

Pest Management

PROFESSIONAL

2012



Termite

Survey & Report

SPONSORED BY



CSI - The NEWEST Generation of Pest Control Manufacturers

General Insecticides



Microencapsulated Technology



CONTROL SOLUTIONS

incorporated

Pre & Post-Construction Termiticides



Granules

Providing Pest Management Professionals with the most complete line of product solutions for the structural pest control market offered by any manufacturer. Control Solutions, Inc. carries a complete line of broad-use insecticides for all your pest control needs. Contact your CSI sales representative, local distributor, or visit our website for more information, promotions, and to view our complete product line.
www.controlsolutionsinc.com

Game Changers

Post-patent products can and should deliver innovation — while helping PMPs increase business and save money.

Mark Boyd, CEO of Control Solutions, Inc. (CSI), a Houston, Texas-based manufacturer and formulator of products for the professional pest management market, answers some common questions about post-patent products and discusses CSI's ever-expanding portfolio and his outlook on the pest management industry overall.

What are post-patent products?

MB: Post-patent products are widely accepted and used in the medical field, and it is largely the same in the professional pest management market. A classic example is buying Advil vs. the drug store-brand ibuprofen. They both feature the same active ingredient and basically accomplish the same thing.

Essentially, post-patent products are solutions that can be manufactured by sources other than the original patent holders after their patents expire. When a product goes off patent, it gives other companies the opportunity to create new formulations, improving on the original patent-protected products.

The average lifespan of a patent is 15 to 17 years. There are various types of patents found in the pest management industry. The most common is a molecular patent on the technical active ingredient. Manufacturing process, formulation and method-of-use patents are also common within the industry.

Do post-patent products devalue the market?

MB: CSI's post-patent products aim to shift more value from one part of the market to another. CSI's products are positioned to shift more profit to pest management professionals (PMPs) by offering lower-priced alternatives.

CSI does not destroy or devalue the market. And we support the industry on national, regional and local levels.

Who are Makhteshim Agan and CSI?

MB: Makhteshim Agan Industries (MAI) is the largest manufacturer of post-patent agriculture chemicals in the world, with 96 active ingredients and more than 4,000 products worldwide. CSI is a subsidiary of MAI, and has responsibility for the professional pest management, lawn care and golf course markets in the United States. As a subsidiary of a global company, CSI has access to a wide portfolio of active ingredients and technical formulation technology, which empowers CSI to improve upon older, existing technology and develop novel formulations.

What additional steps has CSI taken to help PMPs ride out today's economic uncertainty?

MB: New home construction basically came to a halt five years ago. At the time, the majority of CSI's sales were generated from liquid termiticides used primarily for pre-construction applications.

Over the past few years, CSI has diversified and launched several successful general insecticides. This move has helped CSI grow and invest in termiticide and insecticide innovations — despite the overall market being suppressed.

Our line of CapVantage Technology microencapsulated insecticides is a key example of the innovation we have brought to the marketplace in the past few years. So is our new TAURUS SC fipronil-based termiticide/insecticide.



Q&A with Mark Boyd

What is TAURUS SC?

MB: TAURUS SC is a water-based suspension concentrate of 9.1% fipronil specially formulated for pre- and post-construction termiticide applications. The product also is labeled for barrier applications targeting occasional invaders around structures. Applied at a 0.8 fluid ounces per gallon (0.06% dilution) rate for most applications, a 20-ounce jug of TAURUS SC makes 25 gallons of dilution, and 78 ounces makes 100 gallons. Visit www.controlsolutionsinc.com for additional information.

What other new products is CSI working on?

MB: We have an ever changing and growing product development pipeline. One of the things we're most excited about is new non-pyrethroid technology for indoor pest control — both adulticides and insect growth regulators (IGRs).

How does your crystal ball look?

MB: The future of CSI, and of the pest management industry overall, looks very bright. New technology will continue to bolster PMPs' effectiveness and efficiency. CSI and our parent company, MAI, have allocated substantial resources so we can continue to offer innovative products to the pest management market. The future holds great promise for PMPs looking to increase business and margins. It is an exciting time for all — all except termites and other structural pests, that is!

2012



Termite Survey & Report

Light at the end of the mud tube

By Paul Bello Contributor

While bed bugs are reaping most of the media ink, termites are content to quietly work around the clock, often beneath the surface — wreaking havoc to the tune of more than \$5 billion per year in structural damage in the United States alone.

According to *Pest Management Professional (PMP)* magazine's 2012 Termite Survey, the percent of new termite jobs triggered in part by visible swarms has dropped from 90 percent in 2005 to less than 10 percent. (See our "Swarms still MIA" sidebar on **page 512**.)

Further compounding matters, the booming economy and

construction and home sales businesses of the mid-2000s slowed to a virtual standstill the past several years.

The termite management business has suffered a combination of brutal

PMP's 2012 Termite Survey & Report unveils trends, obstacles and opportunities.

blows, but like Rocky, is far from down for the count. New home starts and sales of new and existing homes finally are picking themselves off the

canvas for another round of business. (See our "Home starts, sales rising" sidebar on **page 514**.)

Even participation in *PMP's* annual Termite Survey rose 30 percent this year.

The bottom line: Most pest management professionals (PMPs) see light at the end of the tunnel (aka termite mud tube) — and *this time* it's not a locomotive headed our way.

Rising above

Susan Fries, president of Los Angeles-based ECOLA Termite & Pest Management, says her crystal ball foretells good things to come.

"2012 looks like a really big year for us," says Fries (aka The Termite Lady). "Normally our workload is down November through January,

but we're way up. Our termite work has risen so much we've expanded our staff 15 percent."

Continued on **page 56**



NUMBER OF TECHNICIANS EMPLOYED

Four or fewer:
61%



5-9:
18%



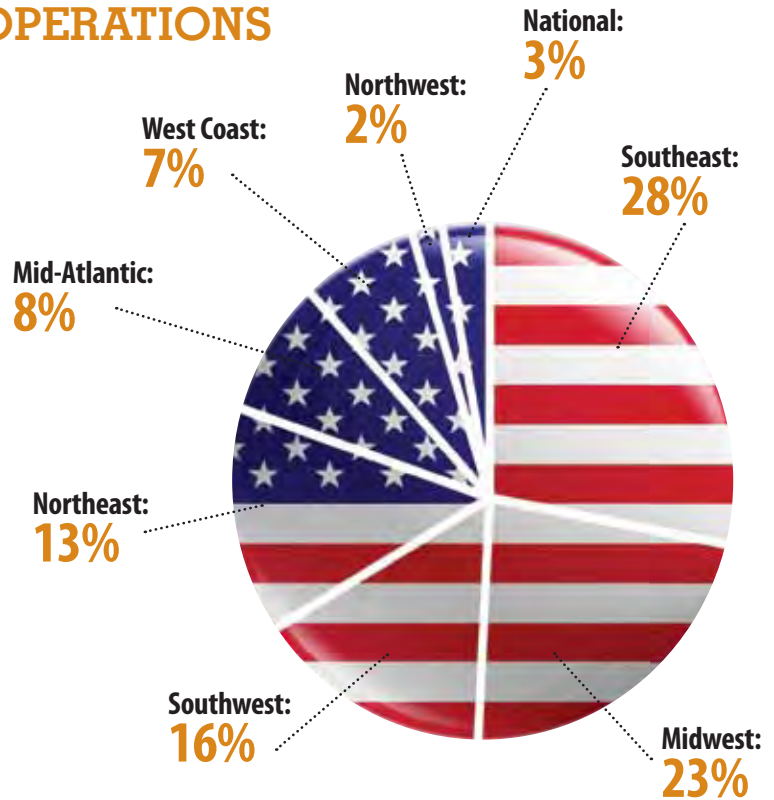
10-50:
12%



More than 50:
9%



AREA OF OPERATIONS



NEW HOME BUILDING

Percent of total termite management revenue in 2011

4% or less: **76%**

5%-9%: **12%**

10%-14%: **9%**

15%-24%: **1%**

25% or more: **2%**

EXISTING RESIDENTIAL STRUCTURES

Percent of total termite management revenue in 2011

24% or less:
37%

More than 80%:
32%





Termite Survey & Report

Continued from page S4

It's not just about new home construction and home sales slowly rebounding in many areas. With so many homeowners opting to stay put until their home values recover, more also are calling ECOLA to provide preventative inspections

87% derived 9% or less of their 2011 termite management revenues from borate applications.

to ensure their largest investments are termite free, Fries adds.

Rich Borden, VP at Borden Pest Control in North Augusta, Ga., agrees.

"2012 is going to be a good year," Borden says. "We've budgeted to expand our termite

team by 25 percent this season."

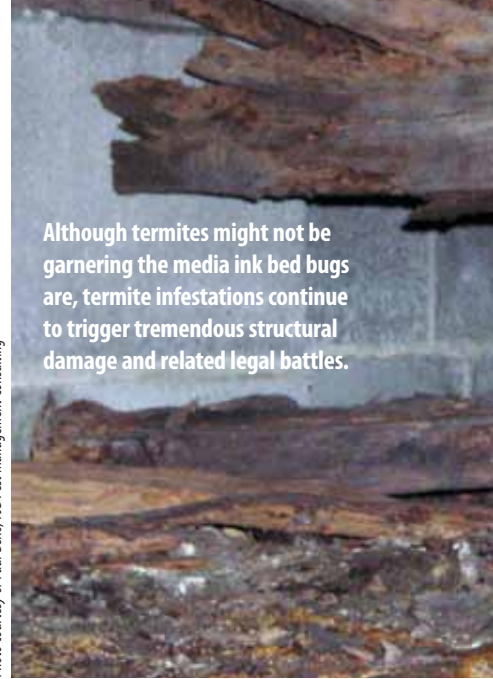
When asked, "Why the optimistic outlook?" Borden replied, "People are either keeping, repairing or upgrading their homes. They're taking better care of their homes — and keeping up with their termite warranty service is a part of that."

While many PMPs report maintaining termite job pricing remains a top obstacle — see our "Pricing Pressure" sidebar on page S13 — some are finding success charging *more* for initial termite inspections and treatments as well as annual renewals.

"Our costs continue to increase, so there's no way we can do termite jobs for *less* and stay in business," says Richard Diggs, president of Alexandria (Va.) Pest Services. "Fortunately, we've been able to *increase* pricing to at least match our escalating cost structure."

Although termites might not be garnering the media ink bed bugs are, termite infestations continue to trigger tremendous structural damage and related legal battles.

Photo courtesy of Paul Bello, P16 Pest Management Consulting



Overcoming obstacles

PMPs have been dealing with a downturn in the overall economy, while also battling rising fuel, health care and insurance costs.

"This past year, our fuel expenses rose to more than

4% or less:

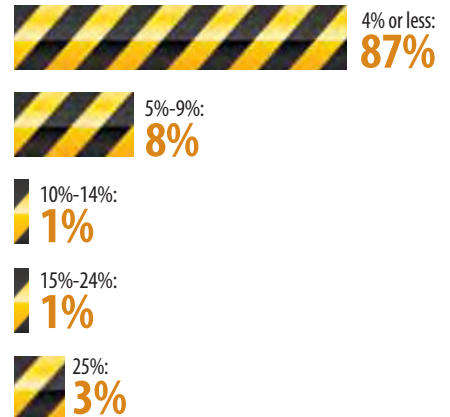


EXISTING COMMERCIAL STRUCTURES

Percent of total termite management revenue in 2011

NEW COMMERCIAL CONSTRUCTION

Percent of total termite management revenue in 2011



TOP 7 TERMITE SALES OBSTACLES

1. Sluggish economy
2. Lack of swarms
3. Sluggish home sales
4. Fierce pricing competition
5. "Today's termite technologies and techniques work too well for too long."
6. Sluggish new construction
7. Difficulty hiring and retaining qualified termite technicians

TOP 7 TERMITE SALES OPPORTUNITIES

1. The economy appears to be rebounding.
2. Our termite job pricing is better.
3. Our callbacks are decreasing, which improves margins.
4. Sales of existing homes appear to be rebounding.
5. Our conversion rate for termite renewals is improving.
6. Our material costs are decreasing.
7. New construction appears to be rebounding.

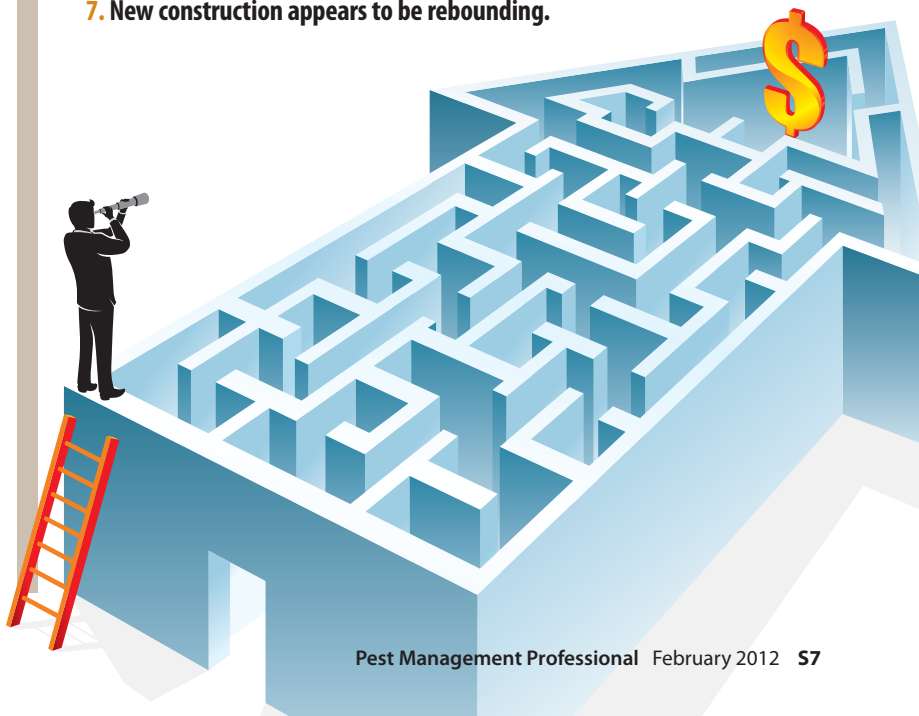
\$300,000," notes Steve Phillips, president of Marietta, Ga.-based Northwest Exterminating. "And with continued political unrest affecting oil-producing countries of the world, fuel costs are likely to increase at any time."

Bernard "Bern" Wendell, manager at Arrow Exterminating Co. in Lynbrook, N.Y., adds: "We have in-house vehicle maintenance and have transitioned much of our service fleet to better mileage, low-cost maintenance vehicles. We use a routing program, but also check on it manually because the traffic patterns sometimes dictate we make adjustments to keep things efficient. We're also looking at adding some hybrid vehicles this year."

The recent down economy's ripple effect on new construction and real estate sales didn't help.

"What do you do when 70 percent of your region's pretreat market vanishes?" Phillips asked attendees while speaking at Georgia Pest Control Association's (GPCA's) recent winter conference at the University of Georgia.

Continued on **page S10**



TAURUS SC: a Highly Efficient *and*

CSI's TAURUS SC proves to be a highly successful *and* economical answer to termites.

DA Exterminating, based in New Orleans, has been in business since 1959, offering integrated pest management to residential, commercial and industrial customers. The second-generation business serves southeast Louisiana, Mississippi, and parts of Alabama.

"TAURUS SC is a lot less expensive yet just as effective. The cost savings add up. They enable me to invest more in key areas other than chemicals."

—James Keining, Bugmobiles

DA Exterminating's Jed D'Arensburg started using Control Solutions Inc. (CSI) products three years ago and found Dominion termiticide highly effective in combating termites in the area.



When CSI introduced TAURUS SC last May, D'Arensburg was anxious to try the first post-patent fipronil-based termiticide/insecticide.

"The active ingredient in TAURUS SC is excellent — it works wonderfully," he says. "Plus, since TAURUS SC is post-patent, it costs much less, making it more attractive to purchase."

While the price point initially attracted D'Arensburg to TAURUS SC, he has found TAURUS SC works excellent against Formosan termites, a common pest in New Orleans.

DA Exterminating used TAURUS SC on a home located in the Lakeview area of New Orleans on Lake Pontchartrain. The home was heavily infested with Formosan termites.

"TAURUS SC killed all of the Formosan termites — it exceeded our expectations," D'Arensburg says.

Terminator Pest Control in Gulfport, Miss., has locations around Mississippi, Alabama, Memphis and Nashville. The company, which started in 1997, has been using TAURUS SC since it became available.

Cost-Effective Termite Solution

“TAURUS SC killed all of the Formosan termites — it exceeded our expectations.”

—Jed D'Arensborg, DA Exterminating



Terminator Pest Control's Mike Wriggins has had no retreats to date when using TAURUS SC and he's confident that going into the warm season, he still won't have any retreats. Terminator's 35 personnel like TAURUS SC because it has low odor and does not irritate skin.

Another reason Terminator is enjoying the benefits of TAURUS SC is the company now can better control its chemical costs.

“Even with gas prices constantly on the move, we're able to keep our prices the same for customers because we're able to save money with TAURUS SC.”

—Mike Wriggins, Terminator Termite and Pest Control

“Even with gas prices constantly on the move, we're able to keep our prices the same for customers because we're able to save money with TAURUS SC,” Wriggins says.

It's All in the Details

James Keining with Victoria, Texas-based Bugmobiles has experienced heavy termite infestations during the almost 25 years he's been in the business in the central and east Texas region. He's used almost all of the termite repellents in the market and was intrigued to try non-repellent TAURUS SC last fall.

“It's amazing how well TAURUS SC works as a termiticide and as a non-repellent,” Keining says. “It's a great product.”

Bugmobiles has been in business since 1954 and traditionally doesn't use post-patent products because they aren't always as effective, Keining says. But TAURUS SC is the exception for the company.

“We typically don't use post-patent products; TAURUS SC is our one exception,” he says. “It's a lot less expensive yet just as effective.

The cost savings add up. They enable me to invest more in key areas other than chemicals.”

The high-quality product has eliminated callbacks so far, saving Bugmobiles additional money.

CSI's packaging of TAURUS SC makes it even more attractive, says D'Arensborg.

“TAURUS SC is very convenient and easy to pour,” he says. “It's easy to measure as well since the measurements are built into the container.”

D'Arensborg also has found TAURUS SC mixes well in tanks — another convenience.

Terminator's employees also say TAURUS SC is easy to use and easy to pour, Wriggins says.

While neither D'Arensborg nor Wriggins has needed much technical support, the few times they have had questions, a knowledgeable, courteous CSI representative was readily available.

“Our local rep is great at following up if we need anything,” D'Arensborg says.

“We always get a hold of distributors right away and we're able to get answers quickly,” Wriggins says.

CSI
CONTROL
SOLUTIONS
incorporated

A Makhteshim-Agan Company

2012



Termite Survey & Report



According to *Pest Management Professional (PMP)* magazine's State of the Industry Survey, the average fee for termite inspections was \$118.26 in 2011.

Continued from **page S7**

"At Northwest, we realized years ago the termite market was changing," Phillips shares. "We knew we needed to change the way we did business if we were going to continue to succeed, and we have since implemented changes that have helped us overcome significant obstacles."

Home sweet home

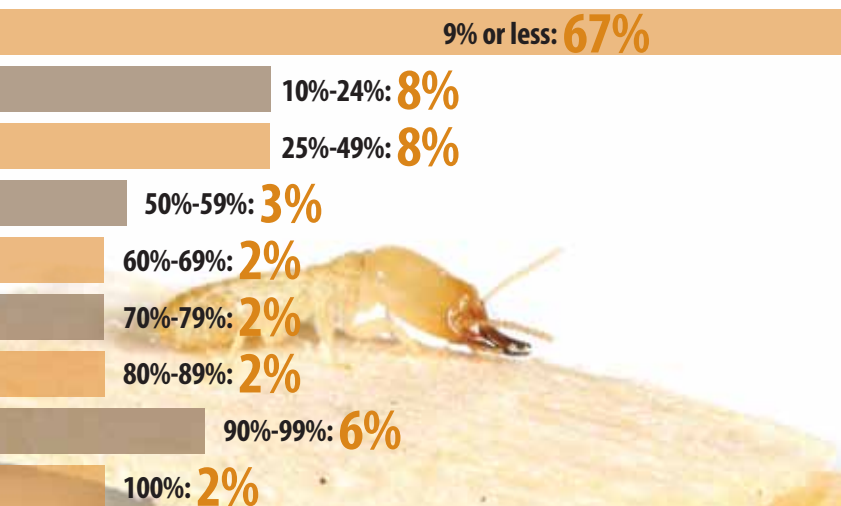
Brian Butler, VP of Cumming, Ga.-based Skyline Pest Solutions, reports that even though new construction is down considerably in metropolitan Atlanta, the company's termite business increased substantially in 2011 and he expects this growth to continue.

"Eighteen months ago, we sat down and put together a survival plan so we could succeed in this economy," Butler says. "We knew not to count on new construction to feed

Photo courtesy of Paul Bello, PIS Pest Management Consulting

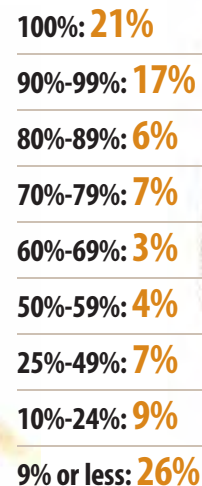
BAIT APPLICATIONS

Percent of total termite management revenue in 2011



LIQUID TREATMENTS

Percent of total termite management revenue in 2011



“We knew not to count on new construction to feed our termite business.”

— *Brian Butler, Skyline Pest Solutions*

our termite business and that if there was business to be had, we had to go out and get it — now — and we did.”

In a down economy, Butler says, Skyline Pest Solutions bolstered its termite work 30 percent: “The key to our success was target marketing and maintaining our focus.”

Borden Pest Control rose to the occasion as well.

“In 2011, we increased our annual termite re-inspections business by better educating customers on the importance of such a service,” Borden says. “We were able to offset the negative effects of the real-estate downturn.”

2011 was a growth year for Oliver Exterminating, too, which operates in Arizona, Florida and Puerto Rico.

“Our termite work increased more than 20 percent last year,” says Bert Putterman, president of Oliver Exterminating. “Our industry got lazy over the past several years and got spoiled by swarms and real estate sales feeding termite work. When the swarms vanished and real estate bottomed out, many didn’t change the way they got termite business and they got hammered. Not us.”

Continued on **page S15**

GOODBYE CALLBACKS

Percent of new termite treatments that resulted in callbacks in 2011



92% of pest management companies generated 4% or less of their 2011 termite management revenues from municipal/government accounts.



92% derived 9% or less of their 2011 termite management revenues from fumigation treatments.



Swarms still MIA

Not so long ago, the first few weeks of every spring, pest management professionals' (PMPs') telephones would ring off the hook as panicked homeowners called to report termite swarms and request related inspections/treatments.

Since the mid 2000s, though, PMPs across the country have reported termite swarms have all but vanished.

"We still see swarms, but they aren't nearly as numerous or as large as they used to be," says Jim Freund, Termite Department Manager at Arrow Exterminating Co. in Lynbrook, N.Y.

"Termite swarms happened every spring for about 30 years," Freund adds. "We could count on that happening *every year*. The swarms we *used* to see each comprised hundreds to thousands of termites with wings all over floors and windowsills, sending homeowners into states of panic. We don't see that

anymore. We're lucky to have 100 termites in each of the few swarms we're seeing nowadays."

Garey Clark, owner of Clark Pest Remedy in McDonough, Ga., notes: "Sometimes we find termite swarmers in mud tubes, crawling around with worker termites after swarm season, and wonder, 'Why are the swarmers still in the mud tubes? Why didn't they fly out during swarm season?'"

"There's definitely something happening with termite swarms. In time we'll figure it out," says Dr. Austin M. Frishman, a PMP columnist and owner of AMF Pest Management Services in Boca Raton, Fla. "Meanwhile, the lack of swarms makes annual termite re-inspections that much more important!" **PMP**

— P.B.

Annual re-inspections key

"The industry knows termites are crypto-biotic creatures that can be difficult to detect. Annual termite re-inspections are critical to the success of our termite business," says Jim Freund, Termite Department Manager at Arrow Exterminating Co. in Lynbrook, N.Y. "Even though more than 90 percent of our customers request bait systems, we include an annual termite re-inspection of every home — without exception.

"We inspect the entire house, inside and out, and we document, and share with clients, our findings," Freund says. "Our customers are counting on us to *keep protecting* their homes from termites."

A thorough termite inspection cannot be conducted in just 15 minutes, notes Richard Diggs, president of Alexandria (Va.) Pest Services.

"Some customers tell us competitors spent just a few minutes on their termite inspections and the lack of detailed documentation demonstrates that," Diggs says. "These customers recognize we are a quality company and say our professionalism is worth the extra cost. Proper, thorough termite inspections are a clear competitive advantage for us."

— P.B.



SWARM-LIFTED SALES

% of new termite jobs in 2011 derived in part from customers seeing swarms



Pricing pressure

By Marty Whitford

Editorial Director & Publisher

Last February, *Pest Management Professional (PMP)* magazine conducted a survey and found the average price for initial termite inspections and treatments was \$1,018. The average annual renewal and inspection fee was \$248.

Despite some signs of home sales and new construction slowly picking themselves off the canvas, termite job pricing appears to be under even more pressure than in 2010:

- 26 percent of responding pest management professionals (PMPs) reported they charged \$699 or less in 2011 for initial termite inspections and treatments.
- Only 27 percent reported charging \$1,000 or more.
- Nearly two-thirds of responding PMPs reported their annual renewal fees are \$149 or less.

Techmaster Termite had zero pretreat jobs in 2010. Less than a decade ago, pretreats accounted for more than 25 percent of the Albany, Calif.-based company's termite management revenue.

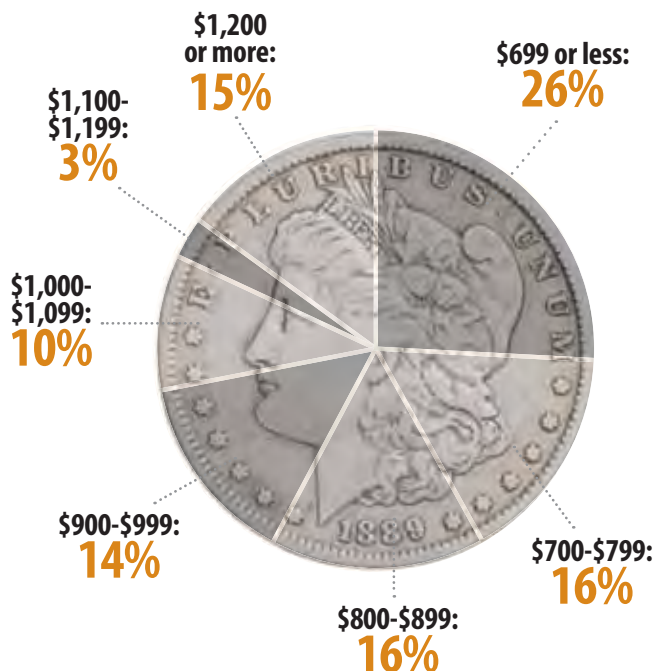
"In early 2000, we employed more than a dozen," says Mary Rogers, Techmaster's office manager. "Now we're down to four employees."

The company is holding its own pricing wise, averaging \$1,000 to \$1,099 per initial inspection and treatment. Techmaster guarantees its termite work for three years and charges no annual renewal fee.

"At least three times last year, we re-inspected sites *supposedly* treated by other companies that charged \$699 or less," Rogers says. "In three cases, they clearly didn't trench and might not have even sprayed chemical." **PMP**

27% reported they charged \$1,000 or more in 2011 for initial termite inspections and treatments.

INITIAL INSPECTION & TREATMENT FEES



ANNUAL RENEWALS

Average fee in 2011 for termite re-inspections/renewals



2012



Termite Survey & Report

Home starts, sales rising

By **Marty Whitford** Editorial Director & Publisher

First the bad news: In 2011, existing home sales, housing starts and new home sales were a fraction of what they were six years earlier. But you knew that!

Now the good news: Economic forecasts have all three rising to new norms.

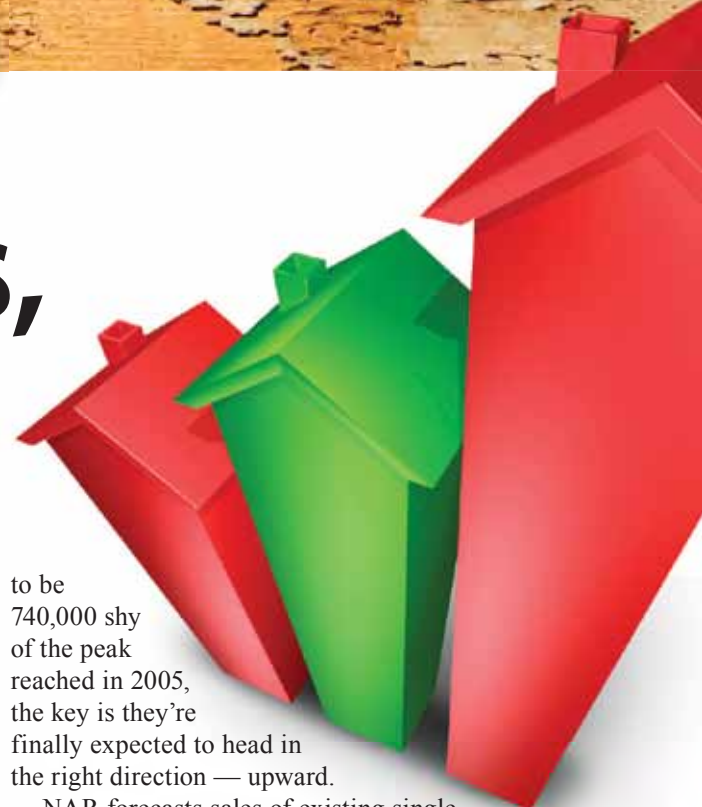
According to the National Association of Realtors (NAR), single-family housing starts are expected to rise 18.5 percent in 2012 and 39 percent in 2013.

NAR predicts sales of new single-family homes will climb 16.2 percent this year and 53.4 percent in 2013. In 2005, according to NAR, 1.28 million new single-family homes were sold in the United States — about four times the number sold last year. Although sales of new single-family homes in 2013 are expected

to be 740,000 shy of the peak reached in 2005, the key is they're finally expected to head in the right direction — upward.

NAR forecasts sales of existing single-family homes to increase 4.7 percent this year and 5.2 percent next year. If that growth is realized, we'll see 4.68 million home sales in 2013 — down 2.4 million units from the peak in 2005, but up 570,000 units from the valley known as 2008.

The bottom line: The glass might be half full but it's finally filling! **PMP**



BOUNCING BACK

Year	New Home Starts*	New Home Sales*
2011	303,000	595,000
2012	352,000	705,000
2013	540,000	980,000

* Forecasted for single-family residences

Source: National Association of Realtors (NAR), www.realtors.org

ON THE CLIMB

Existing Home Sales

2011 Forecast	+ 60,000 transactions	+1.4%
2012 Forecast	+ 200,000 transactions	+4.7%
2013 Forecast	+ 230,000 transactions	+5.2%

Source: National Association of Realtors, www.realtor.org



DÉJÀ VU DROP

Existing Home Sales

1977	3.65 million	+ 19.1%
1978	3.99 million	+ 9.3%
1979	3.83 million	- 4%
1980	2.97 million	- 22.5%
1981	2.42 million	- 18.5%
1982	1.99 million	- 17.8%
1983	2.72 million	+ 36.7%
2005	7.08 million	+ 4.4%
2006	6.48 million	- 8.4%
2007	5.04 million	- 8.6%
2008	4.11 million	- 18.5%
2009	4.34 million	+ 5.6%
2010	4.19 million	- 3.5%
2011*	4.25 million	+ 1.4%

* Forecasted

Source: National Association of Realtors,
www.realtor.org

Continued from **page S11**

What did Oliver do different than many?

“We didn’t sit in the office and watch our phones *not* ring,” Putterman says. “We knew there was work out there for those eager enough to go get it. We aggressively sought inspections, which, in turn, fed our termite business.

“In Puerto Rico, our termite work was up more than 10 percent in 2011, thanks to large government contract work at public housing projects,” Putterman notes. “Our termite sales team has done a great job seeking opportunities that specify termite pre-treatments.”

Residential still king

Respondents to our 2012 Termite Survey confirm residential structures continue to command the majority of the termite management market.

About 50 percent of respondents reported residential termite management revenues were responsible for about half of their total 2011 termite management

revenues. Conversely, nearly 90 percent of respondents reported less than 14 percent of their total 2011 termite management revenues were derived from commercial building treatments.

Although the average price tag for commercial work far exceeds that for typical residential termite treatments, the number of commercial opportunities is limited.

“Our commercial termite treatments tend to be pre-treatments for national accounts,” says Paul Hardy, senior technical director at Orkin. “Since new construction of retail locations really hasn’t been happening the past few years, we, naturally, have seen less overall commercial termite work.”

Hardy reports residential termite work picked up for Orkin in the second half of 2011 and commercial termite work the past two months: “The termite market will continue its comeback throughout 2012.”

“Those people in our industry who think the real estate market no longer is feeding our termite business are wrong”, Putterman adds. “There are a lot of real estate transactions occurring — including short sales and foreclosures, as well as regular home sales. Each of these present new opportunities for termite inspections and treatments.”

Most of our survey data and interviews support a positive outlook for termite business in 2012 and beyond. The termites are haven’t stopped working; neither should we! **PMP**



The National Pest Management Association (NPMA) estimates termites cause more than \$5 billion worth of structural damage per year.

Photo courtesy of Paul Bello, PJB Pest Management Consulting

Bello, a PMP and president of PJB Pest Management Consulting, can be reached at paul.bello@att.net or 770-500-0460.

They Said It Couldn't Be Done...

TAURUS[®] SC

TERMITICIDE / INSECTICIDE

The FIRST post-patent Fipronil Based Termiticide

**NOW
with EP/LI
Applications!**

- **Contains 9.1% Fipronil**
- **For pre & post-construction termite applications**
- **Labeled for barrier applications targeting occasional invaders around structures**
- **20 oz. and 78 oz.**
- **PMP Rebate programs**

For more information please contact
Your local CSI sales representative
or you can visit our website for
more information.
www.controlsolutionsinc.com

CSI
CONTROL
SOLUTIONS
Incorporated
A Makhteshim-Agan Company