challenge for PMPs to stay ahead of the curve.

"There's plenty of information out there, but it seems to be inconsistent," says Joseph Edwards, president of North Fulton Pest

Solutions in Alpharetta, Ga. "With so many different methods of treatment out there, how does one know what is really the best and most practical treatment protocol for a particular structure?"

Seminars on bed bug biology, behavior and treatment methods regularly draw hundreds of PMPs to learn from top researchers.

With the increase in demand for effective bed bug eradication comes an increase in prices. The average cost of a bed bug job in 2010 increased by 18% over 2009 to \$511.12.



LOCATION, LOCATION

MIDWEST (OH, IN, IL, MI, WI, MN, MO, IA, ND, SD, NE, KS)

WEST (AK, CA, CO, HI, ID, MT, NV, OR, UT, WA, WY)

SOUTHEAST (AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, WV)

SOUTHWEST (AZ, NM, OK, TX)

NORTHEAST (CT, DE, ME, MD, MA, NJ, NH, NY, PA, RI, VT, DC)

PROPERTY TYPES

What percentage of your annual sales come from the following property types?

62%
 Single-family residential

13% — Multi-family structures/HOAs
21% — Commercial/Industrial
3% — Government/Institutional/Other



"I have my technicians read labels and train with me in the field. I also require them to carry a field guide."

Dan Nyssen, owner of Valley Pest Control in Yakima, Wash.

Bed bugs weren't the only pests for which PMPs reported double-digit increases in revenue during the past year. Rodent jobs are expected to increase 13% in 2010, while ant jobs are expected to increase 11%. PMPs anticipate a 10% increase in revenue for both cockroach and wildlife jobs.

"Odorous house ants and bed bugs were worse than normal this year, which made up for some of the lost revenues from fewer termite jobs," says Chad Betts, owner of

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BUSINESS FOCUS

73 Percentage of respondents who said General Pest Control was the focus of their business. Rounding out the other responses were Termite Control — 6%, Wildlife Control — 2% and Other (includes all of the above) — 19%.



REVENUE CHANGE BY PEST

Average gross revenue change, by pest, from 2008 to 2009

	INCREASE	DECREASE
Ants	13%	4%
Bed Bugs 	43%	1%
Nuisance Birds	4%	4%
Cockroaches	12%	4%
Fleas & Ticks	10%	2%
Flies	6%	1%
Rodents	13%	3%
Spiders	9%	3%
Stinging Insects	6%	8%
Stored Product Pests	8%	1%
Termites	11%	12%
Wildlife	7%	4%

Expected gross revenue change, by pest, from 2009 to 2010

	INCREASE	DECREASE
Ants	11%	6%
Bed Bugs	40%	5%
Nuisance Birds	3%	3%
Cockroaches	10%	2%
Fleas & Ticks	9%	4%
Flies	5%	1%
Rodents	13%	3%
Spiders	9%	3%
Stinging Insects	8%	5%
Stored Product Pests	1%	2%
Termites	4%	10%
Wildlife	10%	8%



continued from S5

Betts Pest Control in Wichita, Kan. "I also added wildlife control, which has helped."

Ants also account for much of the new business for Black's Pest Prevention in Charlotte, N.C.

"Our pest sales in September this year were up 29% over September 2009 — 110 new accounts this year over 86 last year," says Mike Davis, chief operating officer of Black Pest Prevention. "Of these new customers, 65% of the time, the problem is ants."

Mike Davis, chief operating officer of Black Pest Prevention in Charlotte, N.C.

With so many pests continuing to challenge PMPs, keeping up on the latest industry trends and treatment methods is of the utmost importance.

Edwards' company holds mandatory, in-house training meetings every week to keep its technicians prepared. Burkitt's Bugs in Lake Arrowhead, Calif., also holds weekly meetings.

"I'll also go out with (technicians) anytime to show and try new methods," says Howard Burkitt, owner of Burkitt's Bugs.

Other companies, such as Dayton's Pest Control Service, rely on a variety of outside sources for education.

"I read all industry publications and e-mails," says Dayton Hylton, owner of the Knoxville, Tenn. company. "We try to attend numerous National Pest Management Association (NPMA) meetings, the University of Kentucky Pest Control Short Course, the Tennessee Pest

Control Association meetings, as well as industry reps and distributors."

One segment that PMPs believe presents the biggest (48%) opportunity for growth is in single-family residential.

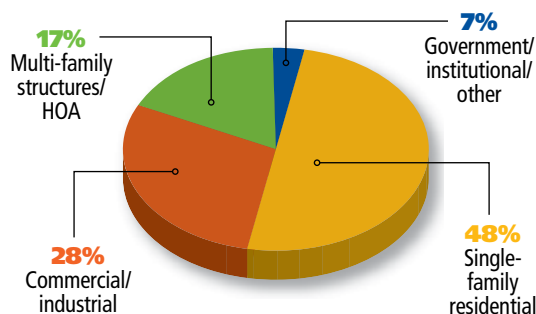
"The housing market concerns me," Burkitt says. "Termites have been strong for us, and we've doubled revenue from last year."

Overall, PMPs seemed to be satisfied with the opportunities different pests presented for their companies, using them as a reason to diversify their services.

"We knew coming into this (year) that with the economic challenges and the number of businesses in financial trouble, and with the amount of foreclosures and short sales, we would be challenged," says James Pond, owner of The Bug Guys in Port St. Lucie, Fla. "We're extremely optimistic when it comes to the future of our industry, and to the future of our company finishing out 2010 and moving into 2011." **PMP**

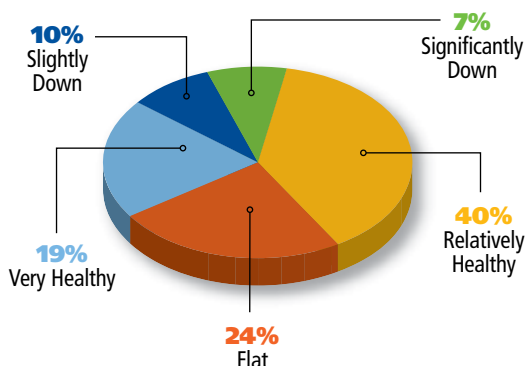
GROWTH OPPORTUNITIES

In which ONE customer segment do you see the best opportunities for growth for your company in 2010?



HOW'S BUSINESS?

Describe the state of the pest management service market in your region.



"We hold in-house, mandatory training meetings every Tuesday."

Joseph Edwards, president of North Fulton Pest Solutions in Alpharetta, Ga.



BURGEONING BED BUGS

Average expected increase in

40%

gross revenue for 2010 related to bed bug jobs. The next highest-rated pest was rodents at 13%.

GET EQUIPPED

54

Percent of pest management professionals who increased their equipment budget from 2009 to 2010, while 36% stayed the same.



BUYING POWER?

What Your Industry is Buying



EQUIPMENT TYPE	% PURCHASED IN 2010	% WILL PURCHASE IN 2011
Spray Guns	55	33
Hose Reels	29	19
Spray Pumps	45	29
Spray Nozzles	48	30
Spray Hoses	38	29
Backpack Sprayers	48	34
Dusters	50	30
Spray Rigs	21	27
Granule Sprayers	34	15
Trucks	43	47
Trailers	14	13
Alternative Fuel Vehicles	2	6
Foam Machines	13	7
Bird/Animal Repellers	16	15
Traps	55	49
Foggers	22	17
Monitors	45	43
Aerosol Applicators	34	26
Bait Guns & Applicators	47	35
Compressed Air Sprayers	29	29
Bait Stations	73	66
Soil & Tree Injectors	8	5
Termite Bait Installtion	22	18
Vehicle Accessories	47	40
Insecticides	81	76
Green Products	39	47
Safety Equipment	69	67
Uniforms	69	65
Computers	45	34
Handheld Devices	25	24
Business Software	33	24
GPS Systems/Software	36	21
Consultants	13	12
Subcontracted Services	23	18

Weathering the Storm

As the clouds begin to part on the economic horizon, pest management professionals are emerging with renewed optimism.

As the economy sluggishly begins to bounce back, pest management professionals (PMPs) admit they are concerned, but not too concerned.

“While we’re encouraged with some signs of stability, consumers have not yet gotten over the initial shock of the economic crunch,” says Joseph Edwards, president of North Fulton Pest Solutions in Alpharetta, Ga. “I feel 2010 was a marginal year for our company, but we minimized

our debt, and we’re positioned, financially, to expand and grow in the near future.”

It’s been said so many times, it’s almost cliché, but pests don’t participate in an economic recession. Whether this industry is recession-proof, though, is debatable. Over the past few years, many PMPs have reported some growth — with only a handful suffering major losses.

Ravi Sachdeva, owner of American Pest Management in Manhattan, Kan., is satisfied with

the way the pest management industry has been weathering this economic storm.

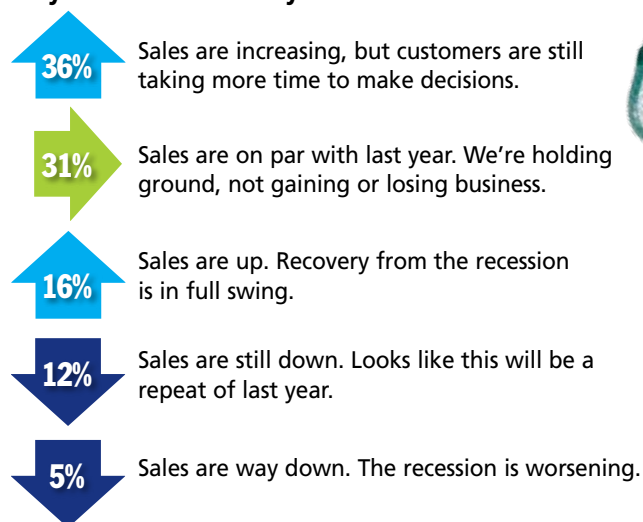
“Growth in our markets has been there,” he notes, “but not as robust as we would have liked.”

Pest management is an important public service — something PMPs, at times, must constantly remind their customers. Pest management is a necessity to many.

In the case of Nick Spallino, a PMP in Dothan, Ala., the lackluster economy wasn’t a good enough

CUSTOMERS

How are your customers responding to your services this year?



Customer Retention Rate for 2010

76% of respondents say they’ve been able to keep between 76% and 100% of their current customers.

reason to hold back. In February of this year, he started 360 Pest Control, which has developed more quickly than he had originally planned.

“As long as we keep doing what we’re doing, the business will come,” Spallino says. “We always want the customer to feel like our service is something they cannot go without.”

Though rising taxes and health care costs top the list of concerns for PMPs in 2011, many remain optimistic on what the future may hold for their businesses.

Howard Burkitt, owner of Burkitt’s Bugs in Lake Arrowhead, Calif., sums it up nicely: “Overall, I’m sure we’ll be fine.” **PMP**

REVENUE

Total revenue for 2009

27% — Less than \$100,000

23% — \$100,000 to \$249,999

17% — \$250,000 to \$499,999

6% — \$500,000 to \$749,999

7% — \$750,000 to \$999,999

8% — \$1 million to \$2.49 million

8% — \$2.5 million to \$4.9 million

5% — \$5 million or more



TOP



Top 3 Issues with the Highest Level of Concern in 2010

1. High Taxes
2. Prolonged Recession
3. Consumer Confidence

Top 3 Issues with the Lowest Level of Concern in 2010

1. Making Payroll
2. Accounts Payable
3. Lack of Staff to Respond to Business Opportunities

Top 3 Factors PMPs Believe will have the Highest Impact on their Business Growth

1. Rising Health Care Costs
2. Rising Taxes
3. Prolonged Recession

Top 3 Highest Business Priorities for PMPs over the Next Six Months

1. Growing the Business
2. Maintaining Current Business/Sources of Revenue
3. Innovation (Finding New Ways to Do Business)



BUSINESS OUTLOOK

	2010 BUSINESS OUTLOOK	2011 BUSINESS OUTLOOK
Very Optimistic	28%	34%
Somewhat Optimistic	42%	39%
Uncertain	24%	21%
Somewhat Pessimistic	4%	4%
Very Pessimistic	2%	2%



SPOTLIGHT:

Rodents

PMPs continue to see an increase in revenue from rodents — with no signs of slowing down.

Rodent calls continue to rise for pest management professionals (PMPs). On average, PMPs report a 13% increase in revenue from 2008 to 2009 related to rodent work. And it doesn't stop there — from 2009 to 2010, PMPs estimate an additional increase of 13%.

"We've had a huge, abnormal influx of rodent work this year compared to years past," says Travis White, owner of Specialized Pest Control and Lawn Care in Hyde Park, Utah.

The most common rodent calls reported are mice and rats (coincidentally, the No. 2 and 3 most successful mammals after

humans, according to rodentologist Bobby Corrigan).

Treatment methods range from exclusion to monitoring to trapping and baiting — and sometimes, a combination of all three.

Jack Thompson, owner of an A All Animal Control franchise in Galvin, Wash., believes rodents are relatively easy to seal out of a structure.

"(Rodent exclusion) requires attention to detail and good use of hardware," he says. "I don't treat; I cure. If I can't solve a rodent problem once and for all, the customer needs a new house because (the many holes) are unfixable." **PMP**

"We offer two options. One is to bait, wait 10 days, do another inspection and either bait again or seal everything up. The other is to seal everything up and set snap traps. We've been selling a lot of seal-ups to prevent infestations."

Howard Burkitt, owner of Burkitt's Bugs in Lake Arrowhead, Calif.

TOP 4 RODENT PESTS

1. House Mice
2. Rats (Norway and roof rats)
3. Voles
4. Squirrels
5. Deer Mice



BAIT STATIONS

73%

of PMPs purchased bait stations in the past 12 months.

RODENT REVENUE

13%

Expected Increase in Revenue Directly Related to Rodent Jobs.

\$219.42

Average Price of a Rodent Exclusion Job per Visit in 2009.

\$249.99

Average Price of a Rodent Exclusion Job per Visit in 2010.



SPOTLIGHT:

Bed Bugs

Blood-suckers have emerged as a difficult pest with huge income potential.

In the past several years, bed bugs have risen to an almost iconic status as mainstream media continue to delve into the world of pest management to report on this blood-sucking pest's emergence.

"Maybe there is information overload, because everyone is trying to promote their 'Magic Pixie Dust,'" says Ravi Sachdeva, owner of American Pest Management in Manhattan, Kan. "In reality, no one tool is enough."

Sachdeva is among the majority of pest management professionals (PMPs) who believe bed bugs should be approached using a multitude of different tools.

According to BedBug Central, the use of DDT insecticides nearly eradicated the bed bugs from



ORKIN

North America, and they have not been a significant problem for nearly 50 years.

Although changes in pest management practices and increased international travel might

have contributed to the resurgence of bed bugs, the lack of public awareness might be the primary reason these bugs continue to spread at their current rate.

Dan Nyssen, owner of Valley Pest Control in Yakima, Wash., has found success treating bed bugs using insecticides and insect growth regulators, while Keith Pratt, owner of Keith's Pest Control in Las Vegas, believes dust is the answer.

"I've been very successful over the last 12 years using dust," Pratt says. "But, I leave nothing untreated."

Other treatment methods include heat treatment, rapid freezing, steaming and vacuuming. No matter the method, thorough inspection is the key to controlling bed bugs because, often, the exact source of the infestation is unknown. **PMP**

BED BUG REVENUE

40%

Expected Increase in Revenue Directly Related to Bed Bug Jobs.

\$432.29

Average Price of a Bed Bug Job in 2009.

\$511.12

Average Price of a Bed Bug Job in 2010.



BED BUG CENTRAL.COM

SPOTLIGHT:

Termites

Though some PMPs report an uptick in termite jobs, overall this pest remains a low-profile threat.

Termite revenue isn't what it used to be, with swarms remaining relatively low in many parts of the U.S. Pest management professionals (PMPs), on average, expect to see a 10% decrease in revenue related to termite work this year. The good news is, that's slightly lower than the 12% decrease PMPs saw from 2008 to 2009.

Dan Nyssen, owner of Valley Pest Control in Yakima, Wash., says his termite work has "slowed down" this year, while Ravi Sachdeva, owner of American Pest Management in Manhattan, Kan., says he believes it has been on par with 2009.

It's not all doom and gloom,

"We experienced a 6% increase in termite calls over last year, but our termite revenue was only marginal last year."

Joseph Edwards, president of North Fulton Pest Solutions in Alpharetta, Ga.

however, as termites continue to be the bread-and-butter pest for some PMPs. Mike Davis, chief operating officer of Black Pest Prevention in Charlotte, N.C., ranks termites as his company's No. 1 revenue generator.

"We started 80 new

PreventionPlus services, which bundles termite service with general pest control as one service for the month," he says. "Regular, termite-only services average 40 new jobs per month. We've booked more than 900 new termite jobs for the year and expect to hit close to 1,200."

It remains to be seen whether termites will eventually bounce back, but PMPs can at least take solace in the belief that all things are cyclical.

As Joe Thomas, *PMP* Hall of Famer and CEO of Arrow Exterminators once said: "If bed bugs can come back, it gives me hope that termites will return." **PMP**

TERMITE REVENUE

10%

Decrease in revenue directly related to termite jobs in 2010.

18%

PMPs who expect to purchase termite bait installation tools in the next 12 months.



22%

PMPs who have purchased termite bait installation tools in the past 12 months.



\$65.18

Average Price of a Termite Inspection in 2009.

\$66.90

Average Price of a Termite Inspection in 2010.

SPOTLIGHT:

Green

As an increasing number of PMPs explore green methods, it's no longer simply a fad.

It would be simple to say all consumers want green services, so all pest management professionals (PMPs) should provide green pest solutions. It's not that simple.

In fact, 53% of PMPs report

they do not even have a dedicated green pest management program. That stat may be slightly misleading as to the number of PMPs who actually practice green pest management — many PMPs provide green services without

labeling them as green.

Perhaps the biggest problem facing pest management when it comes to green is the agreement on its definition.

Green is so prevalent in today's society — and information flows so freely — that consumers have many resources to learn about the topic. Consumers have an idea of

GREEN METHOD REVENUE

59%

Pest management companies that currently report having a green pest management program.

31%

PMPs who estimate between 1% and 10% of their company's revenue is derived from their green pest management program.

47%

PMPs who anticipate purchasing green products in 2011.

4%

Increase in number of PMPs who plan to purchase alternative fuel vehicles in 2011, compared to 2010.

3%

PMPs who estimate between 76% and 100% of their company's revenue is derived from their green pest management program.



"In my 32 years of providing pest service, we now have the safest and best products we have ever had."

Justin Hamilton, owner of Quality Termite & Pest Control in Topeka, Kan.

what they believe is green, and it can vary from one customer to the next.

It's up to PMPs to deliver what the customers want, without compromising the integrity of their work. A PMP's job is still to eliminate pests. If there is a "green" way to do that, PMPs should be sure to let their customers know it.

As *PMP* Hall of Famer Bob Kunst, president of Fisher Environmental Services, once said: "(Green is) not going to stick around for a while at all — it's going to stick around forever." **PMP**