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SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

From friend/colleague Mike Freeman.

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President, Forest Products Society; President, WoodEMA i.a.



EXCLUSIVE MARKET RESEARCH:

- Termite Market Overview
- 2019 Preview: What's the Latest?
- Key Marketing Trends
- All New Data and Analysis

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**HOUSING MARKET
OUTLOOK
and SEASONAL
WEATHER
PREDICTIONS**

State of the
**TERMITE
MARKET**

Despite an uneven housing market and largely lackluster termite "swarm" season in 2018, PMPs remain modestly optimistic about their prospects for the coming year.

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State of the
**TERMITE
MARKET**

BASF Professional & Specialty Solutions:

Delivering Industry-Leading Termite Solutions to PMPs

BASF Professional & Specialty Solutions is pleased to sponsor PCT's "State of the Termite Market" report. This annual supplement, based on a survey of PMPs throughout North America, features PMP interviews, market analysis and cutting-edge data designed to prepare industry professionals for the coming termite season.

Termites are among the most destructive pests encountered by PMPs, causing more than \$5 billion in property damage annually in the U.S. alone. BASF is leading the fight against termites with best-in-class termiticides, as well as technologically advanced injection, monitoring and baiting systems. Our termite control solutions are designed for enhanced profitability and business flexibility for a wide variety of situations and environments.

As a world leader in termite control, we're proud of the nearly 20-year history of our groundbreaking Termidor® product line, the gold standard of the industry. The latest addition to the Termidor® family of products is the Termidor® HP II High Precision Injection System, a revolutionary new system that eliminates the need for manual trenching*, drilling and rodding, reducing labor costs and optimizing efficiency. Its technologically advanced onboard computer always applies the exact amount of finished dilution of Termidor® HP II termiticide, ensuring precise, measured doses are applied around the structure.

Why is that significant? The injection system uses less water, minimizes landscape disruption, and reduces labor-intensive trenching and rodding, making it a cost-effective and environmentally sensitive addition to any PMP's control arsenal.

If termite baiting is your preference, BASF has you covered there as well. Trelona® ATBS Advance® Termite Bait System (ATBS) features the active ingredient, Novaluron, which achieves ongoing structural protection through colony elimination. Its superior station design promotes faster hits and sustained consumption. In addition, an annual inspection label means year-round protection, freeing your business to operate even more efficiently and cost-effectively.

And every BASF termite control solution comes with superior customer support, including web-based training, consumer advertising, label updates, marketing materials and more. It all adds up to a business partner that is singularly focused on your company's success in 2019 and beyond!

Sincerely,

Dave Poling
Manager
Regional Marketing
BASF Professional & Specialty Solutions



DAVE POLING

*In most situations.

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State of the
TERMITE
MARKET

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

Despite coming off what most PMPs interviewed by PCT considered “an uneven” termite season, many are optimistic about their company’s prospects for the 2019 season thanks to a steady economy and new products and technology that have made the work more efficient and profitable; they also have been encouraged by favorable weather conditions and a modest uptick in the housing market.

In the following State of the Termite Market, PCT surveyed our readers by asking a variety of questions about the termite control market. We supplemented this data by interviewing PMPs involved in this line of work. What we’ve learned is that for PMPs already succeeding in the termite control sector, this work remains a staple, while other PMPs continue to be involved in this

A combination of a steady economy and greater confidence in termite products are reasons PMPs are excited about the upcoming termite season.

2018: A MIXED BAG. A good starting point for forecasting the 2019 termite season is to re-examine the 2018 season. How PMPs fared last year varied widely based on location.

“It was up again and mainly that was because of Formosan termites — they have taken over and just dominated,” said Bert Snyder, president of Palmetto Exterminators, Charleston, S.C. “I predict that you are going to see increases for the industry throughout the Southeast the next two decades because of Formosan termites.”

Snyder said that in 2018 his termite work was up nine percent from the previous year. In the company’s Charleston, S.C., branch office alone, Snyder said Palmetto received 20,000 phone calls from late May to early June (their swarm season), compared to about 16,000 calls during that same time period in 2017.

category because of its potential.

In fact, according to this year's research, 83% of those surveyed indicated that their company location offers termite control services. Moreover, 51% say termite control accounts for "a significant part of their business," reinforcing the critical role this market plays in driving industry revenue.

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time period in 2017.

While Formosan termites have been in Charleston since the 1950s, they are a relatively new pest in Florida, with reports of their presence in the Jacksonville area dating back to the early 2000s. In recent years, Formosan termites have been grabbing headlines in Jacksonville thanks to the city's efforts to protect

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its trees, and the demolition of the historic Woman's Club of Jacksonville (in 2016) due to extensive Formosan termite damage.

Bryan Cooksey, president of McCall Service, Jacksonville, Fla., said the 2018 termite season was flat, but he is expecting it to be up in 2019. "Formosan termites are creating a greater awareness among consumers for the need for protection," he said. "So we think the combination of the wetter year, and the presence of this more aggressive termite species will help push it up this year."

In Southern California, Garrett Thrasher, president of San Diego-based Thrasher Termite and Pest Control, said his company has seen steady termite control growth the last four years, and in 2018 it experienced "moderate drywood and subterranean termite swarms." He noted, "The housing market provided a good balance for our company with our split from homeowners to real estate transactions being 60/40."

In other parts of the country, the 2018 termite season was not such a boon. It was "flat," said Bill Haynes, CEO of Haynes Exterminating, Buford, Ga.; it was "sluggish," according to David Bonett of Capitol Exterminating, Brick, N.J.; and worse yet, the 2018 termite season was "down," said Dennis Samples, Tom Samples Pest Control, Springtown, Texas.

This unevenness of the 2018 termite season is reflected in PCT's research where 41% of those surveyed said termite-related service calls increased significantly (9%) or slightly (32%) from the previous year, while 42% indicated that they remained the same.

PROACTIVE MARKETING IS KEY TO GROWTH

At one time, the termite control market was reactive in that PCOs would simply wait by the phones for termites to start swarming. Times have changed and PCOs have taken a more proactive approach that relies more on cross-selling, targeted marketing campaigns, and the use of technology to "document and show" customers and potential customers.

In fact, according to PCT's research, 56% say their location actively markets its termite control services.

"We have focused more on social media advertising and it has yielded good results," said Todd Barber, Barber's Best Termite & Pest, Tallahassee, Fla.

An example of a company that focuses on cross-selling is Haynes Exterminating. "We market our current non-termite customers as well as promoting our website, wrapped vehicles, etc.," said Bill Haynes, CEO of the Buford, Ga.-based firm.

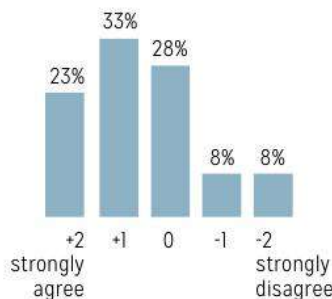
Bert Snyder, president of

Charleston, S.C.-based Palmetto Exterminators, said his sales team has placed added emphasis on face-to-face customer meetings. "The trend had been to do things digitally through email and text," he said. "That can be kind of cold. We are trying to make sure at least one of the homeowners is home to review everything in person and ask questions. It helped us improve our closing percentage 15 to 20 percent."

Bryan Cooksey, president of McCall Service, Jacksonville, Fla., said McCall is being very aggressive with builders. "We have a full-time person calling on them more often and having more regular meetings. And we are bundling it with other services. We are trying to get into that homeowner when they move in, or at the closing table. It's almost like we have a full-time, dedicated admin and customer relations staff related to the building industry. Before we were not doing that, but we are aggressively pursuing this market."

MARKETING PAYS DIVIDENDS BUT REQUIRES INVESTMENT

56% say their location actively markets its termite control services



Source: Readex Research;
Number of respondents: 137

happen this year because we are getting "The real estate market is sluggish but

As for the 2019 termite season, several PCOs we interviewed were encouraged by some early termite season conditions.

Tim Gafford, president of Gafford Pest Control, said his company's service location (Lubbock, Texas) is in the midst of a 3- to 4-year drought, and thus has been seeing little to no swarming. "We just aren't seeing a lot of activity. It could

Digital flipbook
a lot of rain this winter. I'm keeping my fingers crossed."

Southern California also has experienced more rainfall in recent months and Thrasher said he too is hopeful this will translate to more termite business for his company this year. "One month into the year and it has been our busiest start to any year in the last eight years," he said.

we are consistent with homeowners who are eager to invest in termite control services."

BETTER TECHNOLOGY. An important reason for PMPs' optimism about the termite control market is they are more confident about today's products and technologies. In fact, 92% of those

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TERMITE MARKET OVERVIEW

TERMITE CONTROL SERVICES: YES OR NO?

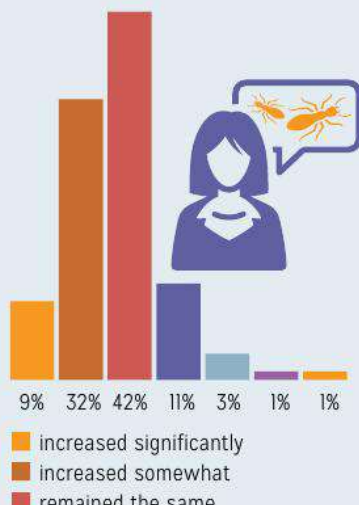
Does your company location offer termite control services?



Source: Readex Research; Number of respondents: 165

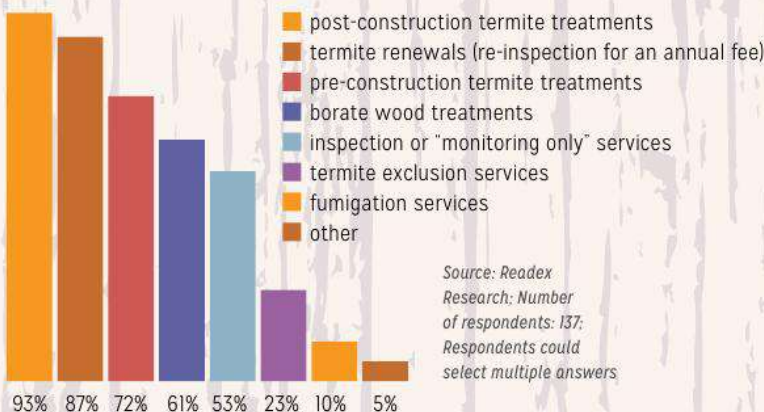
WERE SERVICE CALLS UP OR DOWN IN 2018?

Compared with one year ago, have your location's termite-related service calls increased, decreased, or remained the same?



COMPANIES OFFER A WIDE ARRAY OF TERMITE SERVICES...

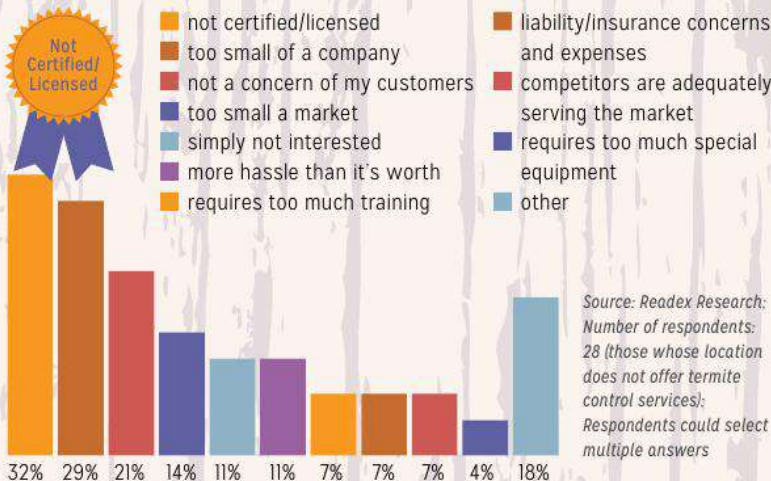
What types of termite control services does your location offer?



Source: Readex Research; Number of respondents: 137; Respondents could select multiple answers

...YET SOME PMPs ARE RETICENT TO ENTER THE MARKETPLACE

For what reasons does your location not offer termite control services?



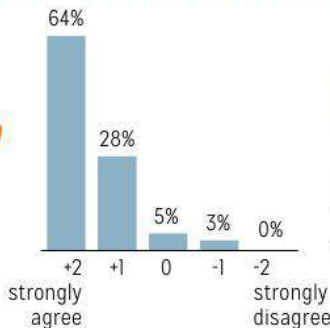
Source: Readex Research; Number of respondents: 28 (those whose location does not offer termite control services); Respondents could select multiple answers

■ remained the same
■ decreased somewhat
■ decreased significantly
■ cannot compare: not involved one year ago
■ no answer

Source: Readex Research;
Number of respondents: 137



PMPS: TERMITE PRODUCTS ARE HIGHLY EFFECTIVE



92% **AGREE WITH THIS STATEMENT**

Source: Readex Research; Number of respondents: 137

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surveyed by PCT agreed with the statement that “termite products are highly effective.”

Many of today’s termite technologies require less invasive treatments and save on the use of water, all while providing greater efficacy. They also have made the job less labor-intensive, allowing service professionals to complete more jobs and improve their job quality; these time and labor savings can be passed along to the consumer.

PCOs are finding success using a variety of termite control products and strategies. In addition to post-construction termite treatments (93%), PMPs are offering termite renewals (87%),

pre-construction services (72%), borate wood treatments (61%), inspection or “monitoring only” services (53%), exclusion services (23%) and fumigation services (10%).

McCall Service is a good example of a company that uses multiple products and approaches. Cooksey says McCall offers baiting, traditional termiticides, fumigation and the use of borates.

An example of a PMP who likes the flexibility today’s termite products gives him and his company is Todd Barber, Barber’s Best Termite & Pest, Tallahassee, Fla. “We are optimistic about the future of termite control due to the advances in the termite baiting market.

With the implementation of bait stations that are always baited rather than monitoring then baiting, it has improved the efficiency and increased the profitability for PMPs.”

And PMPs are encouraged that the termite market will continue to evolve thanks to science and research. “I suspect that continued advances in molecular biology and understanding of termite sociology, behavior and physiology will yield new options for preventing and/or treating termites, increasing treatment effectiveness, sustainability, and environmentally friendly (options) while decreasing costs,” said James Kopco, Guardian Pest Solutions, Duluth, Minn. 📌

HOUSING MARKET PREDICTIONS: 2019



To help forecast the upcoming termite

Thus, PMPs across the U.S., particularly those offering

greatest slowdown of housing demand are Seattle, Wash.; San Francisco, Calif.; San Jose, Calif.; Portland, Ore.; San Diego, Calif.; Los Angeles, Calif.; Denver, Colo.; and Honolulu, Hawaii. PMPs operating in these areas may not see a high demand for termite treatments in the first six months of 2019, as home buyers and sellers may avoid making a move until prices pick back up. Redfin expects home prices to continue to

result in homebuilders being more cautious. Additionally, Redfin says 2019 is already seeing higher labor costs, which may limit the number of homes built. All of this suggests a rise in home prices and a slow home building rate, meaning pest management professionals may not see as many termite treatments in the first half of 2019.

The Realtor.com 2019 National Housing Forecast says the housing market will

season, many pest management professionals (PMPs) look at housing market predictions — which includes information such as housing starts, mortgage rates and real estate sales.

According to the National Association of Home Builders (NAHB), the number of annual U.S. housing starts — new housing structures being built — is expected to be only slightly higher in 2019, a 0.8 percent increase from 2018.

preconstruction termite treatments and wood-destroying organism inspections, may see a modest rise in calls for termite pretreatments at these new home sites.

Redfin, a real estate brokerage firm, predicts that metro areas that experienced the most housing price growth in the first half of 2018 will experience major slowdowns in price growth in the first half of 2019. A few metro areas where they anticipate the

grow at a strong pace in a handful of smaller inland markets like Buffalo, N.Y.; Rochester, N.Y.; and Greensboro, N.C., where the market is seeing more activity.

Redfin also noted that in 2018, residential investment — the money spent on construction, renovations, real estate commissions, etc. — declined slightly. This, the firm anticipates, will cause the housing market to cool down in 2019, which may

see modest inventory gains, but with mortgage rates expected to hit 5.5 percent by the end of the year, monthly mortgage payments will rise 8 percent. That puts home ownership more out of reach, especially for younger Gen Z, Millennial, and other first-time home buyers. Upscale homes in high-growth markets, however, will provide more opportunities for buyers, the company noted in a press release. 📌

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State of the **TERMITE MARKET**

WEATHERING THE WEATHER

Termite swarms aren't making the phones ring like they used to. In fact, approximately 50% of PMPs surveyed by PCT said the 2018 termite swarm season was just "average," with an additional 42% saying it was "below average" (see chart at right).

Bill Haynes, CEO of Haynes Exterminating, Flowery Branch, Ga., says swarm season has "ebbed and flowed" in recent years in his part of the country for a variety of reasons. "I suppose it has a lot to do with greater awareness of the need for termite protection and the use of better (control) techniques over the last few decades. Maybe Mother Nature has something to do with it" as well, he says.

David Bonett, president of Capitol Exterminating, Old Bridge, N.J., says

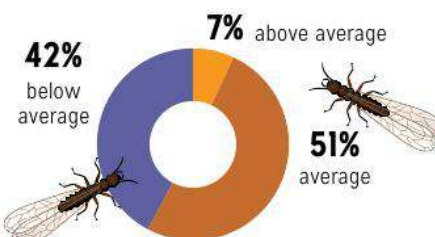
and atmospheric pressure all may influence the winged exodus from the nest.

Weather plays such a significant role in how and when termites swarm so PCT decided to take a look at weather predictions from the National Oceanic and Atmospheric Administration (NOAA) for 2019.

NOAA recently issued an El Niño Advisory, indicating the climate pattern has taken effect and is likely to continue through the spring. What does that mean for PMPs? It means wetter-than-average conditions are likely over portions of the U.S. Gulf Coast and Florida, while drier-than-average conditions can be expected in the Ohio Valley and the Pacific Northwest, although climate models indicate that this El Niño will be weak.

IMPRESSIONS OF 2018 TERMITE SWARM SEASON

How would you characterize the 2018 termite swarm season in the area in which your location provides services?



Source: Readex Research; Number of respondents: 137

While impacts vary during each El Niño event, NOAA regularly provides temperature and precipitation outlooks for the coming months (see page 8), so visit

he didn't see as many swarms last year as he has in the past because of the cold, snowy weather that extended well into spring. As a result, he described the 2018 termite season as "sluggish."

Yet in other parts of the country termites *did* swarm in relatively large numbers. Winged adult termites emerge from their colonies at certain times of the year when environmental conditions are suitable. According to the *Mallis Handbook of Pest Control*, the time of emergence varies among species, and is triggered by seasonal weather patterns for a given locale.

In most areas of the United States, the greatest swarms are seen with the rise of temperature in the spring. Temperature, moisture, light intensity, wind velocity

According to the NOAA website, forecasters say there is about a 55% chance that El Niño conditions will continue through the spring.

www.cpc.ncep.noaa.gov to keep abreast of the latest short- and long-range weather predictions. They could prove helpful in forecasting this year's swarm season. ↓

ABOUT THE SURVEY

The PCT 2019 State of the Termite Control Market survey was sponsored by BASF and compiled by Readex Research, a privately held research firm based in Stillwater, Minn. A sample of 2,763 owners, operators and executives of pest control businesses was selected from the PCT database. Data was collected from 165 respondents – a

6 percent response rate – via an online survey from Dec. 13 to 26, 2018. Twenty-eight respondents who indicated their firms do not offer termite control services were then eliminated from the survey. The margin of error for percentages based on the remaining 137 respondents is ±8.3 percent at the 95 percent confidence level. Results may not add up to 100 percent due to rounding.

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State of the Termite Market **7**

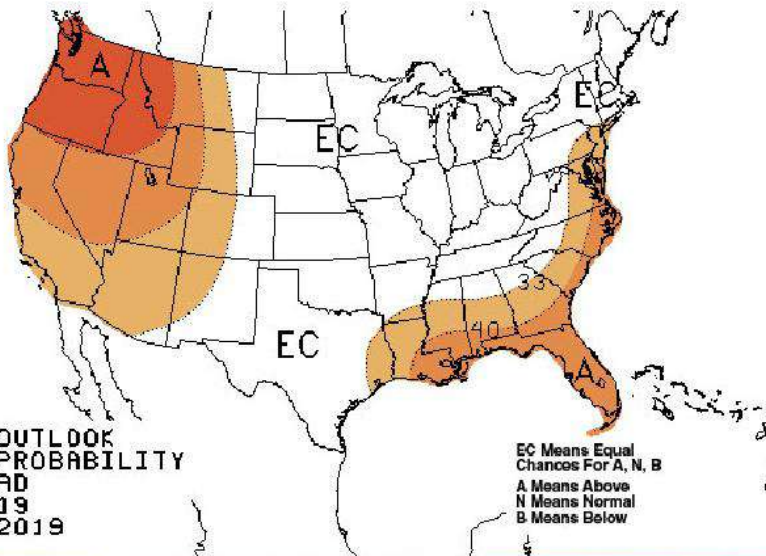
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SPRING WEATHER FORECASTS

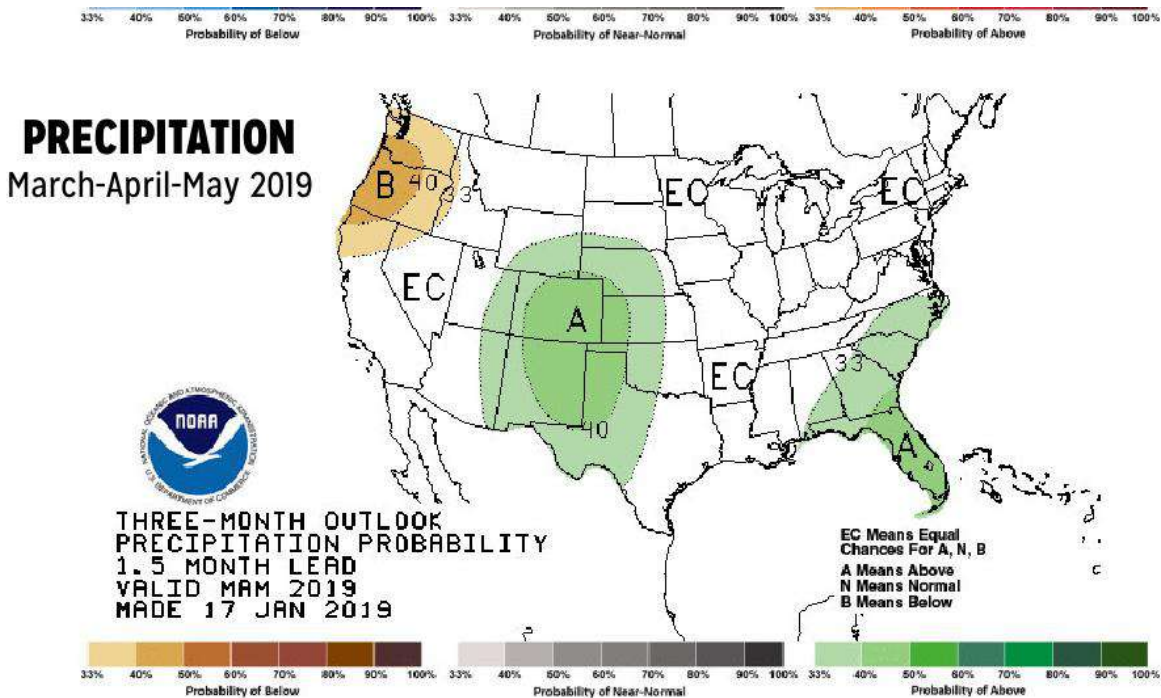
The National Weather Service, which is affiliated with the National Oceanic and Atmospheric Administration (NOAA), provides weather and climate forecasts for the United States and its territories. One of the more valuable services available from the National Weather Service to the structural pest control industry is the rolling 90-day forecasts it publishes on its website (www.cpc.ncep.noaa.gov). The maps below reflect the National Weather Service's temperature and precipitation predictions for April through May, prime termite season for PMPs in many parts of the United States. Note the key in the bottom right-hand corner that shows where temperature and precipitation levels will be above average, below average or normal in the U.S. (Source: National Weather Service Climate Prediction Center)

TEMPERATURE March-April-May 2019



THREE-MONTH OUTLOOK
TEMPERATURE PROBABILITY
1.5 MONTH LEAD
VALID MAM 2019
MADE 17 JAN 2019





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TERMITE MARKET ECONOMIC OUTLOOK

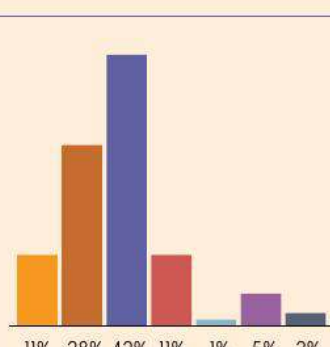
Despite a less than stellar swarm season last year, PMPs are modestly optimistic about the economic prospects of the termite market in 2019. In fact, **61 percent** of PMPs say they expect their company's termite revenues to increase significantly or somewhat in the coming year. In the charts at right, here's how our readers responded to a variety of economic-themed questions related to the termite market:

CHART KEY

- increased significantly
- decreased significantly
- increased somewhat
- cannot compare; not involved three years ago
- remained the same
- decreased somewhat
- no answer

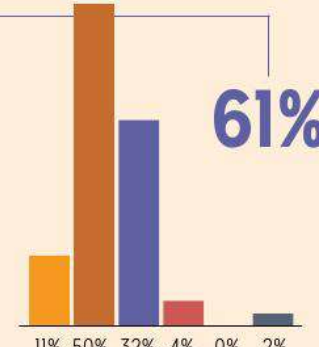
IS TERMITE REVENUE GROWING?

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



2019 TERMITE REVENUE PREDICTIONS

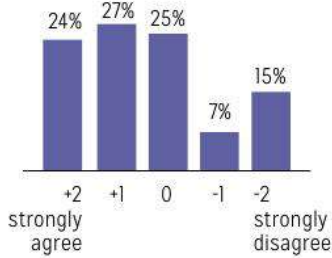
Compared with 2018, do you anticipate the percentage of your location's revenue generated from its termite control services to increase, remain the same, or decrease in 2019?



TERMITES ARE BIG BUSINESS

51%

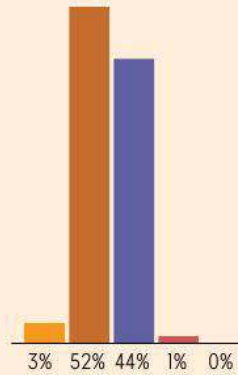
say termite control is a significant part of their business



Source: Readex Research; Number of respondents: 137

2019 TERMITE PRICING PREDICTIONS

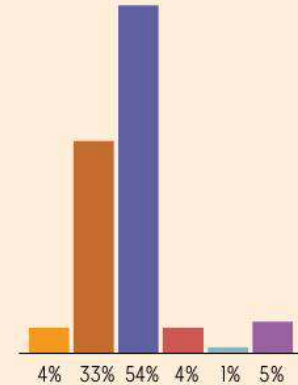
Compared with 2018, do you anticipate your location's termite service pricing will increase, remain the same, or decrease in 2019?



Source: Readex Research; Number of respondents: 137

PMPs ARE CONTINUING TO INVEST IN THE MARKET

Has your location's investment in its termite business (e.g., products, equipment, marketing) increased, remained the same, or decreased in the past three years?



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State of the Termite Market 9

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*2012 University of Delaware study of active termites within one-half meter of both **Sentricon®** and **Trelona ATBS** stations

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