

STATE OF THE CLOSED CRAWLSPACE MARKET

YOU'RE INSPECTING HOMES EVERY DAY. SO WHY NOT STOP YOUR CUSTOMERS' CRAWLSPACE MOISTURE PROBLEMS BEFORE THEY START?

EXCLUSIVE MARKET RESEARCH:

How Closing Crawlspaces Creates Revenue

How to Talk to Customers About Moisture, Mold and Lowering Energy Bills

Thinking Outside the Basement: Tips for Selling Encapsulating Services

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Above: A closed crawlspace. Below: A vented crawlspace.



CLOSED CRAWLSPACE Market Report

In the first comprehensive survey of this emerging market, PMPs share their insights about the role of moisture in attracting pests and what you can do about it.

When a pest management professional sees a crawlspace they see more than a dirty, hot and cramped space. They see a space that can provide termites and other pests with harborage and access to a home, and an area that needs to be inspected regularly. And for a small but growing group of pest professionals it represents an additional revenue opportunity.

Closed crawlspace services are currently offered by approximately 20 percent of



Above: A closed crawlspace. Below: A vented crawlspace.

pest management professionals, according to research conducted by PCT magazine for its State of the Closed Crawlspace Market Report.

This relatively small number is a reflec-

tion of the regionalism of the crawlspace market — it is strongest in the Southeast and Mid-Atlantic regions where high humidity levels are constant.

Crawlspaces have long been on pest

professionals' inspection protocols — particularly for annual termite inspections — but as construction practices have evolved, the desire to reduce moisture levels in crawlspaces has grown.

"Excessive moisture in the crawlspace not only attracts pests but it also can lead to other issues including mold, wood rot and impact air quality," says Billy Tesh, president of Pest Management Systems Inc. (PMi), in Greensboro, N.C., and an early adopter of crawlspace encapsulation. (CrawlSpace Care is what PMi calls its branded service.)

High moisture levels in crawlspaces also impact heating and cooling costs for homeowners. Tesh says a properly insulated and enclosed crawlspace can lower energy costs by as much as 18 percent annually.

For years, home builders vented crawlspaces to allow for air flow to reduce moisture, but increased use of central air conditioning created cooler surfaces that sometimes fall below the dew point, creating condensation on those surfaces. Traditional venting doesn't keep the moisture levels low enough to prevent dew point from being achieved on these colder surfaces.

Tesh's company offers full crawlspace encapsulation services, which includes installing a liner system on the ground and walls (insulation is installed in some instances), sealing vents, temperature and



Billy Tesh, president of Pest Management Systems Inc., Greensboro, N.C., is a pioneer in the field of closed crawlspace encapsulation services. "The industry is poised to take on a different role than just pest management with customers," he said. "Our job moving forward is to look at ways to further protect both the structure and its occupants through our services and one way is through the crawlspace."



humidity monitoring, and mechanical drying.

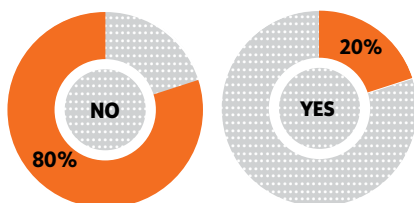
With 68 percent of those companies offering closed crawlspace services saying they've done so for five years or more, the market is growing, albeit slowly. This is partially due to the time required to perform the installation — the average job take three days — and concerns over technician training requirements.

This explains why, when asked how many crawlspaces their company enclosed in 2016, 42 percent indicated between 10 to 49 and 37 percent said they enclosed between 1 to 9 crawlspaces. Only 11 percent of survey respondents indicated they enclosed 100 or more crawlspaces last year.

Closed crawlspace services are not limited to new home construction and that should open the door for pest manage-

A SMALL BUT GROWING MARKET

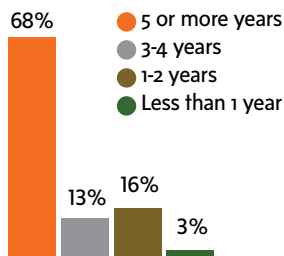
Does your company location offer closed crawlspace services?



Source: Readex Research; Number of respondents: 189

A RELATIVELY NEW PROFIT CENTER

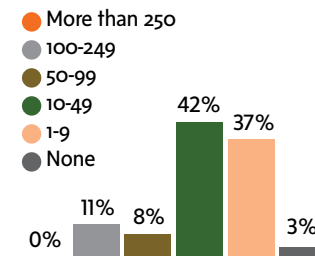
How long has your location been offering closed crawlspace services?



Source: Readex Research; Number of respondents: 38

AVERAGE NUMBER OF CRAWLSPACES CLOSED

How many crawlspaces did your location close in 2016?



Source: Readex Research; Number of respondents: 38

ment professionals looking to add the offering to their lineup.

"There are plenty of existing homes in need of this service and if your technicians know what to look for when it comes to signs of a moisture problem, you can generate leads," says Dan Dees of Piedmont Pest Control, a division of Northwest

Exterminating, in Laurens, S.C., who has been offering crawlspace services for nearly two decades.

Closed crawlspace services also push pest management professionals in the direction of offering whole home protection for customers and are an ideal fit for any company's integrated pest management

(IPM) and green building protocols.

"The industry is poised to take on a different role than just pest management with customers," says Tesh. "Our job moving forward is to look at ways to further protect both the structure and its occupants through our services and one way is through the crawlspace." ■

THE DOWNSIDE OF EXCESSIVE CRAWLSPACE MOISTURE

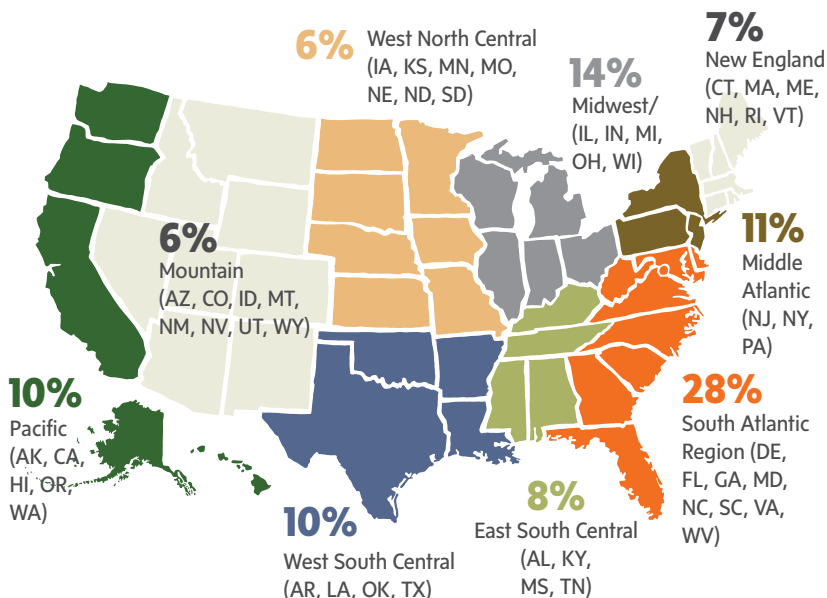
All pest professionals know excessive moisture is a leading conducive condition for attracting and sustaining a wide array of pests, including destructive termites. But other problems beyond increased pest pressure can occur as a result of high moisture levels in crawlspaces, including:

- Wood rot and fungus
- Mold or moisture damage in the crawlspace or living areas
- Poor air quality
- Higher energy bills
- Musty odors in the living area
- Condensation ("sweating") on air conditioning ductwork or equipment
- Condensation on insulation, water pipes or truss plates in the crawlspace
- Buckled hardwood floors
- Reduced property value
- Standing water in the crawlspace

These symptoms are most often noticed in the humid spring and summer seasons but can occur at any time of the year.

THE MARKET MAP

What areas of the country are "hot" spots for closed crawlspace services? As most would predict, warm, humid climates where moisture and condensation build up from nearly year around running of air conditioning units, is where the services are most in demand. PMPs from the following regions responded to PCT's State of the Closed Crawlspace Market report:



INSIDE THE CRAWLSPACE NUMBERS

According to the Survey of Construction report from the U.S. Census Bureau, 14 percent of new single-family homes in the U.S. have a crawlspace. The number of crawlspaces in newly constructed single-family homes peaked in 1971 when 26 percent of homes were built with one. The number of new homes with crawlspaces hit the 22 percent mark in 1991 and has declined since. Western states have the largest percentage (20 percent) of new homes with crawlspaces but humidity levels aren't as high there. In the South, 14 percent of new home construction includes a crawlspace; in the Northeast that figure is 11 percent.

This isn't all bad news for PMPs marketing closed crawlspace services. It means adjusting the approach from working with new home builders to focusing on homeowners through your termite inspection or striking up a relationship with other contractors that are doing projects in older homes and would refer your company.

THE REVENUE OUTLOOK

When pest management companies consider adding a new service offering, questions need to be asked about its impact on technician training, equipment purchasing, routing/scheduling and, above all, is it a good financial move.

After all, in an industry where time is money if a company can't realize a reasonable profit for its efforts it may not be worth pursuing.

In the PCT State of the Closed Crawlspace Market research study, pest professionals were asked about revenue generation for crawlspace services and what their expectations were looking ahead.

When asked how much revenue was generated from closed crawlspace services in 2016, 45 percent indicated it was between \$10,000 and \$50,000. Fourteen percent indicated their company generated more than \$50,000 in revenue. Nearly 40 percent of respondents indicated they generated below \$10,000 in revenue from closed crawlspace services.

When asked about growth between 2015 and 2016, 55 percent indicated revenues remained the same but 39 percent responded they realized revenue growth.

To gauge the market's future, pest professionals were asked about their projections for revenue in 2017 and nearly 40 percent felt they would see an increase.

What do these numbers mean? It is an accepted fact that closed crawlspace services are a niche offering for pest management professionals. The location of your company significantly impacts the decision on whether or not you should offer these services.

"The humid climate and moisture conditions in the Mid- and South Atlantic regions and Southeast are prime territory for closed crawlspace services," says Billy Tesh, president of Pest Management Systems Inc. in Greensboro, N.C. "Plus new home construction is active and builders are receptive to the closed crawlspace concept."

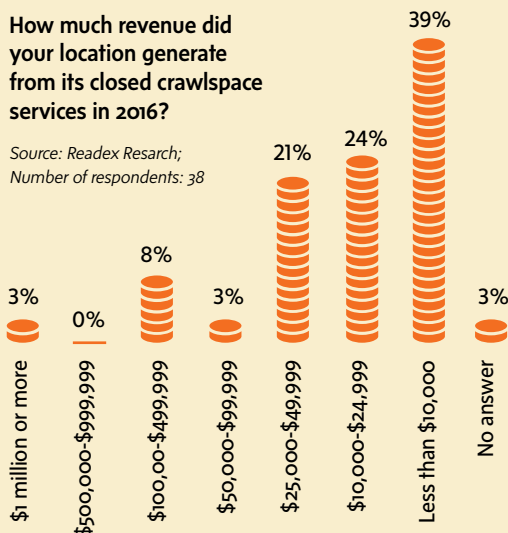
Dan Dees of Piedmont Pest Control in Laurens, S.C., said profit margins on closed crawlspaces are solid if the job is done right.

"Crawlspace services can generate a healthy return on your investment as long as your team understands the concept from top to bottom," adds Dees. As a result, closed crawlspace services continue to have a promising future in the pest management industry.

REVENUE GENERATED BY CLOSED CRAWLSPACE SERVICES

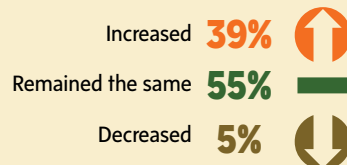
How much revenue did your location generate from its closed crawlspace services in 2016?

Source: Readex Research;
Number of respondents: 38



MORE THAN A THIRD OF PMPS REPORT MARKET GROWTH

How did your location's revenue generated from its closed crawlspace services change in 2016 compared to 2015?

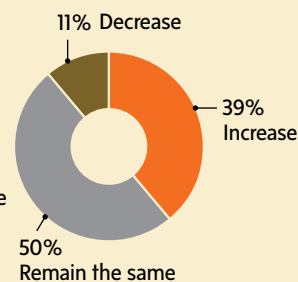


Source: Readex Research; Number of respondents: 38

PMPS GENERALLY OPTIMISTIC ABOUT THE FUTURE

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

Source: Readex Research
Number of respondents: 38



ABOUT THIS SURVEY

The survey sample was randomly selected from PCT magazine's e-mail list of PMP owners/operators, executives, partners and presidents. The survey was conducted by Readex Research,

a third-party research firm, from March 14 through March 24, 2017, with 189 total responses — an 8.2 percent response rate. The margin of error for percentages based on those respondents

whose companies offer closed crawlspace services is plus or minus 15.7 percent at the 95 percent confidence level. Results may not add up to 100 percent due to rounding.

Why close a crawl space?

Closing a crawl space, includes sealing the vents, insulating the walls, creating a vapor barrier and conditioning the air in the crawl space. It is considered the best practice standard. Closing the crawl space in new construction is being used or reviewed for adoption in many building codes as well as by LEED homes and NAHB Green homes. The leading research on this subject was performed by Advanced Energy under a grant from the U.S. Department of Energy (see www.crawlspaces.org).



The common symptoms of a crawl space moisture problem are:

- Mold/moisture damage in the crawl space/ living area
- Musty odors in the living area
- Condensation ("sweating") on air conditioning ductwork or equipment
- Buckled hardwood floors
- Condensation on insulation, water pipes or truss plates in the crawl space
- High humidity in the living area
- Insect infestations
- Rot in wooden framing members



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(12'x100' Roll)	
8 mil.....	\$155.99
(12'x100' Roll)	
12 mil Economy	\$189.99
(12'x100' Roll)	
12 mil.....	\$439.98
(24'x100' Roll)	
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(12'x100' Roll, white on white)	



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More than 76 million homes in the U.S. are currently built on crawl spaces. 18% of all new homes built in the U.S. are built on crawl spaces. This presents a great opportunity for the pest control industry to significantly improve families' quality of life, save millions of dollars in energy usage and make the job of maintaining pest-free homes for your customers a little easier. Please give us a call to find out more about this opportunity.

Closing the crawl space provides the following benefits:

- Improves air quality throughout the home
- Saves up to 18% in heating and cooling costs in the Southeast*
- Reduces buckling of hardwood floors
- Reduces mold and wood decay on floor joists
- Creates warmer floors in the winter
- Reduces pest and termite pressure



LED String Light
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\$68⁹⁹



MegaDry[®]
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Monster Dry[™]
Dehumidifier

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

Set up an account online, then call to receive the installer pricing shown.

Are Crawlspace Services A Good Fit for Your Company? A Guide to Getting Started



So you want to offer homeowners closed crawlspace services? This niche market for PMPs does offer good margins and pairs nicely with your termite inspection and renewal services, but there are a few things to consider before you crawl into the business.

DETERMINE THE NEED

Look at your market and determine the need. If you are located in the Southeast, Mid-Atlantic or portions of the Midwest — the climate, with its warm, humid summers, and a deep client base familiar with using pest services — gives you a good start.

IDENTIFY THE TALENT

Most companies offering crawlspace services deploy their termite inspectors and technicians out of the gate because of their familiarity with home construction practices and the frequency of their visits.

“Homeowners do not go into their crawlspace often but technicians and inspectors are there at least once a year if not more,” says Billy Tesh, president of Pest Management Systems Inc. in Greensboro, N.C. “They make ideal candidates to provide these services until you get up to speed.”

Providing technicians with the proper training on the latest construction practices and installation procedures is a given, but so is educating them on how to explain the benefits — lower moisture levels and thus lower pest pressure, better air quality, less fungal growth, insulation damage and energy cost savings — of a closed crawlspace to the customer.

THE CONTRACT

Like other pest control offerings, the service contract is an important element with crawlspace services. Similar to a termite contract, it lets homeowners know what their responsibilities (e.g., fixing plumbing leaks, etc.) are before and after the service (e.g., do not store flammable materials or make home improvements that would disturb or alter the installation).

THE COST

The start-up costs and overhead for offering crawlspace services are not extraordinarily high, but pest professionals do need to understand there is an investment in time, training and labor to do the job right.

“It is not a ‘you can do three jobs in a day’ offering,” says Dean Bennett of Bennett Termite & Pest Solutions in Bishopville, Md. “It is a multi-day process and requires technicians to know and trust the

process. It will take extra supervision at the start but once you get a few jobs under your belt you get into a rhythm,” he said.

Another factor to consider is whether or not you have the right vehicle to transport the materials needed for a closed crawlspace job.

Dan Dees of Piedmont Pest Control, Laurens, S.C., says his company purchased a used mid-sized moving truck to accommodate the materials and supplies needed for each job. ■

WHAT’S STOPPING YOU?

With a small niche in an industry that is constantly looking to expand its service offerings, one may wonder why pest management professionals are not pursuing closed crawlspace services.

The PCT State of the Closed Crawlspace Market research study asked just that question. The leading answer (36 percent) from respondents was that they simply did not have the time to properly investigate the market and determine if it was a good fit for their operation.

Other reasons for not expanding into the closed crawlspace category include: it requires specialized technician skills and training (25 percent); liability concerns (15 percent); money/investment costs (12 percent); and the cost of supplies and equipment (11 percent).

“Offering closed crawlspace services does require more time and training for a company’s technicians,” says Billy Tesh, president of Pest Management Systems Inc., who said the average installation job takes three days. “Some companies are resistant to change and are not sure how to test the waters without jumping in with both feet.”

As any veteran pest professional will tell you, working in a crawlspace is not pretty, especially in warm summer months. It is hot, humid, cramped and dirty. This is another reason why some companies shy away from offering crawlspace services.

“It is not a clean job that is for sure,” says Dean Bennett, president of Bennett Termite & Pest Solutions in Bishopville, Md. “Some companies don’t want to mess with insulation and there is the liability issue as well but we view it as a growth business in our region.”

WHAT’S PREVENTING PMPs FROM ENTERING THE MARKET?

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



Source: Readex Research; Number of respondents: 151

Effectively Marketing Crawlspace Services

Current clients and relationships with home builders move the needle on crawlspace services.

The methods by which pest management professionals market crawlspace services vary, but they center primarily on online advertising, buildings relationships with home builders and other related service industries (e.g., HVAC, plumbers, etc.), and promoting services to their customer database, especially termite clients.

In a survey conducted by PCT as part of our State of the Closed Crawlspace Market report, pest professionals offering these

services were asked what methods they use to advertise their crawlspace services.

Topping the list was online advertising (34 percent) followed by home shows/special events (18 percent), direct mail (13 percent), and newspaper and radio advertising and other methods (all 11 percent). Surprisingly, 45 percent of respondents indicated they did not advertise their closed crawlspace services.

“We use television and vehicle wraps



on our trucks to promote our crawlspace services but we also rely heavily on referrals from current customers and establishing relationships with builders,” says Billy Tesh, president of Pest Management Systems Inc. in Greensboro, N.C.

Tesh says he works with more than 60 home builders in North Carolina to install closed crawlspaces in new homes (the company also does retrofits on existing structures) and that more builders are seeing the benefits.

“Builders want to deliver a new home that doesn’t have moisture issues that can lead to increased pest pressure, mold, poor indoor air quality and damage (buckling) to wood floors,” says Tesh.

Marketing to builders also provides PMPs the opportunity to sell their termite pre-treat services.

“Presenting a bundled package that includes termite pretreats and renewals, and an enclosed crawlspace, provides builders and home buyers a valuable service and creates a sustainable revenue stream,” adds Tesh, who says working with builders also eliminates the need to resell the contract to the homeowner.

Pest Management Systems offers termite services, and the link between the two has proven to be seamless and beneficial, Tesh says.

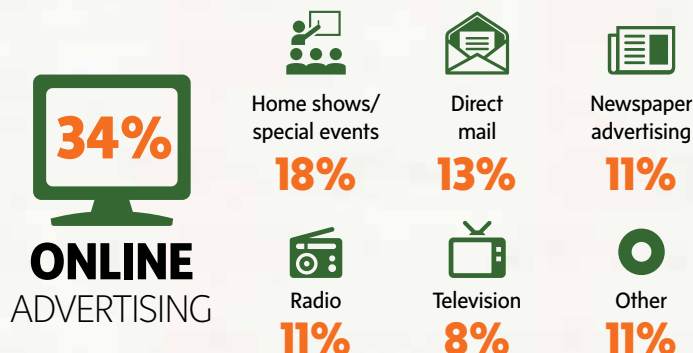
“Our termite inspectors and technicians can identify potential issues before they become a problem,” says Tesh. “Consumers appreciate the convenience of being able to solve two tasks and protect their home with one call.”

Even though Bennett Termite & Pest Control in Bishopville, Md., does not contractually connect its termite renewal and crawlspace services, it does see the value in cross-marketing the services. The company also relies on relationships with local builders to generate leads and sales.

“A good number of our leads come from our termite technicians,” says

MOST POPULAR ADVERTISING PLATFORMS

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



Dean Bennett, president of the East Coast-based company. “Our termite people know the territory in a crawlspace and can spot signs of moisture-related issues such as wood rot and damaged insulation.”

Bennett says developing and maintaining relationships with builders has also been key to growing this service segment for the seven-year old company that serves customers in parts of three states — Virginia, Maryland and Delaware.

“Builders are far more aware of the problems associated moisture than they were 10 years ago,” says Bennett.

He credits a more informed customer base about the potential threats of termites and other pests, wood rot fungus, and damage to insulation due to moisture build up, for driving builders to address the crawlspace issue.

“In the Mid-Atlantic region where humidity is high, especially in the summer months, moisture levels in a crawlspace can rise and create conducive conditions for termites and other pests,” adds Bennett, who says he has seen a steady demand for his company’s services over

the last few years.

Both Bennett and Tesh agree that current clients are the best target for crawlspace services and creating sustainable revenue streams following the initial service.

“Having a truck parked in front of a home during a service and leaving signage at each job site is effective advertising for us,” says Tesh. “Neighbors inevitably ask the homeowner what service they had done and we generate solid leads from that.”

The convenience of the offering and peace of mind homeowners receive by knowing their crawlspace will be inspected regularly and minor maintenance tasks (e.g., changing dehumidifier filters) is another selling point.

Referrals from other professional contractors such as HVAC, plumbers, insulation installers or home repair companies also can generate leads.

“I hope more pest professionals embrace closed crawlspace services and take the lead,” says Tesh. “If we don’t, other service industries will take the business and dictate how it is done, and that might not be good for homeowners.” ■

Are you closing crawl spaces?

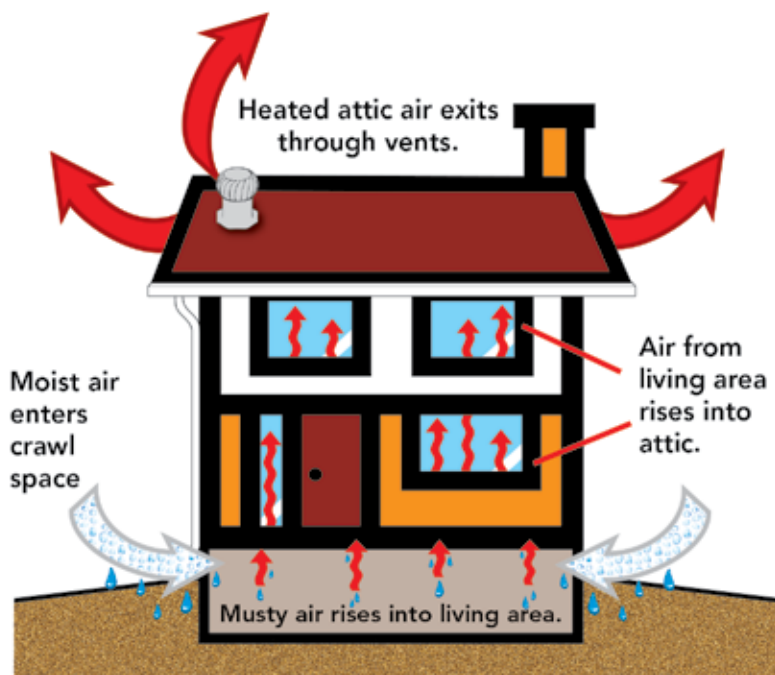
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THE STACK EFFECT

Control moisture and the problems it causes to prevent the Stack Effect.

When moisture enters a crawl space, it can condense on floor joints, insulation and equipment, leading to potential fungal growth and wood rot. The bad air from the crawl space is pulled right up into the living area due to the Stack Effect (see diagram). As much as 60% of the bad air in a home comes from the crawl space. Closing a crawl space solves these problems by creating a clean, conditioned space that keeps moisture out. Give us a call to find out more!



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