

SPECIAL REPORT:

State of the **CLOSED** **CRAWLSPACE** Market

As the economy continues to improve, PMPs look to new markets to enhance their bottom line, including crawlspace encapsulation services.



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- Exclusive Market Research
- How to Get Started in the Business
- Marketing Crawlspace Services
- Key Economic Trends
- Future Market Projections

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The Opportunity BENEATH

PMPs are looking to an unusual location — crawlspaces — as a possible revenue source.

You never know where you might find a new opportunity to build a deeper relationship with your customers and increase your revenue base at the same time. For pest management professionals in select areas of the country, that opportunity exists in a place not many people like to visit — the crawlspace.

In the 2018 PCT State of the Closed Crawlspace Market research study, PMPs offering closed crawlspace services were asked about revenue generation and what their expectations were looking ahead for the segment.

When asked how much revenue was generated from closed crawlspace services in 2017, 24 percent indicated it

was between \$10,000 and \$50,000. This was down from the previous year but there was positive movement at the top end of the market.

In last year's report, 11 percent of companies offering closed crawlspace services indicated they generated between \$50,000 and \$499,999 in revenue. This year that number jumped 7 percent to 18 percent.

The other end of the revenue spectrum also saw growth with 56 percent of PMPs indicating they generated below \$10,000 in revenue — up 17 percent from last year.

What does this trend mean? It could mean pest professionals are making small gains in the closed crawlspace

1 IN 5 COMPANIES OFFER CLOSED CRAWLSPACE SERVICES

Does your company location offer closed crawlspace services?

20%



80%

Source: Readex Research
Number of respondents: 169

category or they are testing the waters with customers.

“There are definitely opportunities for PMPs willing to commit the time and resources,” says Dayton Hylton, owner/president of Dayton’s Pest Control in Knoxville, Tenn. “Offering this service came naturally to us as we are already in customers’ crawlspaces treating for termites and other pests.”

When asked about future growth, two percent of respondents felt revenues would increase next year — the first projected increase in two years. Another sign of growth was that only 6 percent of PMPs felt revenues would decrease — 5 percent fewer than last year.

What do the numbers mean? Closed crawlspace services are a niche offering — often with a much higher price tag than traditional pest control services — and geography continues to be a determining factor of whether or not companies provide this service but there appears to more optimism on its potential financial return.

“The appeal to add crawlspace services is regional in nature,” says Ron Schwalb, an industry consultant who works as a technical adviser with Nashville-based U.S. Pest Protection. “Crawlspace encapsulations tie in nicely to what PMPs look to do every day — eliminate conducive conditions, in this case moisture that attracts pests.”

Schwalb says PMPs have the advantage of being able to not only solve a customer’s short-term pest issue in the crawlspace but provide a long-term solution as well.

“We can treat and protect a structure from pests as well as deliver a service that provides an IPM-like solution that physically eliminates a conducive condition,” says Schwalb.

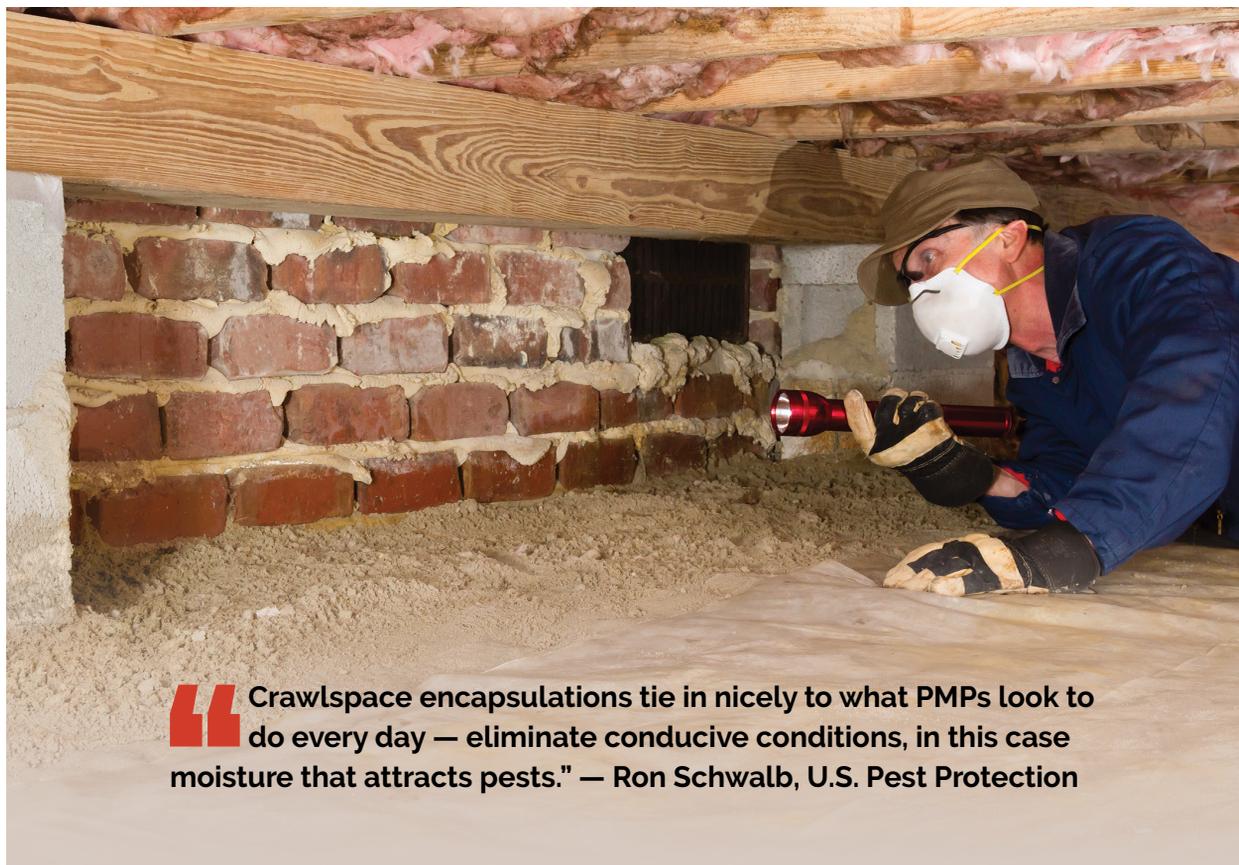
Schwalb says a barrier to entry for some PMPs occurs because they don’t have easy access to suppliers. He adds it’s important for PMPs to have access to the latest technology, training and product innovations.

“Access to more information on how to sell and install crawlspace encapsulations is also needed to make PMPs feel more comfortable adding it to their service lineup,” says Schwalb. Fortunately, these resources are readily available at the Crawlspace Depot website (www.crawlspacepot.com).

With a small niche in a consistently growing industry, it may seem odd that more pest management professionals do not offer crawlspace services.

The lack of demand (37 percent), no time to investigate the market (35 percent) and specialized training requirements (24 percent) are the leading reasons why pest professionals say they are not exploring this service. Liability concerns and the cost of supplies are other reasons PMPs cite.

“PMPs need to understand that crawlspace work is not an hour-long job and then you move on to the next account,” says Hylton, whose crews are often booked four to six weeks out for encapsulation jobs. “The process needs to be very methodical and you need to take your time. If you take the time to do it right, it can be a nice part of your business offerings.” ■



“Crawlspace encapsulations tie in nicely to what PMPs look to do every day — eliminate conducive conditions, in this case moisture that attracts pests.” — Ron Schwalb, U.S. Pest Protection

CRAWLSPACES ARE A HAVEN FOR MANY PEST & MOISTURE PROBLEMS

Pest management professionals know that conditions conducive to pests — moisture, humidity, etc. — need to be corrected. That is why crawlspaces are an important yet often overlooked battleground for pest management.

An article that appeared on www.GreenBuildingAdvisors.com outlined some of the issues with crawlspaces that need to be communicated to homeowners. From termites to spiders to rodents and nuisance wildlife, the crawlspace is an area that needs to be included when designing and executing a complete pest management program.



Out of Sight, Out of Mind. Persistent problems live in crawlspaces — ones that stick around because the homeowner never sees them. Moisture is a major one. Whether it's running water, standing water or moisture evaporating from a sandy crawlspace floor, any damage or problems won't be seen. If a full basement leaks or floods, sumps and mops will be deployed immediately. In a crawlspace, however, unseen moisture can damage wood, concrete, and make its way into the house.

The Connected Crawlspace. Is the crawlspace entirely separate from your customers' house ... right? Actually, no. All that grimy water, dust, and pest waste can float up into your house and get breathed in. Ugh! What could be worse?



Mechanical Monsters. HVAC system ducting often runs through the crawlspace, which is an effective way to move all the dust, moisture, pests and their leave behinds into the rest of the house. The reality is there are usually loads of poorly installed and unsealed ducts running through the crawlspace. If the ducts handle cold, conditioned air in a humid crawlspace, then condensation — a pest attractor — could be in your customers' future. If the ducts have a foil sleeve, the condensation may accumulate within the sleeve.

Venting Problems Are Not Just For Attics. Another common problem is the vented crawlspace. A vented crawlspace can be a problem in humid (pest-friendly) climates. The idea behind ventilation is improving the interior air and conditions but what if the exterior air is worse than the interior air? Then a hole into the crawlspace will let in problems.

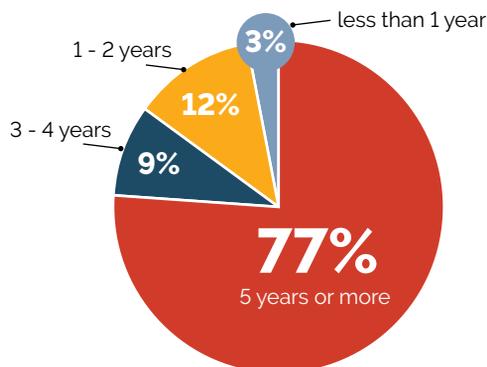
Unlike basements, where the homeowners may see and fix any problems, crawlspace problems can fester for ages. And problems that occur in the crawlspace affect the whole house. Take care of the crawlspace and you'll take care of the whole house.



Adapted from www.GreenBuildingAdvisors.com. GreenBuildingAdvisor.com is dedicated to providing the most useful, accurate, and complete information about designing, building, and remodeling energy-efficient, sustainable, and healthy homes.

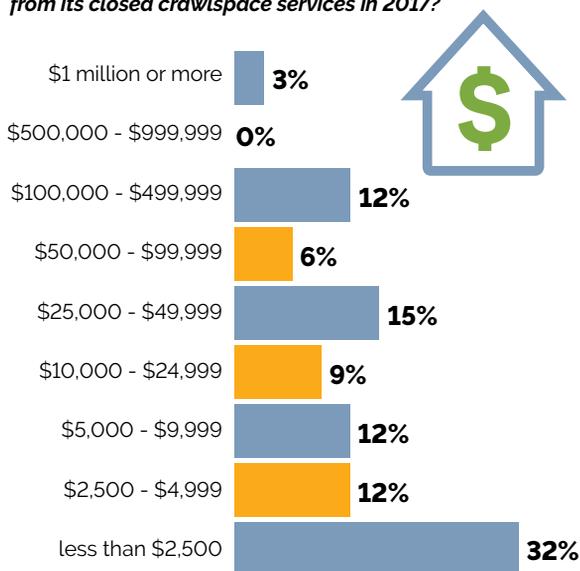
MOST HAVE PROVIDED THE SERVICE FOR MORE THAN 5 YEARS

How long has your location been offering closed crawlspace services?



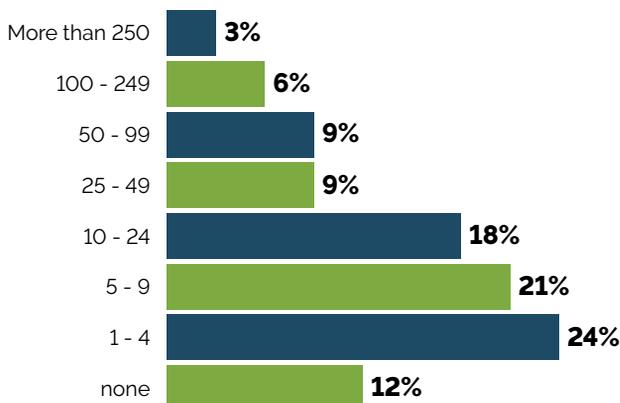
TOTAL REVENUE GENERATED

How much revenue did your location generate from its closed crawlspace services in 2017?



AVERAGE NUMBER OF JOBS

How many crawlspaces did your location close in 2017?



ONE-THIRD OF PMPs REPORT REVENUE GROWTH

How did your location's revenue generated from its closed crawlspace services change in 2017 compared with 2016?



DISTRIBUTORS LEAD THE WAY

Where does your location buy its crawlspace supplies?



Source: Readex Research; Number of respondents: 34

ABOUT THIS SURVEY

The findings cited in this report are based on a survey sponsored by Crawlspace Depot. The survey was conducted by Readex Research, a third-party research firm based in Stillwater, Minn. The survey sample of 4,163 was systematically selected by PCT and Readex Research from emailable recipients of PCT at unique company locations in the United States with titles of owner, partner, executive, president and technical director. The survey was conducted April 17-27, 2018, with 169 total responses — a 4.1% response rate. To best represent the audience of interest, most results in this report are based on the 34 respondents who indicated their location offers closed crawlspace services. The margin of error for percentages based on 34 respondents whose location offers closed crawlspace services is ±16.6 percentage points at the 95% confidence level. Results may not add up to 100 percent due to rounding.

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Before



After



*According to research done by Advanced Energy and funded by the U.S. Department of Energy.

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Entering the

CRAWLSPACE MARKET

Everything from the right tools to the right team should be considered before expanding your services to include the closing of crawlspaces.

The first thing to consider before offering crawlspace services is the potential crawlspace market. Ron Schwalb, B.C.E., technical director for U.S. Pest Protection, said PCOs should investigate their area to see if a high percentage of existing homes have crawlspaces or if homes with crawlspaces are currently being built.

Typically, more newly built houses in the South, West and East have crawlspaces than other regions in the United States.

Next on the list to investigate, according to Schwalb, is whether or not your company has access to all the necessary tools. Crawlspace service can take a wide variety of tools, depending on the type of treatment needed. “Good inspection tools such as flashlights, wood moisture meters and relative humidity meters are a good start to determine if problems exist in the crawlspace and

what would be the method of correction or control,” Schwalb said.

For treatment of decay or wood-destroying insects, other tools that may be needed include a tank spray unit or other portable spray unit dedicated to crawlspace treatments, high-grade polyethylene moisture barrier material, a dehumidifier, wall and pier polyethylene material, products to seal cracks and holes in subfloor areas or foundation, and items to close wall vent areas depending on the level of encapsulation desired, Schwalb said.

EDUCATE YOUR TEAM. Before offering crawlspace services, Dayton Hylton, owner of Dayton’s Pest Control in Knoxville, Tenn., said PCOs should do the best they can to educate themselves on what crawlspace service entails.

“We’ve seen a lot of people who are trying to copy somebody that’s doing it, and they’re either underpricing or not being thorough or they’re just not doing a good job,” he said.

Hylton, who has been offering crawlspace services since 2007, attributes much of his success in this area of business to continually teaching and training himself and his technicians.

“We went to training,” Hylton said. “It helps you understand the need and the purpose for it and to be able to tell the customer the value in it — why they need to spend \$10,000 on their crawlspace. It helps you to do the job right, so you’re not going back and repeatedly trying to fix what you’ve messed up under the house.”

In addition to in-person training, educational resources can be found online in the form of videos put out by material distributors, which provide training on installing an encapsulation in a crawlspace.

THE RIGHT PEOPLE. Treating crawlspaces is no easy job. It often involves hours of work in dark, cramped spaces, and sometimes one job can last for days. That’s why Hylton said having the right people on your team is a necessity if you’re going to offer crawlspace services.

“Instead of a 15-minute inspection or an hour of doing work, you’re going to spend days in the crawlspace,” Hylton said. “So, you better have either some small people or some people in good shape that can do the work.”

He added that having a crawlspace team like this helped them complete what Hylton calls the worst job they ever did — a crawlspace that was roughly 2 feet high and filthy. “We did get it done, miraculously,” Hylton said.

One of the most difficult things in maintaining and growing your crawlspace service, Hylton said, is selling the service. He recommends having a person who excels at this as well.

“Selling the encapsulation is a lot different than the termite treatment because you go from a \$100-\$1,000 treatment to a \$5,000-\$10,000 job or more,” he said. “We had a hard time until we took 100 percent of our staff to training.”

After this, Hylton’s company updated to having just one person primarily selling the crawlspace service. This one person is able to run a program that explains the service to customers as well as creates proposals that can be easily sent to customers.

“He’s college educated, he has full understanding of the system and the software to be able to sell it,” Hylton said. “That’s probably been the key thing: having a person (lead the program).” ■

**WE’RE THINKING ABOUT IT:
PMPs CONSIDERING OFFERING SERVICE**

Has your location ever considered offering closed crawlspace services?



Source: Readex Research
Number of respondents: 135 (those whose location does not offer closed crawlspace services)



HOUSING TRENDS: WHAT DO THEY MEAN FOR THIS MARKET OPPORTUNITY?

According to a construction report from the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, the number of building permits for privately owned housing units increased 4.2 percent since July 2017. Building permits for single-family homes also saw an increase of about 1.9 percent from June to July 2018. Furthermore, 15 percent of newly built single-family houses in 2017 had a crawlspace, an increase of 1 percent from 2016, according to data from the Census Bureau.

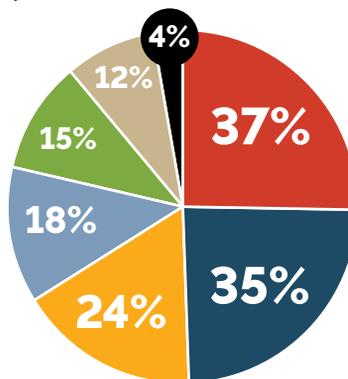


Western states have the largest amount — 20 percent — of new homes built with crawlspaces, while the Midwest has crawlspaces in fewer than 5 percent of newly built houses, Census Bureau data says. In the Northeast, 12 percent of newly constructed homes have crawlspaces, and 16 percent of new homes have crawlspaces in the South. Each region in the U.S. has either remained the same or experienced an increase in the percentage of new single-family homes built with crawlspaces in the last year.

For PCOs already marketing closed crawlspace services, these trends offer reassurance that the market is still viable. As for those considering entering the market, the trends in these data show that the crawlspace market continues to grow, and a potential target audience lies in new home builders and homeowners.

REASONS FOR NOT OFFERING THE SERVICE

Why hasn't your location entered the closed crawlspace market?



- lack of demand (not many homes with crawlspaces)
- no time to investigate the market
- requires specialized service technician skills
- liability concerns
- cost of supplies/equipment
- money/investment costs
- difficulty identifying the appropriate vendor partner

Source: Readex Research; Number of respondents: 135

Why **MARKETING** MATTERS



In a survey conducted by PCT for this State of the Closed Crawlspace Market Report, most PMPs (68 percent) said they rely on word of mouth/referrals followed by online advertising (38 percent), home shows/special events (12 percent), direct mail (9 percent) and radio (6 percent). Twenty-one percent of PMPs indicated they do not advertise their crawlspace services.

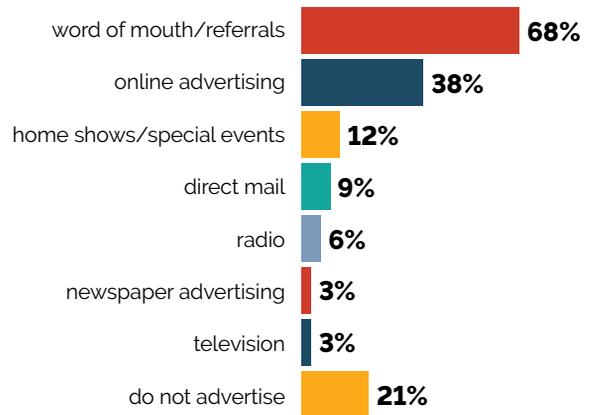
“We do quite a bit of radio advertising,” said Dayton Hylton, owner of Dayton’s Pest Control in Knoxville, Tenn. “We also do a few magazines and a few sponsorships. We’ve alternated over the years.”

In addition to how PMPs market their closed crawlspace services, it’s important also to consider who companies market to. When Hylton first began offering crawlspace services in 2007, he focused his marketing efforts on his existing customers. Hylton said many homes in need of crawlspace treatment are often already receiving termite treatment, making it easier to cross-market crawlspace and termite services.

“We could talk to existing termite and pest control customers that had moisture or wood decay issues in their crawlspaces,” Hylton said. “Not to mention, it was less costly to market to existing customers with statement stuffers, email blasts, door hanger bags or just verbally when providing another service.” ■

WORD-OF-MOUTH DRIVES SALES

What methods does your location use to advertise its closed crawlspace services?



Source: Readex Research; Number of respondents: 34



When it comes to marketing crawlspace services, pest management professionals use a variety of advertising and public relations methods.

Revolving Up REVENUES

When deciding to add crawlspace services, one of the most important things to consider is whether it's a good financial move.

When asked how much revenue they generated from closed crawlspace services in 2017, 24 percent of survey respondents said they generated between \$10,000 and \$50,000. Twenty-one percent indicated they made more than \$50,000, while 56 percent generated less than \$10,000 in revenue.

When asked about growth between 2016 and 2017, 56 percent indicated their crawlspace revues had remained the same, but 35 percent said they saw their revenue increase.

To gauge the market's future, pest professionals were asked how they expect their location's crawlspace revenue to change in the next year. Of the PCOs who offer crawlspace services, 41 percent believe their location's revenue will increase in the next year, while 50 percent believe it will remain the same. Only 6 percent of respondents think their crawlspace revenue will decrease.

What do these numbers mean? Closed crawlspace service is a niche offering for pest professionals that can be a great source of revenue. However, the location of your company highly impacts whether closed crawlspaces services would be a good fit for you.

Dayton Hylton of Dayton's Pest Control said crawlspace service, when done right, can be a solid source of revenue due to the amount of time and technicians needed to do the job.

"We have somewhere between six to 10 weeks booked right now. We don't lay off anybody, and we have four or five guys on the crew," Hylton said. "With the crawlspace encapsulation, we can block anywhere from one to three days, and we're not struggling every single week to keep the crew busy. It really fills up the schedule and keeps our men busy." ■



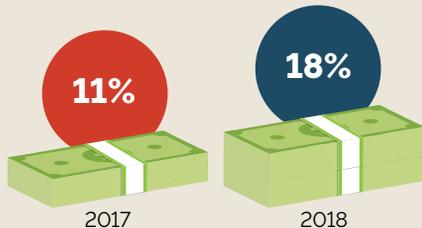
PMPs CAUTIOUSLY OPTIMISTIC

How do you expect your location's revenue generated from its closed crawlspace services to change in the next year?

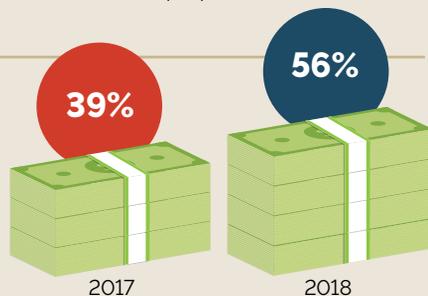


Source: Readex Research; Number of respondents: 34

COMPANIES REPORTING \$50,000-\$499,00 IN REVENUE



COMPANIES REPORTING LESS THAN \$10,000 IN REVENUE



Source: 2017 and 2018 Readex Research; Number of respondents: 34 (2018) and 38 (2017)

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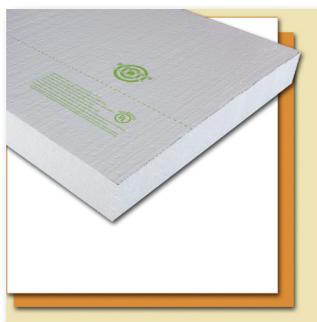


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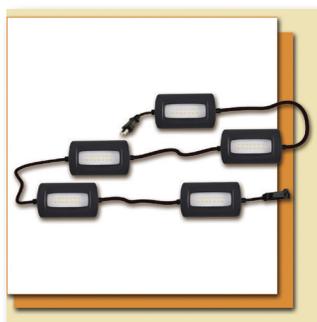
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