2021 State of the TERMITE MARKET REPORT

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To protect the health, food and property of their customers, PMPs are not able to stay at home; instead they are on the front lines of the COVID-19 crisis, performing essential pest control services throughout North America. How have they done it? Through personal sacrifice and doing what successful entrepreneurs always do, adapting quickly to rapidly changing market conditions and evolving as a business.

While challenging days, no doubt, still lie ahead, the advent of spring is about new beginnings; flowers start blooming, termites begin swarming and customers become aware of increased pest activity around their homes and businesses. But this industry is no stranger to challenges, and one thing is for certain, our pest control partners always rise to the occasion.

On behalf of BASF, let me send my sincere gratitude for your continued support, strength and market commitment in the face of adversity. And let me reassure you that we at BASF will not waver in our commitment to your success either. Our #1 priority has always been and will remain to deliver on the promise of providing a comprehensive portfolio of high-quality pest control solutions designed to grow your profit potential and ensure your success.

Towards that end, we’re proud of the contributions of the Trelona® ATBS Annual Bait Stations, Advance® Termite Bait System and Termidor® HE termiticide, the most trusted name in termite control. BASF is leading the fight against termites with best-in-class insecticides and termiticides, as well as technologically advanced injection, monitoring and baiting systems. Whether your specific area is residential, commercial, pre-construction or post-construction, BASF has the products with a proven track record of success and the people with your best interests at heart.

Although the pandemic requires us to keep our physical distance from one another, our sincere hope is we will come out of this closer than ever through a spirit of understanding, support and solidarity. Let’s stay strong together!

Kind regards,

Dave Poling
Manager, Regional Marketing
BASF Professional & Specialty Solutions
MARKET: A Most Unusual (and Not So Bad) Year

Last year this time, pest management professionals were forecasting a robust termite control season for 2020.

Despite the coronavirus pandemic, which shut down the country in late March just as the termite season was kicking off in some areas, they got it.

In fact, 56 percent of PMPs said the COVID-19 pandemic had no impact on their termite control business, according to the 2021 PCT State of the Termite Control Market survey, which was sponsored by BASF and conducted by Readex, an independent research company.

Annual revenue from termite control services averaged 25.6 percent or $337,000 and was increasingly important to companies’ fiscal health. More than half (53 percent) of PMPs said termite services increased as a percentage of overall company revenue in the past three years; 39 percent said termite control was more significant to a company’s bottom line than it was five years ago.

Three factors helped create a surprisingly good year for termite control in 2020: more time spent at home, a robust real estate market, and conducive weather conditions.

MORE TIME to Notice Termites

According to the PCT 2021 State of the Termite Control Market survey, 66 percent of PMPs said customers became aware of termite issues sooner than in the past because they were spending more time at home due to the pandemic. In fact, 44 percent of PMPs said calls for termite service increased in 2020 compared to a year ago.

“You’ve got a number of people who were staying home and so they noticed more problems than they normally would have,” said David Moore, technical services manager at Lynchburg, Va.-based Dodson Bros. Exterminating, which saw termite revenue increase almost 10 percent in 2020.

When it comes to noticing swarms, timing is everything. Swarming occurs for a short period and if the homeowner isn’t there to witness it or doesn’t find left-behind evidence, such as wings, they may not know it even happened. This past termite season, more people were present when swarms occurred, said PMPs.

In addition, more people used the forced at-home time to do home renovations, which exposed termite activity.

“We had a lot of people doing remodeling and that also generated a lot of business for us,” said Jim Swayne, president, Safer Home Services, Clearwater, Fla. Termite work accounted for about 30 percent of the company’s revenue in 2020.

According to the PCT survey, 30 percent of PMPs said customers added onto homes, which required new termite treatments be performed around these structures.
Super-low interest rates made for a popping real estate market across much of the country. People refinanced homes or moved because they could now work remotely due to the pandemic. Often transactions required wood-destroying insect or wood-destroying organism (WDI/WDO) inspections.

“Wealth in inspections comes termite work,” pointed out Weldon Hurt, owner of Pest Patrol in Abilene, Texas. His WDIs were up 40 percent in 2020. New Yorkers and Californians were active buyers in his community. “The real estate market is so good in our area; I mean it’s just been phenomenal,” he said.

Even in markets without heavy termite pressure, home inspectors often recommended treatment, said Frank Illnick, owner of PermaKill Exterminating in Flanders, N.J. He benefited from this as more people moved into his rural community. “A lot of people are selling and buying out here; getting away from the city, I imagine,” he said.

Even the commercial real estate market delivered. “We had a good year,” said Diedrich Schweers, president of SWAT Mosquito & Pest Control in McClellanville, S.C. The company specializes in termite pretreatments for large commercial construction projects; Schweers recently pre-treated soil for a 685,000-square-foot warehouse.

Forty-five percent of PMPs said the 2020 termite swarm season was “average,” found the PCT 2021 State of the Termite Control Market survey.

In some areas of the country, however, PMPs said swarming activity was stronger due to an abundance of wet, warm weather. In fact, 16 percent of PMPs said termite swarming activity in 2020 was stronger than it was five years ago.

“We just had the perfect combination of moisture and humidity and so we had the best swarm that we’ve probably had in 12 to 15 years. It’s like the old days,” said Weldon Hurt, Pest Patrol.

Jamie Steffey, owner of Gateway Pest Control in Georgetown, Ky., attributed more activity to unseasonably warm weather in his region. “The temperature has been above average for the most part; that’s conducive to termite activity,” he pointed out.

Favorable weather in parts of the Southeast helped Formosan and drywood termites expand their range, said PMPs in follow-up interviews.

“We’ve had continued increase in Formosans; we’ve had some increase in (Eastern) subs and had a very big swarm season for drywoods,” said Jim Swayne, Safer Home Services.

Formosan termite activity also increased in markets served by Rice Pest Control, Anniston, Ala. “We’re trying to figure out what’s going on and how and why they’re here,” said President Tracy Rice, who thinks the pests are following railroad tracks since he’s found most infestations within a mile of the rail line.
Early in the pandemic, clients rescheduled or postponed termite work because they didn’t want to get exposed to the virus from technicians or by having to leave the premises for fumigation.

As such, termite work stalled. Then it picked up way. “In our six-and-a-half year history, we had never seen the kind of volume that we did in June,” recalled Jim Swayne, who shut down online lead sources each day that month to keep up with the volume of work coming in.

Kevin Mills, president of Mills Pest Management, Burbank, Calif., experienced a similar recovery. “When June hit, everybody seemed to be a little bit more informed and a little bit more comfortable and they started leaving their homes again and so all the fumigation started back up,” he said.

Another factor allaying client fears: “Termites are typically an exterior treatment,” said David Moore, Dodson Bros. Exterminating, of the subterranean pests.

More than a third (34 percent) of PMPs agreed that perimeter termite treatments were an attractive option for homeowners during the pandemic, found the 2021 PCT State of the Termite Control Market survey. PMPs typically provided post-construction termite treatments (95 percent), termite renewals (87 percent) and pre-construction termite treatments (77 percent). More than half (52 percent) used liquid control products as their primary method to control termites. Fifty-five percent of PMPs offered both liquid and bait system treatments to customers; one-third offered termite damage warranties. The average callback rate for termite control services was 1.9 percent.

The PCT survey also found that 31 percent of PMPs agreed customers were investing in their homes by proactively treating for termites.

Tracy Rice of Rice Pest Control saw older customers embrace preventive termite service.

“They tend to spend more for (home) maintenance and understand how you need to maintain your investment,” he said. Younger homeowners, by comparison, spend discretionary income on raising children. They tend to be more reactionary when it comes to home maintenance and termite control, he said.

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**Types of Termite Control Services Offered:**

- Post-construction termite treatments: 95%
- Termite renewals (re-inspection for an annual fee): 87%
- Pre-construction termite treatments: 77%
- Borate wood treatments: 55%
- Inspection or “monitoring only” services: 55%
- Termite exclusion services: 20%
- Fumigation services: 12%
- Other: 9%

Source: Readex Research; Number of respondents: 396; multiple responses

What is your location’s primary termite control service offering?

- Liquids only: 52%
- Baits only: 32%
- Both baits and liquids: 14%
- Other: 1%
- No answer: 3%

Source: Readex Research; Number of respondents: 396

Does your location offer a termite damage warranty?

- Yes: 33%
- No: 67%

Source: Readex Research; Number of respondents: 396
A perennial challenge made harder during the pandemic was finding employees. PMPs in follow-up interviews said generous unemployment benefits encouraged some people to not seek work.

“Our revenue was up. It could have been a whole lot better if we would have been full on employees,” said Weldon Hurt, Pest Patrol, who was short workers.

Another issue was pricing. According to the 2021 PCT Termite Control Market survey, the average price of a typical post-construction termite job was $974; a pre-construction job was $629. Prices in 2020 increased slightly from 2019 but were still lower than what PMPs charged on average in 2018.

“You have some companies; their business plan is to do volume. They get out there and they low ball everybody,” said Jamie Steffey, Gateway Pest Control.

Kevin Mills, president of Mills Pest Management in Burbank, Calif., raised prices for drywood termite control when the cost of fumigant increased. The move was “long overdue,” said Mills. “When you look back, fumigators have kept their pricing the same for the past 20 years or so, until recently.”

He said PMPs have long feared that higher prices will push customers to lower-priced competitors, but he found customers are growing “more concerned with receiving good customer service, quality work and a solid warranty versus cheap pricing.” Online lead generation and social media platforms have helped with this. “A good reputation goes a long way,” he said.

Spray foam insulation posed another challenge. The PCT survey found 52 percent of PMPs had encountered the insulation with some frequency while performing termite inspections, and 51 percent felt its use in structures had increased liability for the pest control industry.

“It’s almost impossible to find termites or inspect properly with that stuff on the walls,” said Steffey. “We make sure we document that we can’t inspect that area” to limit liability, he said.

When attics contain spray foam insulation, the aeration process for a drywood tent fumigation takes longer. As a result, these jobs now take five days instead of three, said Jim Swayne, Safer Home Services.

![Image of a termite]

### Average price charged for typical termite treatment jobs:

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<th>2020</th>
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<td>Pre-construction</td>
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Source: Readex Research, 2017-2020

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### How often does your location encounter spray foam insulations when performing termite inspections?

- always/almost always: 11%
- frequently: 40%
- sometimes: 38%
- rarely: 10%
- never: 10%

Source: Readex Research; Number of respondents: 396

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### How would you characterize the liability risks associated with termite work today compared with five years ago?

- increased significantly: 6%
- increased somewhat: 23%
- stayed the same: 49%
- decreased somewhat: 10%
- decreased significantly: 4%
- can’t compare; not involved 5 years ago: 8%

Source: Readex Research; Number of respondents: 396
OUTLOOK:
Hoping for Another Decent Year

In follow-up interviews, PMPs said they were surprised to be doing termite work in December. “It hasn’t slowed down yet, which is a little unusual,” said Kevin Mills, Mills Pest Management.

As long as the real estate market and weather remained favorable, PMPs predicted another good year for termite control service. According to the 2021 PCT State of the Termite Control Market survey, 60 percent expected termite control revenue to increase in 2021; 48 percent expected the termite services prices to increase.

“We’re very optimistic,” said Jim Swayne, Safer Home Service, who planned to add new field personnel and open a new branch location this year.

Diedrich Schweers of SWAT Mosquito & Pest Control expected a good year as long as the commercial construction industry continued to thrive. “I’m anticipating it to only continue to grow,” he said.

Other PMPs said the pace of real estate transactions in their markets would slow, causing a decline in termite work. Frank Illnick, PermaKill Exterminating, anticipated fewer people moving into his region from New York City. “Eventually this COVID nonsense is going to stop and people are going to stay where they are,” he predicted.

Tracy Rice, Rice Pest Control, wasn’t casting votes either way in terms of termite work in 2021. “It’s going to be steady but it’s going to be something that’s hard to predict,” he said.

ABOUT THE SURVEY
The PCT 2021 State of the Termite Control Market Survey was sponsored by BASF and compiled by Readex, an independent research firm in Stillwater, Minn.

A sample of 8,048 U.S. pest control business owners, executives and technical directors was systematically selected from the PCT database. Data was collected from 525 respondents — a 7 percent response rate — via online survey from December 1-9, 2020. Respondents who did not offer termite control services were eliminated. The margin of error for percentages based on the remaining 396 respondents is ±4.8 percentage points at the 95 percent confidence level.

Three quarters of PMPs surveyed said their companies offered termite control services. More than half of survey respondents (56 percent) were located in the Southeastern U.S.
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The Termidor® brand offers a portfolio of the most effective and efficient liquid termiticide solutions for pest management professionals to establish a termite-free structure. Termidor® provides 100% control at low dose rates and innovative formulations that offer additional water savings and labor efficiencies. PMPs rely on Termidor® as the most effective termite control technology and application methods on the market today.

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