

Natural Pest Management
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Introduction

Most pest management professionals (PMPs) pursue customers from the same basic market segment. Although market data shows that there is a minor year-over-year growth in the total number of PMP customers in this market segment¹, to a great extent, competing for these customers is a zero-sum game (i.e., if your company wins a customer it usually comes at the expense of another PMP that loses that customer). In addition, since most PMPs offer substantially similar services, a common approach to acquiring customers from this market segment is to be the lowest-cost provider. Unfortunately, this low-cost dynamic encourages a race-to-the-bottom pricing mentality where industry-wide PMP profitability is the loser.

In this article, we contend that using traditional pest control will neither increase your addressable market (i.e., you will continue to draw customers from the same pool as other PMPs) nor enable you to compete cost effectively against the substantially similar services offered by other PMPs. To increase your addressable market and compete with differentiated services you will need to break-out of the traditional pest-control mind-set and offer a new type of service. We have accomplished just such a break-out with our Natural Pest Management system.

Natural Pest Management

Natural Pest Management is a category of pest-control services that use natural, organic and biological materials to effectively and cost-efficiently control pest problems while being safe around people, pets and possessions. Natural Pest Management shares several fundamental tenants with Integrated Pest Management (IPM). IPM has been defined as a decision-making process that anticipates and prevents pest activity and infestation by combining several strategies to achieve a long-

term solution². In particular, IPM includes: inspection, identification, control measures and monitoring.

Natural Pest Management, like any good IPM approach, involves all of these important steps. What distinguishes it is the system of specific pest-management products and control measures that it uses (e.g., only natural, organic and biological products). The system does not use any EPA-restricted use pesticides. In addition, it uses methods such as: baiting, deep-void-injection dusting, and granular bait applications that have limited risk of secondary contamination. Natural Pest Management does not include broadcast liquid chemical spraying either inside or outside of a structure. As a result there is no chemical drift or residue to inhale, or to settle on food or household surfaces.

Overall, Natural Pest Management employs the decision-making methodology of IPM in combination with products and techniques that are effective yet address the concerns that many customers have regarding the safety of traditional pest control.

Marketplace for Natural Pest Management

Natural Pest Management has a unique ability to be of interest to both current customers of PMP services and to some non-customers of PMP services. To better understand this point, a review of the overall Pest Control market is needed.

Several sources estimate the size of the Professional Pest Control market (based on

¹ "Why Your Future Looks Bright," PCT Magazine, May 2004, pp. 34.

² A more formal definition of IPM, based on its agricultural origin is a pest control strategy based on the determination of an economic threshold that indicates when a pest population is approaching the level at which control measures are necessary to prevent a decline in net returns. Economic threshold is the pest population density at which control action should be initiated. For practical purposes, when dealing with homeowners (and many other structural pest control customers) the economic threshold for most pests is quite small (e.g., one cockroach, one spider, several ants, etc.).

number of households) to be between 12% and 18% of the 108 million US households³. Therefore, between 82% and 88% of all US households do not use a PMP.

Let's examine this large base of non-PMP customers. Terminix recently surveyed a representative sample of these non-customers and found that 73% of them do not perceive any difference from one PMP to the next⁴. Their finding reinforces Xact Natural's own market research conclusion that providing undifferentiated, traditional pest-control services (similar to many of the 20,000 or so PMPs in the US) is not an effective approach for winning over these non-customers.

Some of these non-customer households are run by hard-core do-it-yourselfers and other non-customer households may be in areas where pest problems are not a significant issue. These customers are unlikely to use any type of PMP (including ones that provide Natural Pest Management). The exact size of this marketplace segment is not well defined. However, what we do know is that hard-core do-it-yourselfers and customers without pest problems do not represent all of the non-customers (i.e., combined they do not represent 82% to 88% of all US households). Even if these two groups represented 60% of all households in the US, there would still be an unaddressed and available PMP market that is equal to the size of the current market of PMP customers.

Our market research shows that once you eliminate hard-core do-it-yourselfers and households without a need, the remaining group of non-users is mostly composed of people:

- with respiratory disorders, or weakened immune systems, or chemical sensitivities
- who believe that less pesticides are better for the environment

- who are concerned about the effects of pesticides on the health and safety of their family members and pets.

Our findings show that these people are most likely not going to use a traditional PMP because of deeply held concerns regarding synthetic pesticides. However, when presented with a Natural Pest Management alternative that avoids the use of synthetic chemicals and avoids delivery methods that are prone to pesticide drift, many of these people are likely to conclude that a Natural Pest Management system is an effective approach for addressing their pest problem without compromising their existing physical condition or core values regarding the protection of people, pets and the environment.

If people in this group (of chemically sensitive or pesticide-adverse people) currently are using a traditional PMP (perhaps because their pest problem is severe enough to overshadow their concerns regarding traditional pest control), then they are even more likely (than people who do not use PMP services) to switch to a Natural Pest Management solution once they are aware that such a solution exists. In this case, it is even easier to convert a customer to Natural Pest Management who has already determined that she needs (traditional) PMP services than one who has not yet decided she is willing to use PMP services.

In summary, there is a large untapped market of potential customers for PMP services that will not likely be addressed successfully with traditional PMP services but can be addressed successfully with Natural Pest Management services.

Now let's analyze the current PMP customer base. A substantial portion of the US population has a wellness-oriented mentality. These people have an overall focus on a lifestyle of health and sustainability⁵. They are

³ 2002 US Census Data

⁴ Understanding Your Customers' Needs, Terminix December 2, 2004.

⁵ LOHAS (Lifestyle of Health and Sustainability) is a term that is becoming more common to describe these people. The concept behind LOHAS is that five once-disparate industry segments – Sustainable Economy, Healthy Living, Alternative Healthcare, Personal Development and Ecological Lifestyles – share the

motivated to spend their money on products and services that support their core values. I am not referring to just the “granola-eating crowd” or the “tree-huggers,” which are most likely not current PMP customers. Rather, the majority of this group consists of everyday people who are prepared to vote with their pocketbook in support of one or more of the following example beliefs: recycling, exercising, eating properly, protecting their home environment and protecting the Earth. These people also tend to be pragmatic (they are not fanatical about these beliefs)⁶. As such, they tend to act on these beliefs when several conditions regarding a new service (such as PMP) are true: it works as well as their current service, it is provided just as conveniently as their current service and it doesn’t cost more, or at least not much more, than their current service

We refer to this segment of current PMP users as the “Why Not” segment. In other words, all things being equal (especially effectiveness and cost), their thinking is: “If it works as well and costs the same, why wouldn’t I purchase a pest-control service that is safer for people, pets, possessions and the environment?”

Both our own research and the research of others overwhelmingly indicate the pervasiveness of this “Why Not” mentality. For example, research conducted in California in 2003 found that 81% of current users of professional pest control would be “somewhat likely” or “very likely” to switch to an “environmentally friendly” pest-control provider⁷. In the same California study, 1/3 of the homeowners that do not use a PMP said they were “somewhat likely” or “very likely” to hire an environmentally friendly PMP where they would not hire a traditional PMP.

In January of 2006, Xact Natural Pest Management surveyed 375 homeowners

(across Florida, Texas and California) who currently use a PMP⁸. On a scale of 1 to 10 (where 10 is the most willing), 42% of the homeowners (157) indicated that their willingness to change from their current PMP to Xact Natural Pest Management was 7, 8, 9 or 10 (“very willing” to “extremely willing”). Additionally, 80% (125) of these 157 people rated their satisfaction with their current PMP as a 7, 8, 9 or 10. In other words, the description of the Xact Natural Pest Management System was compelling enough that a significant percentage of homeowners who are “very happy” to “extremely happy” with their current PMP are “very willing” to “extremely willing” to switch to our system based only on a brief written overview of our system.

Also, in October 2005 Xact Natural Pest Management conducted focus groups in Orlando. A general consensus among the focus-group participants was that “natural” pest management meant “safer” pest management. Safer was also a characteristic that was “likely” or “very likely” to cause many of the participants to switch PMPs (and these same participants all indicated an extremely high level of loyalty to their current PMP).

To summarize, if current PMP customers are made aware of a Natural Pest Management alternative that is equally effective to the services they have today and costs approximately the same, there is a very good likelihood that these customers will consider switching to the Natural Pest Management system. When combined with the ability of a Natural Pest Management system to draw in customers who historically have not used PMP services, there is significant evidence of a substantial market opportunity for Natural Pest Management services. Our own success, discussed next, confirms this opportunity.

Xact Natural Pest Management

In 1999, at the urging of several customers who were also NFL players with chemical

common goal of purchasing healthy and sustainable products and services.

⁶ “Marketing To The New Natural Consumer: Understanding Trends In Wellness,” Hartman, H & D. Wright, 1999.

⁷ “Residential Pesticide Use in California,” Flint, M.L., 3/15/03.

⁸ Xact Natural Pest Management sponsored Internet Market Research, January 2006.

sensitivities, we began investigating alternatives to traditional pest control. Over the course of a year, working with talented university entomologists and through a great deal of field-based trial and error, we developed our Natural Pest Management system. In early 2000, we converted our traditional pest-control business into a Natural Pest Management company called A Nature's Best Pest Management. Over the next six years we delighted many thousands of South Florida customers with our safe and effective system. During this period, we perfected our system and drove down the service-delivery costs to where they are now price competitive with traditional pest-control offerings.

A survey of our current customers indicates that we have a good mix of both first-time PMP users (drawn to PMP services because of our unique value proposition) and customers who have switched to our system (from other PMPs) because of one or more of the factors or concerns mentioned earlier in this article⁹.

After completing extensive market research, we have re-branded our company to be called Xact Natural Pest Management, to emphasize the precision of our system to effectively address pest problems while simultaneously being safe around people, pets and possessions.

Interest in our system has come not only from customers but PMPs as well. To support the broad-scale adoption of Natural Pest Management, in June 2006 we began offering franchises to qualified pest-control operators. We offer pest-control services technicians and sales personnel the opportunity to own their own start-up Xact Natural Pest Management franchise and we offer existing PMP owners the opportunity to convert their existing company into an Xact Natural Pest Management franchise.

We believe Natural Pest Management is a significant part of the future of pest management and we are at the forefront of establishing its broad-scale adoption.

Contact Us

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⁹ A Nature's Best Pest Management survey of existing customers, May-July, 2005.