INDUSTRY REPORT

Pest Control Services

NAICS: 561710

SIC: 7342

prepared October 31st, 2024

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Current Conditions

Recent Developments

Sep 25, 2024 -- Employment Up, Wages Down

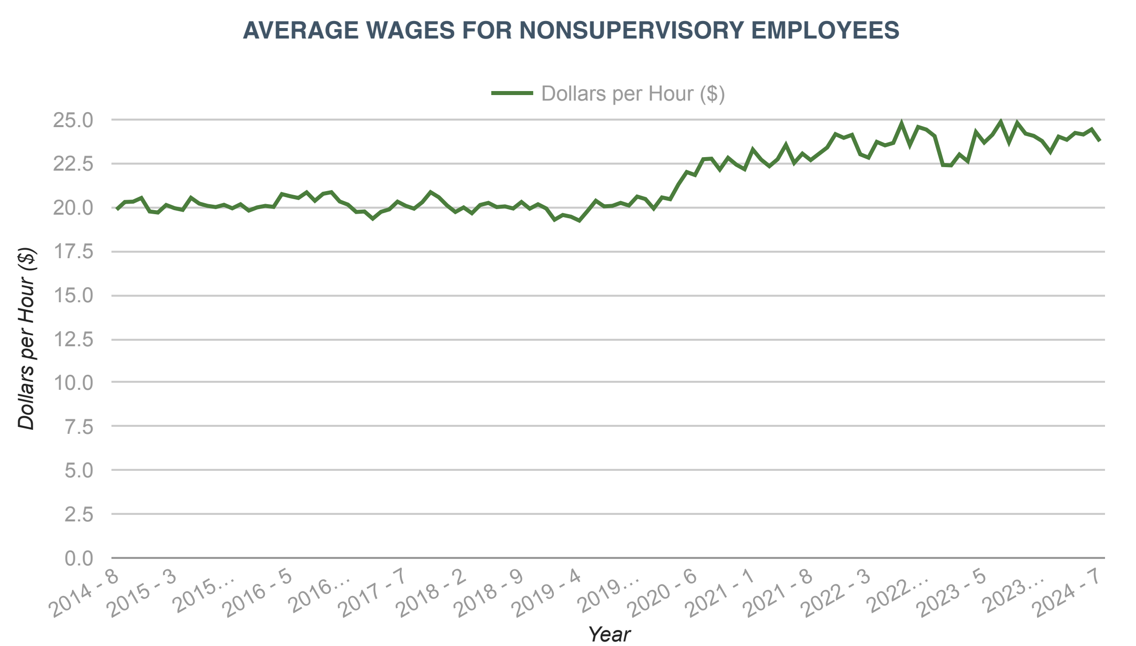
- Employment by pest control services increased 2.8% in July 2024 compared to the previous year, according to data from the Bureau of Labor Statistics (BLS). Average wages for nonsupervisory employees at pest control services fell 4.4% in July 2024, reaching $23.77 per hour. Consumer spending, a leading indicator for the industry, increased 2.6% in June 2024 compared to a year ago and was up 0.2% from the previous month, according to the Bureau of Economic Analysis.
- The National Federation of Independent Business (NFIB) monthly jobs report shows that unfilled job openings grew in August 2024, with a seasonally adjusted 40% of small business owners reporting jobs they could not fill. The reading is up two points from July 2024. A seasonally adjusted net 13% of small business owners plan to create new jobs over the next three months, down two points from July. About 21% of owners reported labor quality as the most important problem facing the business. According to NFIB Chief Economist Bill Dunkelberg, "Job openings on Main Street remain historically high as small business owners continue to lament the lack of qualified applicants for their open positions. Owners have grown understandably frustrated as attempts to fill their workforce repeatedly stall and cost pressures continue to rise."
- The US William Blair/PCO M&A Specialists Pest Index grew 14% in July 2024, higher than the 8% growth in June and 10% growth posted in May, according to Pest Control Technology. July's increase in growth is higher than the long-term average index growth rate of 10%. Segments with the highest year-over-year growth in July 2024 were residential pest (16% year over year), commercial pest (13%), bed bug (31%), and mosquito (21%). The pest index is a proprietary index of the monthly sales for approximately 150 US pest control firms, focused on residential, commercial, and termite markets.
- US office vacancy rates reached a 30-year high of 19% in the first quarter of 2024 compared to 17.8% in the same quarter a year ago, according to real estate firm CBRE's Q1 office report in Facilities Dive. The majority of the 57 office markets tracked by CBRE in Q1 saw negative net absorption, meaning more space was vacated than leased. Still, tenant downsizing has slowed in the past 12 months as part of a gradual rebound, according to a JLL report on Q1 US Office Market Dynamics. The report expects office leasing to reach 85% of pre-pandemic levels in 2024. Office occupancy levels are a demand indicator for pest control service companies, which count businesses and commercial property managers as customers.

Pricing and Input Costs

Employment by pest control services increases — Overall employment by pest control services changed 2.8% in July compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

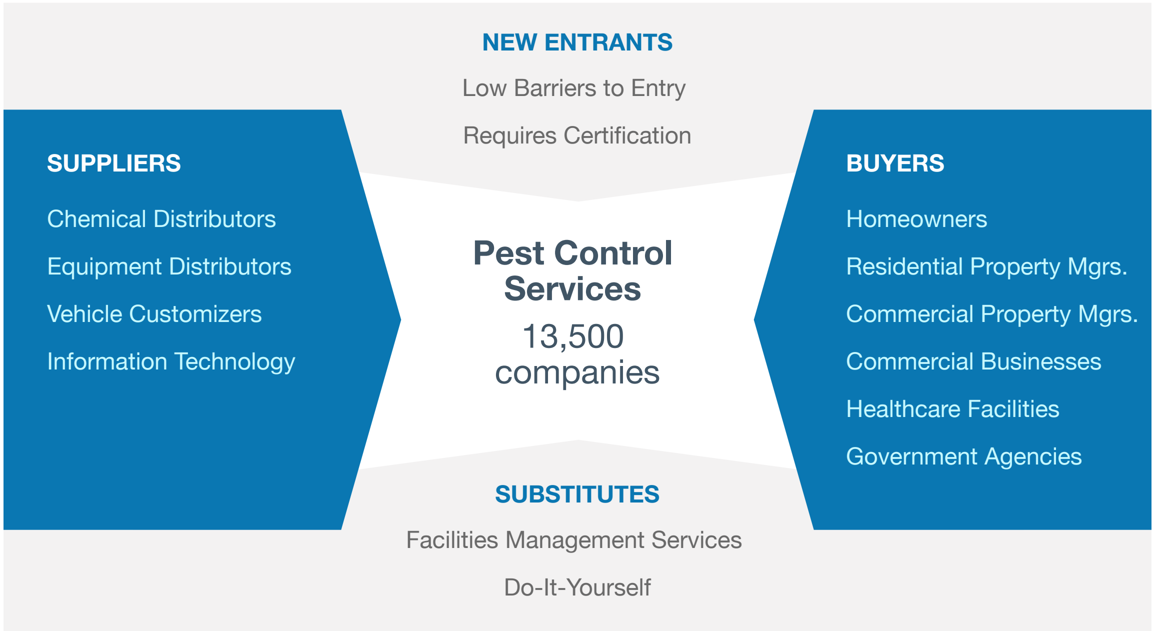
Source: Bureau of Labor Statistics

Wages at pest control services fall — Average wages for nonsupervisory employees at pest control services were $23.77 per hour in July, a -4.4% change compared to a year ago.



Source: Bureau of Labor Statistics

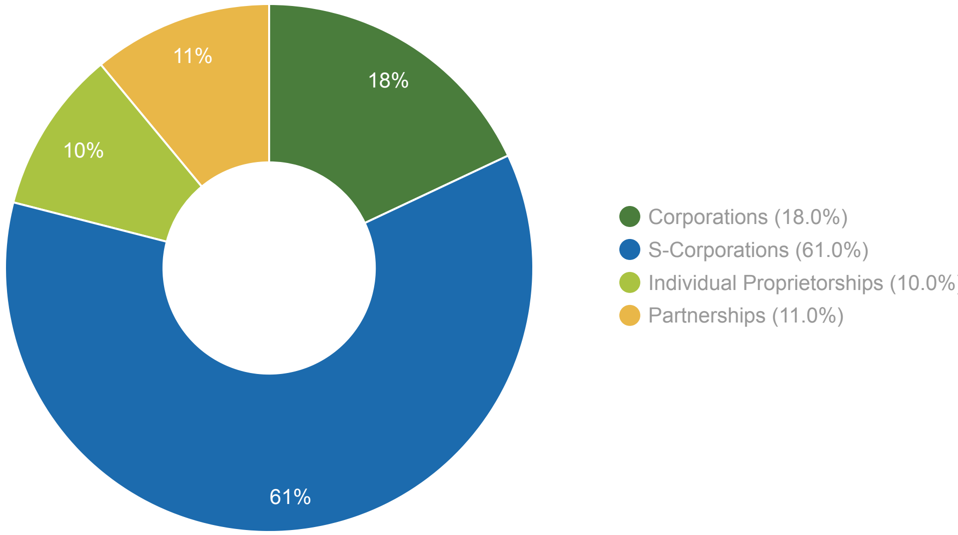
Industry Structure



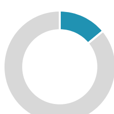
The average pest control services provider operates out of a single location, employs 11 workers, and generates $1.6 million annually.

- The pest control services industry consists of about 13,500 companies that employ about 148,000 workers and generate about $21.5 billion annually.
- The industry is concentrated at the top and fragmented at the bottom; the top four firms account for about 27% of industry sales. The majority of pest control service providers are small, independent companies or franchises.
- Large companies include Rollins (Orkin) and Rentokil (Terminix).

Industry Demographics



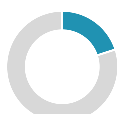
Source: US Census Bureau



Female Owned

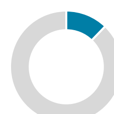
14.0%

Source: Census Bureau



Minority Owned

20.0%



Veteran Owned

12.2%

Geographic Breakdown

STATE	NUMBER OF ESTABLISHMENTS	% OF TOTAL US ESTABLISHMENTS	ANNUAL CHANGE Q4-2022 VS. Q4-2023	% CHANGE Q4-2022 VS. Q4-2023
Alabama	383	2.2%	4	1.1%
Alaska	15	0.1%	-1	-6.2%
Arizona	592	3.4%	15	2.6%
Arkansas	181	1.0%	0	0.0%
California	2006	11.5%	40	2.0%
Colorado	185	1.1%	-2	-1.1%
Connecticut	115	0.7%	-2	-1.7%
Delaware	68	0.4%	5	7.9%
Florida	2495	14.2%	58	2.4%
Georgia	792	4.5%	0	0.0%
Hawaii	75	0.4%	1	1.4%
Idaho	164	0.9%	19	13.1%
Illinois	395	2.3%	-6	-1.5%
Indiana	275	1.6%	15	5.8%
Iowa	137	0.8%	-12	-8.1%
Kansas	175	1.0%	7	4.2%
Kentucky	204	1.2%	14	7.4%
Louisiana	336	1.9%	21	6.7%
Maine	60	0.3%	0	0.0%
Maryland	230	1.3%	-8	-3.4%
Massachusetts	257	1.5%	-2	-0.8%
Michigan	270	1.5%	26	10.7%
Minnesota	103	0.6%	7	7.3%
Mississippi	208	1.2%	2	1.0%
Missouri	322	1.8%	12	3.9%
Montana	51	0.3%	4	8.5%
Nebraska	105	0.6%	7	7.1%
Nevada	190	1.1%	-12	-5.9%
New Hampshire	60	0.3%	2	3.4%

New Jersey	412	2.4%	-5	-1.2%
New Mexico	104	0.6%	4	4.0%
New York	807	4.6%	13	1.6%
North Carolina	657	3.8%	50	8.2%
North Dakota	25	0.1%	2	8.7%
Ohio	416	2.4%	-3	-0.7%
Oklahoma	297	1.7%	13	4.6%
Oregon	190	1.1%	13	7.3%
Pennsylvania	448	2.6%	23	5.4%
Rhode Island	59	0.3%	2	3.5%
South Carolina	412	2.4%	14	3.5%
South Dakota	42	0.2%	4	10.5%
Tennessee	481	2.7%	41	9.3%
Texas	1504	8.6%	-14	-0.9%
Utah	252	1.4%	5	2.0%
Vermont	22	0.1%	-2	-8.3%
Virginia	427	2.4%	-17	-3.8%
Washington	219	1.3%	13	6.3%
West Virginia	76	0.4%	4	5.6%
Wisconsin	183	1.0%	28	18.1%
Wyoming	29	0.2%	3	11.5%
United States	**17511**	**100.0**	**405**	**2.4%**

Source: Bureau of Labor Statistics

Profits and Operations

Profit Drivers

Growing Customer Base

Pest control companies provide one-time and recurring treatments to residential and non-residential customers. Increasing the number of customers with annual pest control contracts provides a stable revenue stream and helps firms efficiently schedule customer services. Companies rely on referrals for new business leads and also invest in local advertising and direct mail programs to reach new customers. They also develop relationships with builders and property management companies to secure termite control and other business.

Efficiently Scheduling Technicians

Labor is the most significant cost for pest control companies, so they try to maximize the productivity of their technicians. Efficient scheduling and routing of jobs can allow technicians to complete more customer treatments per day. Companies may invest in route scheduling software and GPS systems to boost technician productivity. Having multiple residential contract customers in the same neighborhood can minimize travel time, so companies may offer discounts through homeowner associations or use direct canvassing and referrals to build a critical mass of nearby customers.

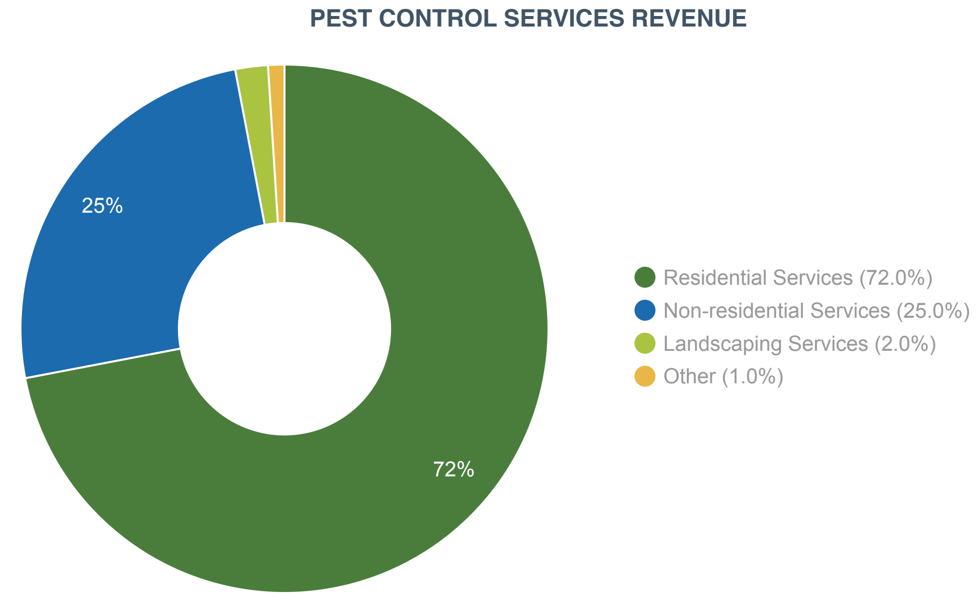
Managing Staff Levels

Due to seasonal swings in demand for pest control services, companies face challenges in matching staffing levels to customer demand. Pest control companies typically hire part-time workers to handle peaks in demand during the spring and summer months and let them go during the slow winter months. However, firms need to maintain experienced technicians who are licensed in the proper application of pesticides, so they are reluctant to let go of good performers. Having annual pest control contracts with customers can help smooth cash flow and allow firms to maintain a permanent staff year round.

Products and Operations

Pest control service providers exterminate and control the presence of unwanted creatures, such as insects, rodents, or other small animals.

- Companies may specialize in residential or non-residential services. Providers may also specialize in a particular industry, such as food manufacturing or health care.
- Common pests include roaches, mice, rats, termites, ants, fleas, ticks, spiders, and silverfish.



Source: US Census Bureau

Companies identify pest problems, inspect properties for infestation, and develop and execute plans to eliminate or control pests. Technicians apply chemicals, set and bait traps, or create barriers to separate pests from buildings. Providers that specialize in termite control may offer structural repair services. Companies may use fumigants (poisonous gases) to treat serious infestations. Fumigation involves sealing a building and filling the building with fumigants to kill pests. Providing service may involve single or periodic applications, depending on the type of problem. Severe infestations often require multiple treatments. Termite control can involve the installation of monitoring stations and monitoring services over a period of time.

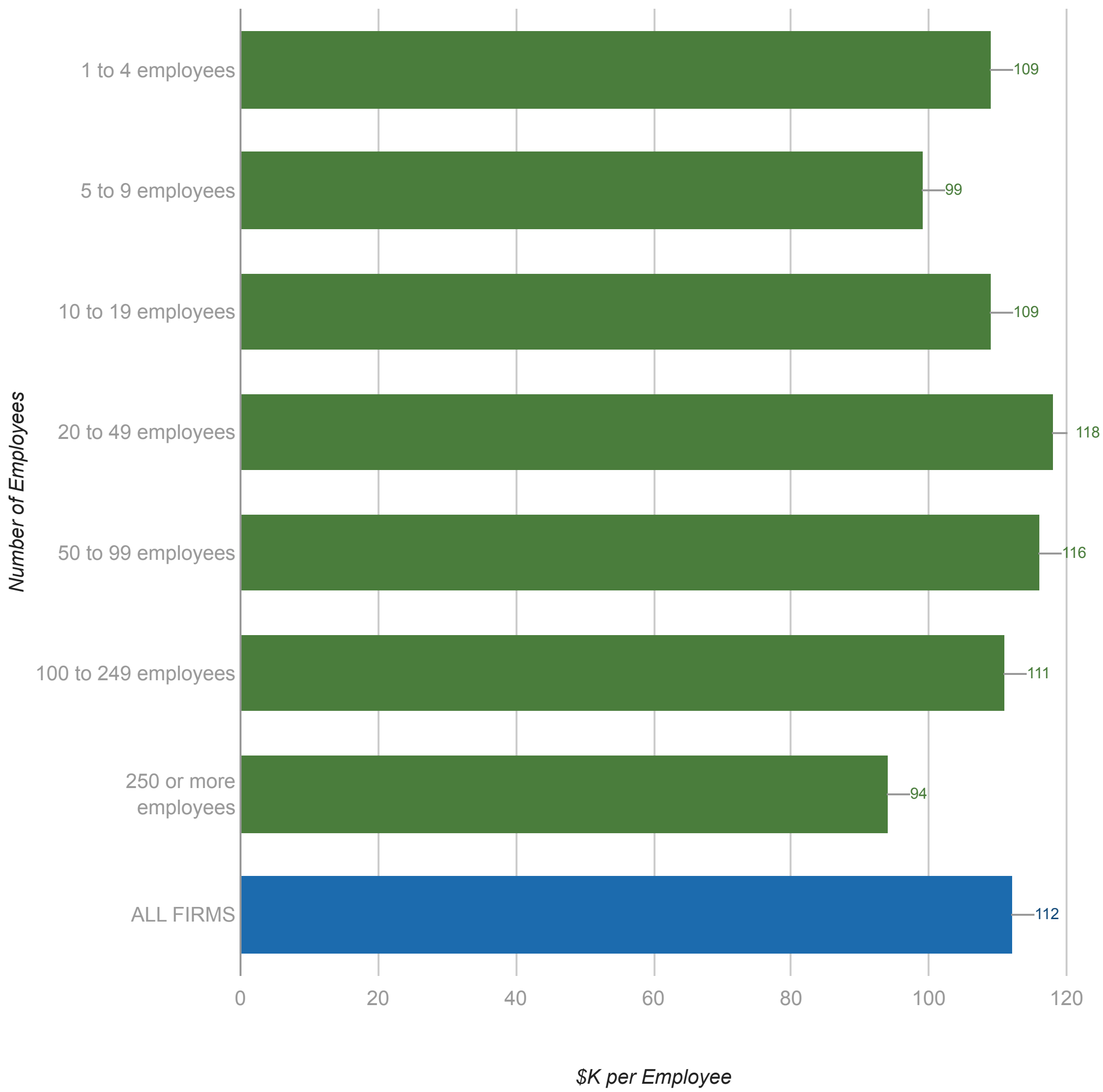
Pesticides are formulated to target a particular type of pest and eliminate infestation through a variety of methods. For example, rodenticides are poisons formulated to kill mice and rats. Insect growth regulators (IGR) control insect populations by interrupting or inhibiting the life cycle. Other insecticides affect the nervous systems of pests. Pesticides come in various forms, including gases, liquids, aerosols, dusts, powders, pastes, pellets, gels, and granules. Application can involve sprayers, foggers, or misters. Companies may also use traps, such as glue/sticky traps, light traps, or other devices.

Integrated Pest Management (IPM) is a pest control system that involves inspection, identification, and treatment methods specific to each situation. Treatment includes chemical and non-chemical solutions. For example, companies may recommend better sanitation procedures to eliminate food supplies for offending pests. Sealing gaps around plumbing, wall outlets, and switch plates can prevent pest migration.

Marketing and promotional vehicles include local television, print, and radio advertising; direct mail; and online/Internet programs. Some companies are using social media to connect with customers. Few companies are large enough to justify national marketing campaigns. Referrals are an important source of leads and new business. Companies often depend on relationships with builders and contractors for termite pre-treatment work on new construction.

Technicians are typically trained and licensed to use pesticides. Because pesticides are toxic, workers wear protective gear, such as respirators, gloves, and goggles. Inspecting sites may require workers to crawl in tight spaces.

REVENUE PER EMPLOYEE BY FIRM SIZE



Source: US Census Bureau

Industry Trends

Steady Revenue Growth

As the economy improves, sales growth for pest control service providers is increasing. Revenue for the exterminating and pest control services industry rose 5% in 2022, 16% in 2021, 7.4% in 2020, 10.1% in 2019, 13.6% in 2018, 10.7% in 2017 and 4.7% in 2016. The use of contracts in the pest control industry provides a source of recurring revenue, somewhat insulating companies from periodic downturns. In addition, the increasing presence of bed bugs and concern over blood-borne viruses have helped drive demand for pest control services.

Bed Bugs Bite

Bed bug infestations, which were relatively rare more than a decade ago, have increased across the country, creating massive sale opportunities for pest control service providers. Significant increases in presence are occurring in public places, such as hotels, college dorms, nursing homes, office buildings, schools, and daycare centers. Revenue derived from controlling bed bugs averaged 12% of total revenue in 2022, down slightly from 13% in 2021. Pest control firms charged an average of $961 for treatment in 2023. About 84% of companies provide bed bug extermination services. Insecticide and heat treatments are the primary techniques for extermination.

Ant Infestations On The Rise

Ants maintain their status as the most common pest problem for consumers, and incidence of infestation is on the rise. Nearly 60% of companies surveyed cited increases in ant treatments, according to a survey by Pest Control Technology. Pest control service providers presume that an increase in moisture, changing pest control practices, and new species were the most likely causes of rising occurrences. The most prevalent species are carpenter ants, odorous house ants, Argentine ants, and Pharaoh ants. Infestations were most common in office buildings, restaurants, apartments and condos, and single family homes.

Partnerships With Insurance Carriers

Significant costs are associated with bed bug treatments, and some insurance brokers have periodically partnered with pest control companies to provide bed bug coverage to commercial clients, such as hotels, landlords, student housing developments, and businesses. Some insurance companies such as short-term rental specialist Proper Insurance offer bed bug coverage to customers. Standard commercial property insurance does not cover extermination costs, which can be unpredictable. A serious bed bug infestation can mean substantial loss of revenue and clean-up costs. Major hotel franchises have spent hundreds of thousands of dollars on extermination costs. Specialized policies allow customers to maintain a stable budget for pest control and have fast access to a reliable service provider.

Bee Colony Collapse

Bee colonies continue to experience significant losses, as government and private organizations identify specific causes. Colony losses, which started in 2006, range from 10% to 15% each quarter, according to the USDA. Experts suggest numerous causes, including pesticide exposure, although studies linking pesticide use to colony collapse have had mixed results. Recent studies contend that low levels of pesticide use can fog honeybee brains and affect the insect’s ability to find its way home and supply food to produce new queens.

Industry Indicators have moved to [Current Conditions]

Industry Challenges

Seasonality

Demand for pest control is seasonal, and driven by increases in pest activity. Pest problems tend to occur more frequently during the spring and summer, as bugs seek moisture and warmth. Termites can swarm in the spring, summer, or fall, depending on location and the timing of the change of seasons. Extreme weather, such as droughts, can reduce the pest population in a particular area for an extended period.

Hazardous Substances

Pest control often involves the application of toxic chemicals that have the potential to harm humans, pets, plants, or the environment. The risk of harm varies depending on the level of toxicity and exposure. Application can create both acute toxicity (short exposure) and chronic toxicity (long term exposure). Because technicians are exposed to pesticides on a regular basis, most receive special training and equipment to minimize risk. Misapplication can result in personal injury or property damage.

Government Regulation

Because pest control involves toxic substances, the EPA and state governments regulate various elements of operations, including licensing, record keeping, standards of application, training, and product registration. Failure to comply often involves penalties, including fines, corrective action, and license revocation. The EPA can restrict or ban the use of effective pesticides that cause harm to other organisms.

Competition

Competitors for pest control service providers involve companies in a range of industries, including cleaning and sanitizing services, facilities services, and lawn care. By offering pest control as part of a portfolio of services, large multi-disciplinary competitors attract commercial customers who prefer to deal with a single source. In addition, some customers (particularly residential customers) will attempt do-it-yourself (DIY) pest control to save on costs. DIY customers typically lack technical expertise and access to commercial strength pesticides.

Sensitivity To Economy

Although less vulnerable than other types of building and dwelling services, demand for pest control is sensitive to economic conditions. During the last recession, sales growth for pest control services slowed. Companies that specialized in termite treatments for new construction suffered as the real estate market collapsed. A significant increase in the number of empty building and homes reduced the need for pest control. The industry fared better than most other types of building-related services, which experienced sales declines. Because pest elimination involves hazardous substances and requires expertise, customers may be reluctant to attempt control themselves.

Termite Liability

Companies that sell termite bonds or guarantees can be liable for excessive repair charges related to damage. Many pest control service providers offer special termite protection, which includes covering the cost of repairs. Termite-related damage can be significant, and involve replacing walls, siding, and other structural elements. While companies maintain an accrual to cover termite damage, excessive costs may result in significant losses. Because termite contracts can be complex and include multiple exclusions, customers often misunderstand terms and assume coverage where none exists. The resulting confusion can involve litigation, particularly when damage is extensive.

Company Risks

Competing With Large Companies

Small, independent companies may struggle to compete with large franchises, which have considerable resources and access to capital. Franchises benefit from national or regional advertising and promotional campaigns supported by parent companies. Economies of scale allow larger companies to operate more efficiently and offer lower prices. When selecting a pest control service provider, some consumers prefer the safety of a well-known brand name.

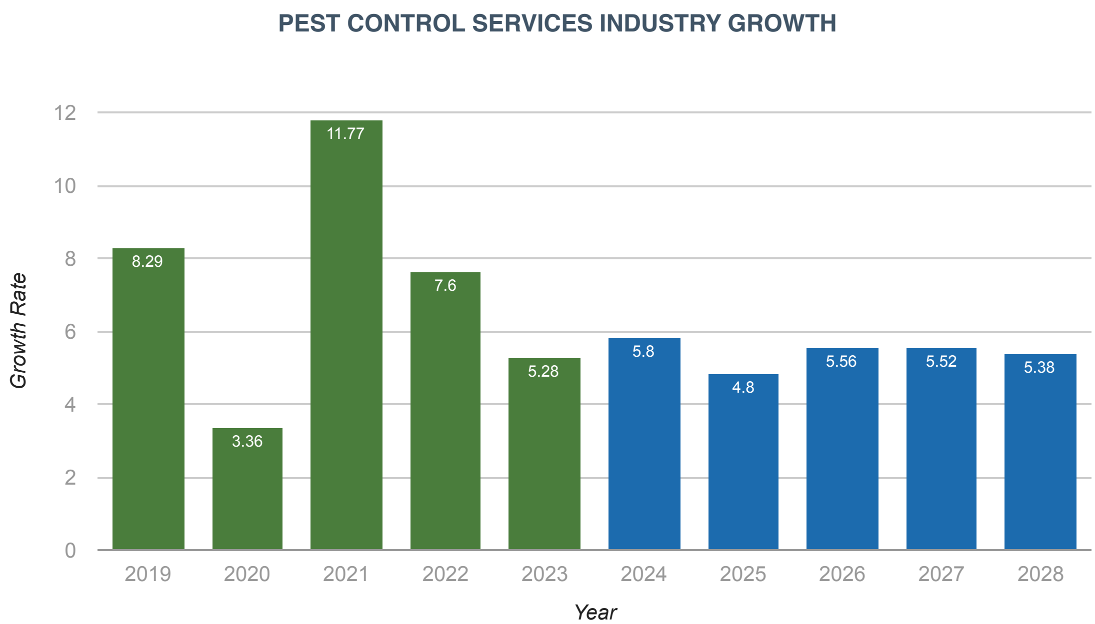
Maintaining An Adequate Workforce

Because of the seasonal nature of pests, labor management can be a challenge for pest control services providers. During the spring and summer, when pest activity is the highest, demand often exceeds supply. Scheduling becomes difficult and smaller companies may not have enough technicians to service accounts in a timely manner. Maintaining an adequate workforce during the off-season can consume cash and force companies to rely on lines of credit to survive through the winter.

Industry Forecast

Sales for the US pest control services industry are forecast to grow at a 5.41% compounded annual rate from 2024 to 2028, faster than the growth of the overall economy.

Last Update: August 2024



Source: Interindustry Economic Research Fund, Inc.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Management and Administrative Services Sector Forecast

The sector forecast discusses the outlook, trends, and data that contains this industry.

Forecast Outlook

Inflation-adjusted GDP may rise at moderate rates of about 2.5% in 2024 and 1.8% in 2025. PCE may rise 2.4% in 2024 and 1.8% in 2025 while nonresidential fixed investment climbs 2.8% and 2.3%. Unemployment averaged 3.6% in 2023 and may increase to 4.0% in 2024 and 4.1% in 2025. In the longer run, real GDP will rise with the labor force and labor productivity. Barring immigration reform that allows greater numbers, labor force growth is likely to diminish further. Adjustments that many firms were forced to make during the pandemic, together with development of new technologies such as artificial intelligence and 3 D printing, could support improved labor productivity and greater GDP growth. GDP inflation could average about 2.6% in 2024 and 2.3% in 2025, with similar rates for PCE inflation of 2.6% in 2024 and 2.2% in 2025. Lower inflation will support a moderate increase of real disposable income by about 1.9% in 2024 and 2.4% in 2025. Lower inflation also will give the Federal Reserve opportunity to reduce policy interest rates, most likely beginning in 2024. Optimism has risen substantially, as consensus estimates for the probability of recession in the coming twelve months fell from above 60% in mid-2023 to below 30% in the spring of 2024. Nonetheless, the period of rapid growth may be at an end, even if inflation continues to subside and economic expansion is sustained a while longer.

The management, administrative support, and waste management sector is well along in recovery. However, some component industries, including many related to travel, tourism, hospitality, and live entertainment, still are recovering from serious losses. These will require additional time to regain pre-pandemic levels, though others not only have recovered but already have seen significant growth. Recovery thus varies by industry, with business booming for some sectors but lagging for others. As labor markets recovered and employment rose following lockdowns in 2020, households drove strong economic recovery. Following a drop in real disposable income in 2022, rising employment, higher wages, and lower inflation supported strong real income growth in 2023. As labor markets recover further and employment continues to rise, households could continue to drive strong recovery and expansion. However, unusually low consumer sentiment may restrain spending, and high price levels limit real expenditure despite higher nominal spending. Higher interest rates also reduce demand by raising the costs of debt-financed spending. While this typically affects vehicle sales and residential construction in particular, it also raises costs for credit card purchases and a variety of other commerce. Even so, consumer spending realized moderately-strong recovery through Q1 2024. In part, this persistent spending despite rising prices was supported by savings amassed in 2020 and 2021, though savings rates more recently have fallen to low levels. Real PCE growth may continue at a moderate pace in 2024, though it likely will diminish somewhat in 2025. Improving supplies of motor vehicles and other items could support stronger spending, though negative risks counter greater optimism. Rising real disposable income, together with subsiding inflation and improving supplies of labor and materials, ultimately will sustain growth of personal consumption and residential construction spending in years ahead.

The sector’s prospects also are affected by business investment in capital equipment, facilities, and intellectual property. Nonresidential fixed investment spending may decelerate to about 2.8% in 2024 and 2.3% in 2025. Recovery of construction markets ultimately will depend on changes in consumer and business practices, as remote work and online shopping limit demand for office and retail structures. The recent surge in spending on manufacturing structures could portend revitalization of the industry; this, in turn, could spur additional spending by manufacturers and upstream (suppliers) and downstream (distributors) businesses. Projections indicate small gains for equipment investment in the coming year before it strengthens. Investment in intellectual property products, including software, research and development, and other intangible assets, may rise at a moderate pace of about 3.7% in 2024 and 3.5% in 2025.

The extent of recovery and growth in years nonetheless remains uncertain. Much ultimately will depend on changes in consumer and business practices. The proportion of employees who worked remotely prior to the pandemic was well below 10%. In the twelve months ending in June 2024, an average of just under 30% of workdays were spent at remote locations. This suggests persistently lower demand for office space, mass transit, dry cleaning, and other personal and business needs related to commuting and working in corporate environments. It similarly might suggest persistently stronger spending on housing, home office furnishings and equipment, personal spending on food and beverages, household telecommunications services, and other goods and services necessary to facilitate cooperative efforts by geographically dispersed employees.

Although progress in general has come slowly, services industries will recover more substantially. While much remains to be learned about the permanent effects of the pandemic, demand for hotels, retail stores, offices, and other services will stabilize. Some sectors such as restaurants already have seen strong sales, while others are improving but remain short of earlier norms. It will take time for the pandemic-era effects on these industries to fully be reflected in their real estate and other assets, but investment typically follows production volumes, and so wider stabilization and growth of construction spending are anticipated in years ahead. Household budgets saw dramatic swings during the pandemic and beyond, but real income and spending recently have sustained moderate growth. Despite declines in residential construction spending since 2021, strong demand for housing ultimately will drive recovery for the sector in coming years.

Recent Trends

Economic expansion continued at a moderate pace through 2023 and into 2024. The U.S. economy so far has proved resilient, as a widely-anticipated recession failed to develop despite a substantial rise in interest rates and persistently high inflation. After real (inflation-adjusted 2017$) GDP fell 2.2% in 2020, it expanded 5.8% in 2021 and 1.9% in 2022. Following further gains of 2.5% in 2023, the net effect was a level in Q1 2024 8.6% higher than in Q4 2019. Aggressive fiscal and monetary policy, production and logistical difficulties, and geopolitical and other trouble boosted prices substantially since 2021. GDP inflation reached 9.1% SAAR (Seasonally Adjusted Annual Rates) in Q2 2022, forcing substantial tightening of monetary policy. Policy interest rates were raised 525 basis points between March 2022 and March 2024 to slow the rapid rise in prices. Following 7.0% price growth in 2022, GDP inflation sustained a lower but still-elevated rate of 3.6% in 2023 and 3.1% SAAR in Q1 2024. Prices for personal consumption expenditure (PCE) gained 6.5% in 2022 and 3.7% in 2023; PCE inflation rose 3.4% SAAR in Q1 2024. Production and distribution systems generally have improved, and many imbalances are diminishing. Moderately strong GDP growth, with widespread gains throughout private and public sectors, sustained healthy labor markets in 2023. Payroll jobs fell 21.9 million between February 2020 and April 2020; by June 2024, payroll jobs rose 6.3 million above the pre-pandemic level. As millions of jobs vanished in 2020, unemployment rates rose from 3.6% in December 2019 to 14.9% in April 2020 before subsiding; rates averaged 3.6% in 2023. Although the unemployment rate rose from a low of 3.4% in April 2023 to reach 4.1% in June 2024, by many indications labor markets remained tight. Such conditions support strong wage growth and elevated inflation rates.

Management and administrative support industries provide a wide range of services to household and business sectors; both benefit from strong household spending and a thriving business sector. Consumer sentiment seemed high in the spring of 2021 as vaccinations curtailed the spread of COVID-19, but confidence declined sharply late in the year as infections began to surge, and soaring inflation eroded confidence to record lows in 2022. Federal aid bills passed in 2020 and 2021 boosted income and supported strong consumer spending on goods and residential investment. Later, reduction of aid and high inflation caused real disposable income to decline 5.9% in 2022, followed by incomplete recovery of 4.2% growth in 2023 and 1.3% SAAR in Q1 2024. Inflation-adjusted Personal Consumption Expenditure (PCE) fell 2.5% in 2020, followed by annual increases culminating with 2.2% gains in 2023 and 1.5% SAAR growth in Q1 2024. By Q1 2024, PCE rose 11.0% above Q4 2019 levels, with real spending levels for goods gaining 18.6% and spending on services rising 7.6%. Real consumer spending on durable goods was particularly strong, rising 27.7%, while spending on nondurable goods rose 13.7%.

Expenditure for consumer services, as reported in the national accounts, amounted to about 69% of total spending in 2019, with about 11% allocated to durable goods and 20% to nondurable goods. The pandemic altered this allocation, at least temporarily. Shares for goods rose nearly 4.0 percentage points while spending on services fell; with the level of total nominal spending at $14.4 trillion in 2019, this constitutes an enormous shift for the industries that supply these goods and services. Some of these changes are understood easily, as spending on restaurants (services) fell while spending on food for off-premises consumption (nondurable goods) rose. Spending on many other nondurable goods, like household, medical, and pharmaceutical supplies, also rose. Spending for many durable goods surged, including purchases of recreational equipment, computers and other electronic equipment, furniture, and automobiles (though supply limitations sometimes restricted sales). On the other hand, spending on hotels, travel, and live entertainment services fell dramatically in 2020, with recovery coming slowly, a dramatic rise in remote work practices also brought lasting reduction in demand for mass transit. Demand for internet access, telecom, and other services was boosted by millions of workers and students suddenly stuck at home with few opportunities to leave, together with millions who suddenly needed to work remotely. This drove demand for additional and improved IT services, together with need for electronic equipment. As the economy healed more recently, spending patterns have begun to shift once again. Further adjustments still may come, and consumer services providers may see stronger demand, particularly those that have seen sluggish recovery so far.

Residential and nonresidential investment spending also supports demand for waste collection and disposal services. Housing markets saw substantial changes during the pandemic. Demand was boosted by desire to live in less congested neighborhoods, the rise of remote-work policies, and restrictions on other spending that allowed households to shift funds to consumption of goods and investment in residences. Despite disruptions during the lockdown, housing starts rose from 1.29 million units in 2019 to 1.38 million in 2020 and 1.60 million in 2021. Housing starts then peaked in April 2022 at 1.83 million units SAAR (the fastest pace since May 2006) before dropping as mortgage interest rates rose; starts fell to 1.55 million in 2022 and 1.42 million in 2023. Starts improved late in 2023 and averaged 1.37 million SAAR over the first five months of 2024. Real residential investment spending showed similar patterns, with a moderate decline in 2019 followed by 7.2% growth in 2020 and 10.7% expansion in 2021. In the face of high materials prices, labor shortages, and climbing mortgage interest rates, real spending fell 9.0% in 2022 and 10.6% in 2023 before rising 16.0% SAAR in Q1 2024. Despite losses since 2021, housing starts and investment levels remained healthy relative to norms following the Great Recession.

Higher household spending drives higher sales that encourage businesses to invest in capital equipment, facilities, and intellectual property. In addition to changes in demand, businesses also faced many disruptions to their operations during the pandemic. This forced new spending on teleconferencing equipment and services, greater reliance on electronic communications in place of printed material, electronic marketing in place of exhibitions, and countless other adjustments. Nonresidential fixed investment saw a sharp decline in 2020, but real spending rose 12.8% from Q4 2019 to Q1 2024. Investment spending for intellectual property (which includes software; research and development (R&D); and entertainment, literary, and artistic originals) saw modest decline in Q2 2020 followed by brisk growth. Between Q4 2019 and Q1 2024, real intellectual property investment rose 31.3%; its software component surged 56.9% and its R&D component gained 17.4%. Despite a substantial decrease in real spending for equipment in Q2 2020, volumes rose 2.6% between Q4 2019 and Q1 2024. This reflects 16.2% gains for information processing equipment, 4.0% gains for industrial equipment, and 2.0% gains for other equipment (furnishings, other machinery, electrical equipment), but transportation equipment investment fell 15.9%.

While residential housing supplies fell to low levels in 2020, excess capacity developed in nonresidential markets, particularly in retail and office space. Some buildings were converted and other properties redeveloped to provide more housing. After spending on nonresidential structures fell abruptly in 2020 and continued to decline through the following two years, significant but uneven improvement began in Q4 2022. Spending on manufacturing facilities led this recovery, resulting in a 0.2% improvement in overall real nonresidential construction between Q4 2019 and Q1 2024. Spending on power and communications structures dropped 23.8% between Q4 2019 and Q1 2024; spending on other structures (religious, educational, lodging, commissions, etc.) was down 12.3%; commercial and health care establishments spending fell 10.0%; and mining exploration spending declined 14.7% despite significant improvement since the pandemic. Over the same period, investment in manufacturing facilities gained 108.3% between Q4 2019 and Q1 2024.

Macroeconomic Indicators

	History					Forecast				
	2019	**2020**	**2021**	**2022**	**2023**	***2024***	***2025***	***2026***	***2027***	***2028***
Nominal, Annual Growth Rates										
GDP	4.2	-0.9	10.7	9.1	6.3	*5.1*	*4.1*	*4.3*	*4.2*	*4.2*
Personal Consumption	3.5	-1.5	12.9	9.2	6.0	*5.1*	*4.1*	*4.2*	*4.1*	*4.1*
Nonresidential Fixed Investment	4.8	-4.1	7.3	11.5	8.2	*4.8*	*3.7*	*4.5*	*4.7*	*4.6*

Structures	6.6	-8.2	0.1	12.3	19.9	*7.6*	*3.5*	*5.2*	*5.7*	*6.2*
Equipment	1.1	-10.5	7.0	11.7	4.1	*2.6*	*3.0*	*4.1*	*4.6*	*4.2*
Intellectual Property	8.1	5.8	11.5	11.1	6.4	*5.3*	*4.5*	*4.4*	*4.2*	*4.1*
Residential Investment	1.9	10.8	22.9	3.6	-7.9	*7.7*	*5.0*	*5.3*	*5.4*	*5.6*
Exports	0.0	-15.3	18.6	17.5	1.1	*2.8*	*4.5*	*4.7*	*4.8*	*4.7*
Imports	-0.5	-10.9	22.8	16.4	-3.5	*3.7*	*3.3*	*4.1*	*4.0*	*4.1*
Government Consumption & Investment	5.6	5.4	5.0	6.1	6.7	*5.6*	*3.8*	*3.3*	*3.1*	*3.0*
Quantities, Annual Growth Rates										
GDP	2.5	-2.2	5.8	1.9	2.5	*2.5*	*1.8*	*2.1*	*2.0*	*2.0*
Personal Consumption	2.0	-2.5	8.4	2.5	2.2	*2.4*	*1.8*	*2.1*	*2.0*	*2.0*
Nonresidential Fixed Investment	3.7	-4.7	5.9	5.2	4.5	*2.8*	*2.3*	*3.1*	*3.5*	*3.4*
Structures	2.5	-9.5	-3.2	-2.1	13.2	*4.3*	*0.6*	*2.3*	*2.8*	*3.4*
Equipment	1.1	-10.1	6.4	5.2	-0.3	*1.1*	*2.1*	*3.2*	*3.8*	*3.5*
Intellectual Property	7.8	4.5	10.4	9.1	4.5	*3.7*	*3.5*	*3.5*	*3.5*	*3.4*
Residential Investment	-0.9	7.2	10.7	-9.0	-10.6	*5.0*	*2.5*	*2.8*	*2.9*	*3.2*
Exports	0.5	-13.1	6.3	7.0	2.6	*2.2*	*2.9*	*3.6*	*3.5*	*3.3*
Imports	1.2	-9.0	14.5	8.6	-1.7	*3.2*	*2.8*	*2.7*	*2.6*	*2.6*
Government Consumption & Investment	3.9	3.2	-0.3	-0.9	4.1	*2.6*	*1.1*	*0.6*	*0.4*	*0.4*
Prices, Annual Growth Rates										
GDP	1.7	1.3	4.6	7.0	3.6	*2.6*	*2.3*	*2.2*	*2.1*	*2.1*
Personal Consumption	1.4	1.1	4.2	6.5	3.7	*2.6*	*2.2*	*2.1*	*2.0*	*2.0*
Labor and Income										
Real Disposable Income Growth	3.1	6.4	3.1	-5.9	4.2	*1.9*	*2.4*	*2.2*	*2.0*	*2.9*
Employment Growth	1.2	-5.6	3.2	4.1	2.2	*0.6*	*0.4*	*0.4*	*0.3*	*0.5*
Unemployment Growth	3.7	8.1	5.3	3.6	3.6	*4.0*	*4.1*	*3.9*	*3.9*	*3.9*
Interest Rates										
Treasury Bills, 3-Month	2.1	0.4	0.0	2.0	5.1	*5.1*	*4.2*	*3.0*	*2.9*	*2.8*
Treasury Bonds, 10-Year	2.1	0.9	1.4	3.0	4.0	*4.3*	*3.9*	*3.5*	*3.6*	*3.6*

Sector Components

- Management of Companies and Enterprises
- Office Administrative Services

- Facilities Support Services
- Employment Services
- Business Support Services
- Travel Arrangement and Reservation Services
- Investigation and Security Services
- Services to Buildings and Dwellings
- Other Support Services
- Waste Collection
- Waste Treatment and Disposal
- Remediation and Other Waste Management Services

Forecast Drivers

- Disposable income and consumer spending
- Travel and tourism
- Construction spending

The Inforum LIFT Model

LIFT (Long-term Interindustry Forecasting Tool) is an interindustry-macro (IM) model of the U.S. economy. The model incorporates annual economic and demographic data from government statistical agencies, and relationships among the data are employed to simulate and to project economic developments. It is useful for forecasting and for addressing questions that involve interactions between industries and the interplay between industry and the macro economy.

The LIFT model provides historical data and forecasts for:

- **Sectoral detail** (121 commodities, 71 industries, 83 consumption categories) - Output, employment, value added, personal consumption, residential and nonresidential investment, government expenditures, exports, imports, and more.
- **Macroeconomic variables** - GDP, net exports, inflation, population, unemployment rate, household income, and more.

LIFT employs a "bottom-up" approach to macroeconomic modeling. This structure supports analysis of how changes in one industry, such as increased productivity or changing international trade patterns, affect related sectors and the aggregate quantities. In this way, the model works like the actual economy, building the macroeconomic totals from details of industry activity.

The model is well-suited to the exploration of policy questions or analysis where both industry and macroeconomic behavior are important. The model has been used to identify impacts of tax policies, tariffs and free trade agreements, carbon taxes or cap and trade programs, infrastructure improvements, electrification of the vehicle fleet, port closures and other disruptions, immigration, defense spending cuts, health care finance, deficit reduction, and many other scenarios.

Capital Financing

SBA Loan Data

The following table provides Small Business Administration loan data at the most granular industry classification. The data comprises 20 years of 7(a) and 504 SBA loans, with the annual trend chart available by clicking the respective metric. Tables with multiple rows display detailed industry information within the broader industry profile.

Transactions since 2005. Updated through Q1 2024.

INDUSTRY	TOTAL GROSS LOAN AMOUNT	NO. OF LOANS	CHARGE-OFF (% OF DOLLARS)	CHARGE-OFF (% OF LOANS)	TOP LENDERS (LAST 5 YEARS)
561710 **Exterminating and Pest ...**	$388,854,000	1,740	3.49%	9.48%	Top Lenders

Capital Financing Overview

Projects that typically require capital financing include the purchase of property, buildings, equipment, vehicles, and information systems. Many pest control service providers rent space to reduce upfront investments. Equipment includes sprayers, foggers, misters, and heaters (for bed bug treatments). Specialized cameras, microwaves, or X-ray technology can help detect the presence of termites. Equipment costs vary – a plastic sprayer can cost less than $50, while a professional backpack sprayer can cost $300. Companies may also have significant investments in vehicle fleets to transport equipment and technicians to customer locations. Companies may have vehicles outfitted and dedicated to certain applications – termite trucks are generally larger than standard pest control trucks.

Companies also invest in technology and information systems to help manage day-to-day operations. Programs that automate invoicing, billing, receivables, payables, and other activities allow companies to operate more effectively. Software programs and hand held devices that manage scheduling and routing help optimize technician time and vehicle utilization. GPS-based fleet management systems can improve driver productivity. Wireless technology allows service providers to monitor traps remotely.

Acquisitions are a popular growth strategy for pest care service providers. Many large companies have expanded geographically by purchasing regional providers. In some cases, the acquired company is allowed to keep its original name and staff to maintain continuity with customers.

Large companies rely on debt, stock, cash, or a combination to fund capital projects. Pest control service providers have also become popular acquisition targets for private equity firms in the recent past. Small companies rely on commercial loans, home equity loans, or private investors, for capital funding.

Examples of Equipment Purchases

Backpack Sprayer

$250 - 300

Professional quality hand pump backpack sprayer with 2.5 to 5 gallon capacity for applying pesticides.

Bug Fogger

$300 - 350

1.5 gallon capacity fogger for flying insect control.

Termite Flow Meter

$350 - 400

Digital flow meter for measuring chemical flow through pipes for termite applications.

Flashlight Video Recorder

$300 - 400

Long range beam flashlight with built-in digital video recorder for termite and bed bug inspections.

Pest Control Truck

$30,000 - 40,000

300 gallon fiberglass tank mounted on pickup truck bed with four storage boxes and two reels of 300 feet of 1/2 inch orange spray hose on each reel.

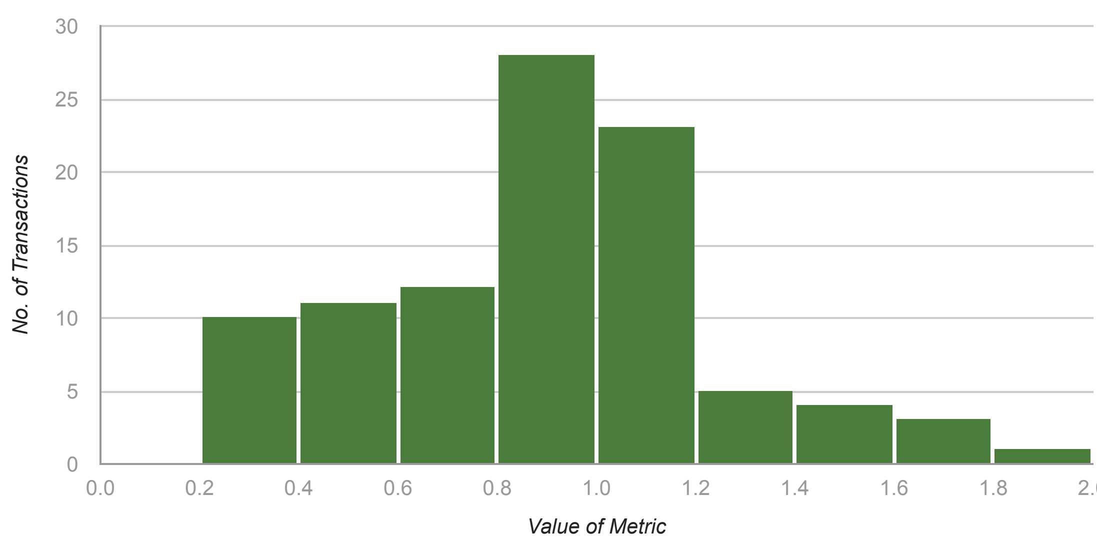
Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on over 42,500 acquired companies. These companies are mostly small and medium-sized private firms.

Summary Valuation Data for Pest Control Services

	MEDIAN	MEAN	# TRANSACTIONS	DATES
Price to Net Sales	0.9	0.94	100	01/22/1999—03/24/2023
Price to Gross Profits	1.07	1.22	94	01/22/1999—03/24/2023
Price to EBITDA	5.49	13.65	78	01/22/1999—03/24/2023
Price to EBIT	4.48	62.59	86	01/22/1999 —03/24/2023

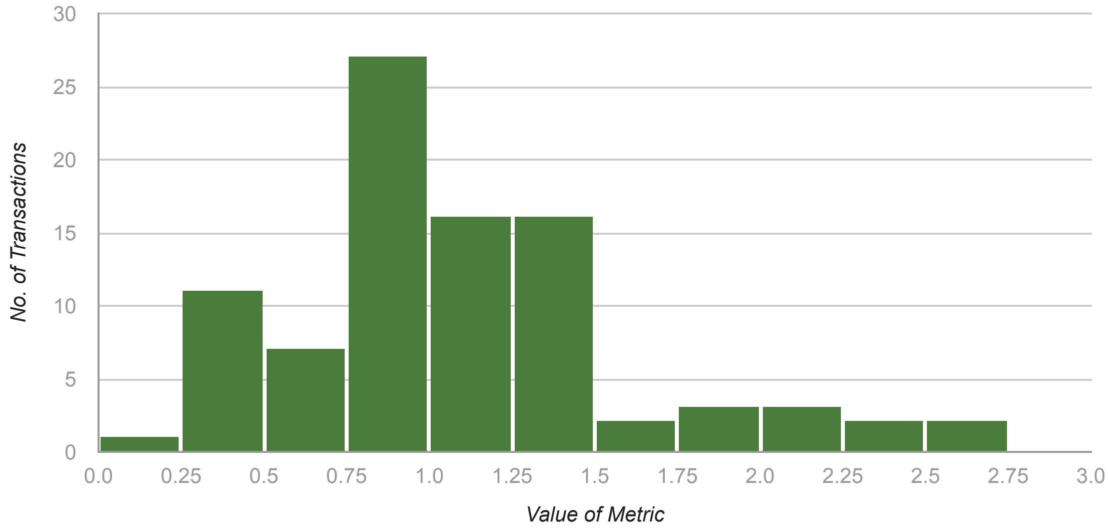
Click on the metric below to see a distribution of transactions for the industry:



Count: 100 **Min:** 0.2 **Max:** 3.05 **Mean:** 0.94 **Median:** 0.9

Price to Sales = Selling Price/Net Sales
Date range: 01/22/1999 - 03/24/2023

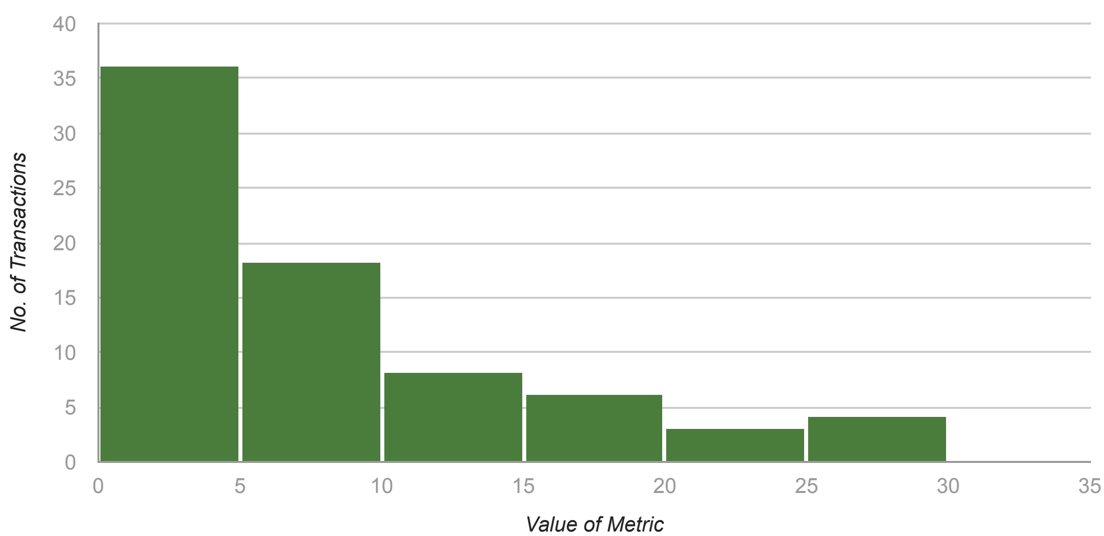
Source: DealStats



Count: 94 **Min:** 0.2 **Max:** 5.4 **Mean:** 1.22 **Median:** 1.07

Price to Gross Profit = Selling Price/Gross Profit
Date range: 01/22/1999 - 03/24/2023

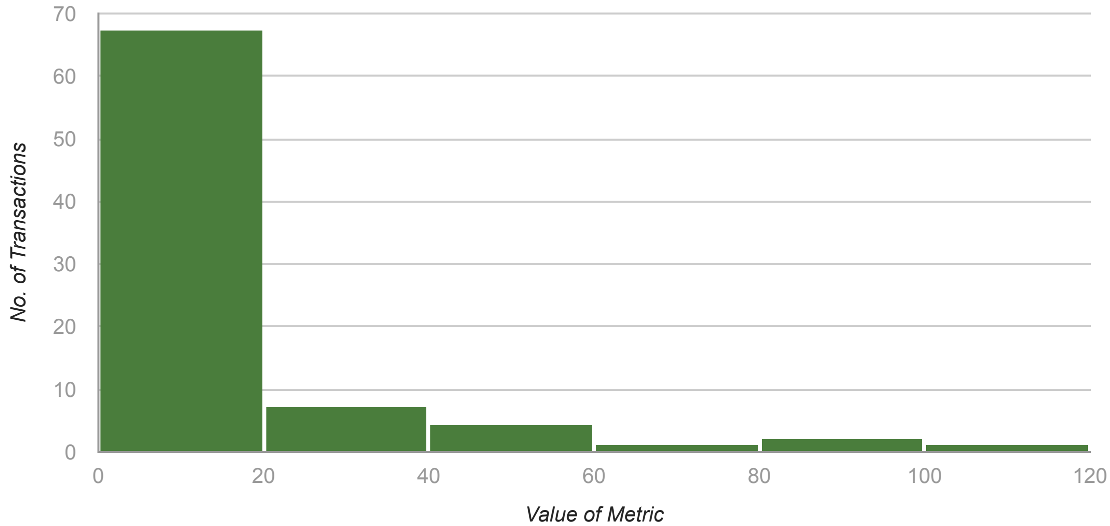
Source: DealStats



Count: 78 **Min:** 0.57 **Max:** 371.49 **Mean:** 13.65 **Median:** 5.49

Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization
Date range: 01/22/1999 - 03/24/2023

Source: DealStats



Count: 86 **Min:** 0.0 **Max:** 4444.44 **Mean:** 62.59 **Median:** 4.48

Price to EBIT = Selling Price/Operating Profit
Date range: 01/22/1999 - 03/24/2023

Source: DealStats

***Selling Price, also known as MVIC (Market Value of Invested Capital)** is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).*

Source: DealStats 2024 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at https://www.bvresources.com/learn/dealstats

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (Industry-wide)

MEASURE	2020-21	2021-22	2022-23
Current Ratio	1.07	1.20	1.02
Quick Ratio	1.00	1.05	0.89
Days Inventory	7.8	11.78	10.24
Days Receivables	16	20	20
Days Payables	27.88	24.95	16.02
Pre-tax Return on Revenue	9.39%	9.26%	6.08%
Pre-tax Return on Assets	17.15%	24.50%	12.83%
Pre-tax Return on Net Worth	49.13%	67.97%	32.74%
Interest Coverage	21.24	23.20	22.86
Current Liabilities to Net Worth	1.25	1.01	0.99
Long Term Liabilities to Net Worth	0.61	0.76	0.5
Total Liabilities to Net Worth	1.86	1.77	1.55
Number of Firms Analyzed	**54**	**48**	**63**

Income Statement (Industry-wide)

ITEM	2020-21	2021-22	2022-23
Revenue	100.0%	100.0%	100.0%
Cost of Sales	32.08%	35.93%	38.21%
Gross Margin	67.92%	64.07%	61.79%
Officers Compensation	5.41%	4.35%	3.54%
Salaries-Wages	23.96%	23.85%	22.78%
Rent	2.26%	2.27%	2.17%
Taxes Paid	3.33%	3.29%	3.09%
Advertising	1.09%	1.08%	1.03%
Benefits-Pensions	2.73%	2.76%	2.66%
Repairs	0.84%	0.85%	0.81%
Bad Debt	0.21%	0.19%	0.18%
Other SG&A Expenses	14.89%	15.93%	15.14%

Operating Expenses	57.07%	57.02%	54.23%
Operating Income	10.85%	7.05%	7.56%
Interest Expense	1.72%	0.93%	0.81%
Other Income	-1.33%	-2.04%	-0.77%
Pre-tax Net Profit	10.47%	8.16%	7.52%
Income Tax	0.95%	-0.45%	0.17%
After Tax Net Profit	9.52%	8.61%	7.35%
Number of Firms Analyzed	**54**	**48**	**63**

Balance Sheet (Industry-wide)

ASSETS	2020-21	2021-22	2022-23
Cash	43.95%	34.6%	29.28%
Receivables	7.21%	12.42%	11.34%
Inventory	1.85%	2.7%	3.31%
Other Current Assets	2.75%	3.86%	5.06%
Total Current Assets	55.75%	53.57%	48.99%
Net Fixed Assets	21.86%	24.92%	21.17%
Net Intangible Assets	10.33%	12.15%	17.13%
Other Non-Current Assets	12.05%	9.35%	12.71%
Total Assets	**100.0%**	**100.0%**	**100.0%**

LIABILITIES			
Accounts Payable	3.65%	5.39%	3.67%
Loans/Notes Payable	13.01%	13.0%	15.26%
Other Current Liabilities	14.98%	13.16%	11.77%
Total Current Liabilities	31.63%	31.55%	30.7%
Total Long Term Liabilities	37.63%	39.24%	41.71%
Total Liabilities	69.26%	70.79%	72.41%
Net Worth	30.73%	29.2%	27.59%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
Number of Firms Analyzed	**54**	**48**	**63**

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on *income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA] and [Powerlytics.]*

Quarterly Insight

3rd Quarter 2024

Pest Control Index Grows in June 2024

The US William Blair/PCO M&A Specialists Pest Index grew 8% in June 2024, slightly lower than the 10% growth in May and the 12% growth posted in April 2024, according to Pest Control Technology. The slower growth was driven by a slowdown in the residential pest and termite indices. Segments with the highest year-over-year growth in June 2024 were mosquito (19% year over year), commercial (11%), and bed bug (10%). The pest index is a proprietary index of the monthly sales for approximately 150 US pest control firms, focused on residential, commercial, and termite markets.

2nd Quarter 2024

Growth in Employment, Wages

Employment by pest control services was 2.3% higher in March 2024 year over year, while wages rose 5.6% to $23.89 per hour, according to data from the Bureau of Labor Statistics. Compared to pre-pandemic levels, employment levels have grown 14% and wages are up 16%. In addition, consumer spending levels showed an upward trend in the first quarter of 2024, according to personal consumption expenditures data from the Bureau of Economic Analysis.

1st Quarter 2024

Office Vacancy Up in Q4

Nearly 20% of office space in major US cities was not leased as of Q4 2023, with the continuing popularity of remote work and a long-standing oversupply contributing to higher vacancy rates, according to Moody's Analytics data in the Wall Street Journal. The 19.6% vacancy in the fourth quarter of 2023 was slightly higher than the 18.8% a year ago and is the highest vacancy rate since 1979. The top three US cities with the highest office vacancy rates in Q4 were all in Texas: Houston, Dallas, and Austin. Some industry analysts think the higher vacancy rate could linger due to the continuing popularity of working from home. Office occupancy levels are a demand indicator for pest control services companies, which count businesses and commercial property managers as customers.

4th Quarter 2023

Growth Ahead for Industry

Sales for the US pest control services industry are projected to rise at a nearly 6% CAGR from 2022 to 2027, reflecting a recovery in spending on consumer services, according to a recent Inforum forecast. This rate is faster than the projected growth of the overall economy. The forecast follows uneven sales growth during the pandemic in 2020 (3%), 2021 (13.1%), and 2022 (8.8%).

3rd Quarter 2023

Rodent Activity Trending Slightly Higher

A recent survey of readers by Pest Control Technology showed 45% described rodent activity as slightly higher during the past 12 months. Twenty-seven percent said activity was close to normal, 16% said it was much higher than normal, and 12% said it was less than normal. Some pest control managers say the boost in rodent control business can be attributed to younger generations being more of a "do-it-for-me" generation. "People here have just started to recognize professional rodent control services. I think it is a generational shift, from Boomers, who were almost exclusively do-it-yourselfers to the millennial generation that will pay you to do it," said Jeff Wells, a VP at Advance Termite & Pest Control in Hutchinson, Kansas. The higher levels of rodent activity were attributed to extreme weather conditions.

2nd Quarter 2023

Supply Chain Issues Remain

Supply chain issues remain for 51% of respondents, while 49% said they are no longer facing supply chain issues, according to a recent Pest Control Technology (PCT) poll. Supply chain issues generally occur for chemicals, equipment, materials used for packaging and applying products, personal protective equipment, and vehicles. One firm, Pest-End in New Hampshire, said supply chain issues have improved in some areas but remain for vehicle acquisitions. The company has had to transition from vans, which many manufacturers stopped producing, to trucks, which cost more and are also challenging to find. Pest-End also reported that some gel products used by the company have been difficult to obtain. Other pest control companies said some products are on backorder for extended periods with no time frame available. Some companies reported success with suppliers finding alternative products for products that are unavailable or have limited availability.

1st Quarter 2023

Pest Control Index Growth

The US William Blair/PCO M&A Specialists Pest Index grew 13% year over year in November 2022, according to Pest Control Technology. Compared to October 2022, the November index fell 6%. The residential and commercial indexes both posted increases year over year, while the termite index was flat and the bug bed index decreased slightly. The total pest index grew 15% year to date compared to the same period year over year. According to PCO M&A Specialist Managing Member Dan Gordon, “While it looks to be a surprise to the upside, I believe most of the growth has come from price increases because of the spike in inflation. Going forward it will be interesting to see if this momentum continues into the new year.”

4th Quarter 2022

Vehicle Storage Risk Mitigated

A vast majority of pest control businesses allow technicians to take their service vehicles home every night. According to an October 2022 poll by Pest Control Technology, 83% of survey participants allow technicians to retain possession of company service vehicles after hours. Pest control companies do incur some risk and excess vehicle use as a result of this practice but alternatively, they don’t have to store the vehicles and risk mass break-ins or vandalism in their parking lot.

Call Prep Questions

Capital Financing

What types of projects typically require capital financing?

Projects that typically require capital financing include the purchase of property, buildings, equipment, vehicles, and information systems.

How frequently does your company purchase new equipment?

Equipment includes sprayers, foggers, misters, and heaters (for bed bug treatments). Specialized cameras, microwaves, or X-ray technology can help detect the presence of termites.

What kind of investment has your company made in vehicles?

Companies may have significant investments in vehicle fleets to transport equipment and technicians to customer locations. Companies may have vehicles outfitted and dedicated to certain applications - termite trucks are generally larger than standard pest control trucks.

How is your company using technology to improve productivity?

Companies invest in technology and information systems to help manage day-to-day operations. Software programs and hand held devices that manage scheduling and routing help optimize technician time and vehicle utilization. GPS-based fleet management systems can improve driver productivity. Wireless technology allows service providers to monitor traps remotely.

What role do acquisitions play in your company's growth plans?

Acquisitions are a popular growth strategy for pest care service providers.

What are your company's most common sources of financing?

Large companies rely on debt, stock, cash, or a combination to fund capital projects. Pest control service providers have also become popular acquisition targets for private equity firms in the recent past. Small companies rely on commercial loans, home equity loans, or private investors, for capital funding.

Profits and Operations

What is your company's specialty?

Companies may specialize in residential or non-residential services. Providers may also specialize in a particular industry, such as food manufacturing or health care.

What processes does your company use to provide pest control?

Technicians apply chemicals, set and bait traps, or create barriers to separate pests from buildings. Companies may use fumigants (poisonous gases) to treat serious infestations.

What percentage of your company's business comes from termite control?

Termite control can involve the installation of monitoring stations and monitoring services over a period of time.

How do your company's services incorporate integrated pest management?

Integrated Pest Management (IPM) is a pest control system that involves inspection, identification, and treatment methods specific to each situation. Treatment includes chemical and non-chemical solutions.

What are your company's most effective marketing and promotional vehicles?

Marketing and promotional vehicles include local television, print, and radio advertising; direct mail; and online/Internet programs. Referrals are an important source of leads and new business. Companies often depend on relationships with builders and contractors for termite pre-treatment work on new construction.

How does your company protect technicians from overexposure to pesticides?

Technicians are typically trained and licensed to use pesticides. Because pesticides are toxic, workers wear protective gear, such as respirators, gloves, and goggles.

Industry Risks

How does seasonality affect your company's business?

Demand for pest control is seasonal, and driven by increases in pest activity.

How does your company minimize the risks of working with pesticides?

Pest control often involves the application of toxic chemicals that have the potential to harm humans, pets, plants, or the environment.

How does your company ensure compliance with government regulations?

Because pest control involves toxic substances, the EPA and state governments regulate various elements of operations, including licensing, record keeping, standards of application, training, and product registration.

What is your company's biggest source of competition?

Competitors for pest control service providers involve companies in a range of industries, including cleaning and sanitizing services, facilities services, and lawn care.

How sensitive is your company's business to economic conditions?

Although less vulnerable than other types of building and dwelling services, demand for pest control is sensitive to economic conditions.

How does your company minimize the financial risk associated with termite guarantees?

Companies that sell termite bonds or guarantees can be liable for excessive repair charges related to damage.

Industry Trends

How has your company's business responded to recent changes in the economy?

As the economy improves, sales growth for pest control service providers is increasing.

How has demand for bed bug treatments changed over the last few years?

Bed bug infestations, which were relatively rare more than a decade ago, have increased across the country, creating massive sale opportunities for pest control service providers.

What changes are you seeing regarding demand for ant treatments?

Ants maintain their status as the most common pest problem for consumers, and incidence of infestation is on the rise, according to a survey by the Pest Control Technology.

How could partnerships improve your company's business?

Significant costs are associated with bed bug treatments, and some insurance brokers have periodically partnered with pest control companies to provide bed bug coverage to commercial clients, such as hotels, landlords, student housing developments, and businesses.

What is your company's position on the potential link between pesticide use and bee colony collapse?

Bee colonies continue to experience significant losses, as government and private organizations identify specific causes.

Industry Terms

Acute Toxicity

Short term exposure to hazardous substances.

Attractant

Substance that attracts pests for monitoring or killing.

Bee Colony Collapse

Significant losses to bee colonies occurring since 2006.

Callback

Return trip to customer site.

Chronic Toxicity

Long-term exposure to hazardous substances.

Fumigant

Poisonous gas.

IGR (Insect Growth Regulators)

A type of pesticide.

IPM (Integrated Pest Management)

Process that involves inspection, identification, and treatment specific to a particular customer situation.

LD

Lethal Dose.

Repellant

Substance that repels pests.

Rodenticide

Pesticide targeted at rodents.

Web Links

Pest Control Technology
News, trends, and business advice

National Pest Management Association
News, trends, legislative issues from trade association

Pest World
Consumer information on pests and pest control

Pest Management Professional
News, trends, and firm rankings

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