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Mergers and Activity Increasing

Over the past six months, the pest control industry has experienced significant mergers and acquisitions (M&A) activity, reflecting strategic consolidations and heightened interest from private equity (PE) firms. This trend underscores the industry's resilience and attractiveness to investors.

Private Equity Engagement:

PE firms have increasingly targeted the pest control sector, drawn by its recurring revenue streams and essential services. The industry's stability and growth potential have made it an appealing avenue for investment, leading to a surge in M&A transactions.

Strategic Acquisitions:

Major industry players have actively pursued acquisitions to expand their market presence and service offerings:

- *Rentokil Initial:* In the last six months, Rentokil has remained active in M&A, completing five acquisitions in

Q3 2024 alone, adding £39 million in annualized revenue. The company expects to allocate approximately £200 million toward acquisitions for the full year. Rentokil's global expansion strategy includes investments in pest control, hygiene, and related services, reinforcing its market position.

- *Rollins, Inc.:* In 2024, Rollins invested \$157 million in acquisitions, contributing to a 10.3% revenue increase over the prior year.

Market Outlook:

The pest control industry's inherent resilience continues to attract investors. Ongoing consolidation is expected as companies seek to enhance service capabilities and market reach. Successful integration and operational efficiency remain critical to realizing the full benefits of these mergers and acquisitions. The continued investments by Rentokil and Rollins suggest confidence in the long-term growth and stability of the market. 🌟

THE COST OF KEEPING a Below Average Employee

We've all been there. We're in the thick of pest season, your team is working long hours, 6-7 days a week. Your admins are fielding phone calls all day and you and your service manager are both pitching on starts. The very last thing you want to do is fire someone.

But this article isn't about the obvious reasons you might let someone go. We're talking about keeping below average employees. The ones that might have worked with you for a long time, or the one that filled an important gap last year in the middle of summer...but aren't superstars. Those are the employees we're talking about; the ones flying just below the radar.

What is the cost of a mediocre hire?

There's the obvious monetary cost. You've trained this employee, they're on payroll and accruing tenure and paid time off. But more than that, according to the U.S. Department of Labor, they could cost your business 30 percent of the employee's first-year earnings. They do this through cancellations, call backs, and a lack of upselling. They also won't bring the same number of customer referrals.



There are other intangible costs.

The cost of a mediocre employee extends beyond dollars and cents. They can affect your company's overall productivity, culture, and create resentment amongst your best employees.


Hire slowly.

It's hard enough to stay staffed, now I'm supposed to be even more selective??? Most owners are thrilled to have someone who is polite, professional, and able to start pitching in. So we overlook all the smaller, initial reservations. Here's a list of initial red flags to keep track of in the first 90 days.

- Chronic tardiness or frequent absences.
- A lack of concern for certain professional expectations. This could include their personal appearance or tidiness of their company vehicle.
- Repeatedly making the same mistakes, despite reminders and coaching.
- Blames others for mistakes or short-

comings.

- Has a bad attitude, is disagreeable or critical, or doesn't embrace your company culture.
- Not producing the quality of work you expect after an appropriate training period.
- Lacks the skills they claimed to have in their interview.
- Negative customer reviews, complaints, or callbacks beyond what's typical for your organization.

How many red flags is too many? Only you can decide that. But in our experience, the longer a mediocre employee remains on staff, the harder it is to replace them and these initial red flags often lead to larger and more egregious behaviors that can impact your company's reputation. At the end of the day, you can teach someone how to kill bugs. So it's important to hire employees that have a great attitude, who are professional, coachable, and willing to positively contribute to your team. *By* **THERESA CHILDS** 





Turf Masters Brands **ACQUIRES MR. TURF**

With the addition of Mr. Turf, Turf Masters Brands now operates 31 branches across 11 states and employs over 850 team members.

Turf Masters Brands, a provider of recurring residential lawn care services, announced the acquisition of Mr. Turf, a provider of residential lawn care, tree care and pest control services based in Fayetteville, Ga. With the addition of Mr. Turf, Turf Masters Brands now operates 31 branches across 11 states and employs over 850 team members. Terms of the transaction were not disclosed.

Mr. Turf has served homeowners throughout Fayette County, Ga., for more than 20 years and further expands the Turf Masters Brands footprint in the southwest Atlanta market. Following the acquisition, Mr. Turf will continue to serve its loyal customer base through the existing Mr. Turf team, who join the Company as valued employees.

“The addition of Mr. Turf aligns with our mission to grow strategically with brands that share our people first values,” says Jon Clift, CEO of Turf Masters Brands. “We are thrilled to welcome the Mr. Turf team to the Turf Masters Brands platform and look forward to providing additional career growth opportunities for employees, along with expanding our customer service area in the greater Atlanta region.”

Kemp Anderson Consulting represented Mr Turf in this transaction. [+](#)

Source: PCT magazine

How to price in a high-inflation environment



It's impossible to check the news these days without seeing news of rising inflation. Changes in the global economy, issues with supply chains, and shifts in consumer expectations have many business owners scratching their heads trying to figure out what it all means for their business. As costs rise across the board, services businesses face the challenge of adjusting their pricing while staying competitive. At times it can feel like walking a tightrope of preserving profits without driving away customers. In this piece, we'll explore strategies to begin navigating these tricky waters.

1. Benchmarking against competitors

One of the first steps in determining your ideal price point is to look outward. What are peers in the market doing? Are we over- or under-priced? There's not always a hard and fast rule for where

you should be. If you are a value-based provider that wants to succeed with high volume in a price-conscious market, the lower end of the spectrum is for you. If you offer a more premium service, for example, specializing in high-end residential customers, the higher end of the range might be fine. In any case, it will help to have a view into what the market pricing looks like, and to refresh this data over time.

Some methods for gathering market data include:

- **Manual collection:** If competitors have their pricing listed online, this is a great place to start. However, you may have to call and ask for their rate sheet like a potential customer would in order to get more specifics
- **Customer input:** You can ask new customers how your pricing ended up compared to others, and why they went with your firm. Plus, this pro-

vides a great chance to get to know new clients and understand what they're looking for in order to get the relationship off to a good start.

- **Industry reporting:** Industry associations or publications often cover broader price changes in the market. This will also come in handy later when discussing a potential price increase with customers – you'll be able to show that an increase is a nationwide trend due to factors out of your control.

2. Understanding changes in your prime cost

Rising costs can put strain on all parts of the business, but the most important area to monitor is your prime cost, or Cost of Goods Sold (COGS). There are 3 main components of COGS to look at:

1. **Labor costs:** Are wages up in your business? Have you had to give raises to keep talent, or spend more

than you normally would to attract talent? Tracking your average fully-loaded labor cost over time will help make sure you are able to appropriately adjust.

2. Fuel: Gas prices are one of the most obvious places that a business will feel the pain of inflation. Fluctuations here can drastically affect the bottom line over time.

3. Chemicals and other supplies: Often overlooked, these critical components of COGS can also see meaningful fluctuations in price, especially when impacted by supply chain shortages in recent years.

All of these factors together can add up to big changes in COGS, which can then wreak havoc on a business's gross margin. When thinking about how to adjust prices, it's important to work out how to best preserve gross margin in order to ensure the overall health of the business. In the short term, it will maintain healthy profitability. In the long term, being able to show a consistent gross margin, even during challenging economic times, will make your business more attractive and marketable to a potential buyer down the road.

3. Creative structuring to minimize customer turnover

One way to help reduce churn as you work to preserve gross margin is to be thoughtful in how you structure any increases. Once you have an understanding of where your own cost increases are coming from, you can help target the right underlying problem. For example, if rising fuel prices are what's driving up your COGS, consider a fuel surcharge for customers outside of a certain radius. Other options include:

- Offer a price break for long-term commitments: Encourage customers to lock in a lower rate by agreeing to a

long-term guarantee. This will lessen the pain on their end, and provide some peace of mind to you as a business owner

- **Institute a grace period for existing customers:** You could clarify that for all customers that have been with you over a year, the current price will remain valid for an extra 3 months. This helps provide some short term savings for loyal clients, and gives them time to process the change psychologically. By the time the actual price increase arrives in a few months, they'll have already been aware of it, and are less likely to cause a fuss.

- **Handle customer objections with case:** This one is fairly simple – for any customer that is particularly upset or concerned about the increase, make sure to go above and beyond for them. Several businesses have had success with raising prices, but for every customer that complained, they offered them the old rate for a longer period of time. Unsurprisingly, most customers accepted the price increase as is, and those that had issues with it could still be retained as customers moving forward.

4. Communicating clearly to customers

Any change in price requires proper notification to any affected customers. This is often the part that many business owners find the scariest – some even reject the idea of doing a price increase altogether at this point! However, this is short-sighted, and allowing your operation to remain underpriced will eventually erode profits and kill the business. Although it's not always a fun conversation to initiate, here are some tips for how to break the news to your customer base.

- **Send a direct, personalized note:**

A clear and concise message goes a long way in explaining what's happening and why. Be transparent with your customers (fuel is up X%, and supplies have increased Y% in the last 6 months)

- **Show empathy:** Customers will be more receptive if you acknowledge that a price increase will be hard on them as well, and that you appreciate their continued loyalty
- **Segment your communication:** If only some customers are affected, make sure to only notify the relevant parties. It's also worth adjusting communications for existing customers vs. new ones, if there are any different benefits you've decided to offer your current or long-time customer base.

The key thing to keep in mind when drafting a notice of a price increase is that you want to reduce confusion, while building trust and transparency. By being thoughtful in how you design a price increase, it's possible to do what's best for your business while also keeping customers happy and loyal.

Summary

Navigating the complexities of pricing during times of inflation requires a proactive and thoughtful approach. By keeping a close eye on market trends, understanding the nuances of your own cost structure, and communicating clearly with customers, you can adjust prices in a way that sustains your business's health and maintains strong relationships with your clients. Though price increases can be a difficult conversation, transparency and empathy can go a long way in helping customers understand the necessity of the changes. With the right strategy, your business can weather the storm of inflation, ensuring both short-term stability and long-term growth potential. *By GRANT SINNOTT* 🌟

TOP 100

Kemp Provides Insights on PCT's Top 100 List

Last summer Kemp sat down with Brad Harbison at PCT Magazine to discuss their newly released Top 100 list. The Top 100 is a snapshot of both publicly traded companies and private organizations that submit a variety of information about their companies including service mix, number of employees, number of offices, growth projection for the next year and more.

It's certainly interesting to look at the list, see how big the "big companies" are in terms of revenue and pole position, but there are some interesting metrics every owner can pull out of the list and see how it compares to their own operation.

1. Revenue per employee and revenue per location
2. Service mix
3. Year over year growth

Even though Rentokil and Terminix combined roughly 17,500 employees and 600 offices, you can

see that they've gained efficiencies by reducing overhead and increasing route density. So not only does Rentokil Terminix have more revenue than Rollins but their employees are producing more revenue per person. That's interesting but it might be even more interesting to do that same math for a business on the list that's in your same market. And while you look at their revenue per employee or location, you should also look at the service mix. How does it compare to yours or your competitors? Maybe it doesn't matter but it would be good to look at the information and compare. The final metric on this list that's worth review is the year over year growth. We know the top companies are always looking at their COGS, pricing, margin, route density, marketing channels, and more. And their year over year growth should reflect that. A new PCT Top 100 list will be released in the next month or so. Be on the lookout for an announcement from PCT on my upcoming podcast analysis of the 2025 list. 🎧



Tariffs

How Recent Tariffs Could Impact Pest Control Business Owners

Our industry relies on pesticides and specialized equipment, many of which are imported. With the recent implementation of new tariffs on imported goods, owners may face rising costs, supply chain disruptions... all which impact margin and the value of your business. So how will these tariffs affect your businesses and what steps can be taken to mitigate the impact.

1. Rising Costs of Pesticides, Fuel, and Equipment

While the United States is the largest exporter of pesticides globally (\$5.04B in 2023), we also import many pesticides, insecticides, and rodenticides from countries like China, India, Mexico, Germany, and Canada (\$1.84B). If tariffs increase the cost of these goods, pest control companies will likely see higher expenses.

In addition to pesticides, fuel prices are expected to increase with the new 10% tariff going into effect on Canadian oil products. Canada supplies around 60% of the crude oil imported to the United States.

Other related equipment, traps, and protective gear may also see price hikes if they are manufactured outside the US.

2. Reduced Profit Margins

With increasing supply costs, businesses may struggle to maintain their current pricing without implementing other efficiencies. Larger companies have the ability to negotiate better bulk pricing on pesticides or shift suppliers, so smaller operators could be hit the hardest. Businesses can reduce inflationary pressures by increasing prices annually.

3. Supply Chain Disruptions

In addition to higher costs, tariffs can sometimes lead to supply chain bottlenecks.

6. Strategies for Pest Control Business Owners to Adapt

Given these potential challenges, pest control companies can take proactive steps to protect their businesses:

- **Diversify Suppliers** – Businesses should consider multiple suppliers to avoid dependency on a single source.

If lots of companies shift their sourcing of chemicals or equipment, there could be delays in availability.

- **Bulk Purchasing** – Locking in current prices through bulk orders before tariffs fully take effect can help mitigate cost increases. For those operators who have already purchased, it buys them more time to compare options for next season.
- **Increase Service Efficiency** – Optimizing scheduling, route density, reducing waste, and improving application techniques can help offset higher costs.
- **Educate Customers** – Being transparent about cost increases and explaining the impact of tariffs can help justify price adjustments to customers.

Final Thoughts

While the full impact of the tariffs remains to be seen, and over time domestic production of more products will likely take place, staying informed, looking for opportunities, and remaining adaptable in the short term will be key to maintaining a successful season in the face of economic shifts. *

**Building a tenured
customer base does not
happen by accident,
it happens by design.**

You have to build value through professionalism, competence, great customer service, and communication.

Kemp Anderson, President
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Call for a free consultation today!



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