
The Business Impact of Pests

Rentokil

Ehrlich | Western | Presto-X
Your Local Pest Control Experts

Commissioned by Rentokil Initial, Cebr (Centre for Economics and Business Research) surveyed decision-makers in over 1000 companies across the USA and four developed economies (UK, France, Australia and Italy) globally to gain a US perspective on the business and economic impacts of pest infestations.

The true business impact

Introduction

From the restaurants in South Florida shut down in March 2015 due to rats and roaches, to the food manufacturer in New York – forced to close in 2013 for a period due to rat infestation, businesses dealing with food have to be constantly on their guard.

Those for whom food is not a core part of their business should also be wary – witness the New York City asset management company whose offices had to be fumigated due to the presence of bedbugs in August 2014, causing staff to work remotely, disrupting the working day and affecting productivity.

**It can happen
to the largest
and the
smallest – and
to the ones
that least
expect it, too.**



The true business impact

An international perspective

Pest infestations resulted in an estimated increase of \$9.6 billion across the countries surveyed.

In order to gain insight into the challenges and issues pest infestations can present, including the economic impact, Rentokil commissioned independent research agency Opinion Matters and the Centre for Economics and Business Research (Cebr) to identify key trends impacting businesses and pest control. Cebr has estimated that in 2014 alone, disruptions caused by pest infestations resulted in an increase of **\$9.6 billion*** in operating costs in the countries surveyed. In the same year, revenues declined by an estimated **\$19.5 billion*** because of pest incidences. The magnitudes of these impacts in the European countries studied can also provide useful guidance on the likely magnitude of those impacts across the rest of Europe.

It is true that humans have unwittingly helped the spread of pest infestations. Modern buildings, for example, with their internal ducts, voids, false floors and ceilings, provide a perfect setting for pests. As evidence from Cebr suggests that the main problem with infestations in Europe is presented by rodents, let's take mice as an example.

To indulge in their natural curiosity and share our living and working space as they forage for food, they gain entry to buildings via so called "mouse motorways" – the underground cable and pipe tunnels we have built beneath our feet. They are also often "delivered" on pallets of foodstuff from a manufacturer to a customer.

* Estimate Based on 1053 businesses surveyed across 5 countries. \$19.5 billion represents a gross loss and not a net loss.

Figures in this report were converted from pound sterling (as reported in the research) into USD using the average 2014 Sterling to US Dollar exchange rate. 2014 average exchange rate £1 = \$165

\$19.5
In lost revenue

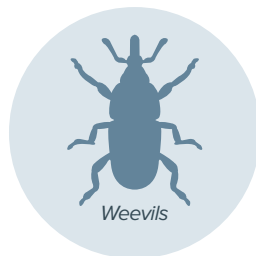
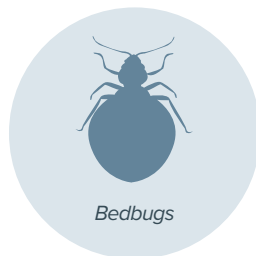
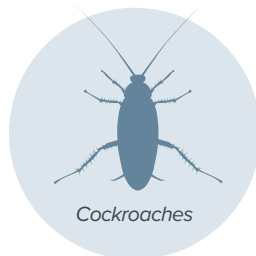
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Once inside, mice can squeeze through gaps .4 inch high, and require a relatively small amount of food to survive – only .1 ounce per day. When settled, they can reproduce frequently, with a gestation period of just three weeks, and litters of up to 16 pups. In perfect conditions, a pair of mice can produce as many as 200 offspring in a single year, and pups will only take up to 12 weeks to mature and also start breeding.

It doesn't take much imagination therefore to see how a mouse infestation can, if left unchecked, get out of hand very quickly. 42% of US businesses surveyed reported losing at least one working day per year as a result of infestation, and over a third of all infestations (36%) last for more than two weeks – which is enough time for a rodent problem to multiply.

The key to combating such infestations lies in understanding pest behavior and proactively managing pest control measures. Mice and other rodents, alongside cockroaches, bedbugs and stored product insects such as weevils and beetles, are consistently recognized as being common pests in the developed world. These are extraordinarily well suited to taking advantage of the conditions that humans create, whether that's a warm, damp kitchen, packed food product storage areas, or raw ingredients storage prior to use.

Each of these pests display specific behavior and preferences that see them thrive in their environment of choice. It is important to consider these when designing and implementing measures to prevent or eradicate an infestation.



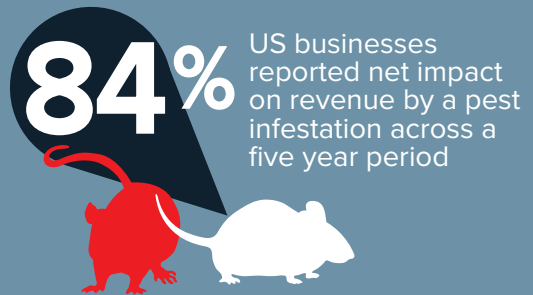
The true business impact

Yet, the reality of pest infestation is not just a loss of earnings, serious though that might be.

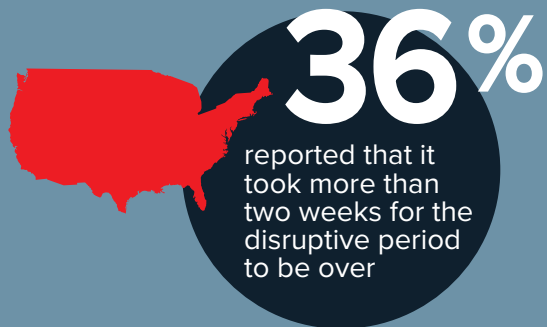
Businesses also reported on the legal, social and operational concerns that an infestation can cause. The damage to reputation, the impact on staff morale and health, the damage to electrical equipment, and the threat of compensation claims are all serious business worries, although the level and nature of concern varies from state to state. For example, businesses in the Midwest were much less likely to be concerned about compensation claims than their counterparts in the West with 15 percentage points between them. Three quarters of Western US businesses cited compensation as a high or moderate concern – by far the highest of the entire group. Midwestern businesses are mostly concerned with loss of reputation with 55% citing this as a high or moderate concern.

Overall, the Western states, including the Midwest and Southwest were found by far to be the least likely to be proactive in their approach to pest control. For the Southwest in particular, concern about damage to reputation was the highest, with 74% citing this as a high or moderate worry compared to a 64% average across the United States. The fear of reputational damage also does not align with what the same businesses reported as the actual negative impacts that have been experienced. One of the biggest negative impacts suffered specifically were business costs, which were reported to have increased after pest infestations. This was primarily due to negative impact on staff morale and finished goods damage, leading to replacement cost rather than a loss of reputation. This suggests that there is at least some misalignment of the perceived risks and the real impacts of pest infestations. And of course, to report concern about pest infestation, yet leave the risk of infestation and its potential steep costs to chance also seems to be a contradiction.

While less than one in five (16%) of US businesses reported no net impact on revenue caused by a pest infestation, it seems that one infestation can often lead to another: on average, US businesses reported almost three incidents (2.8) across a five year period.



Disruption can last for weeks. In fact 36% of businesses in the US that have suffered from an incident of infestation reported that it took more than two weeks for the disruptive period to be over, and to be able to get back to a normal routine.



The true business impact

**It is important
that all pest
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A key factor to consider in the response to pest infestation is whether or not a business operates in an industry that is subject to food safety and hygiene legislation, which defines the need for pest control. Where food is a core part of the business (retailing, manufacturing, distributing food and beverages) and where the business is public-facing, the need for proactive pest control measures is a higher priority, and is subject to food safety and hygiene legislation, regulated by national governments and auditing bodies linked to the industries themselves. The risks of damage to business income and reputation are consequently much greater here than for an office for example, that is not dealing with food as a core part of its operation, nor dealing face-to-face with the public. That certainly does not mean that businesses in these sectors can relax. As we saw with the example of the New York asset management firm, pests are not choosy about who they share premises with - all businesses must be vigilant.

Regardless whether pest control is a legal necessity that is deemed important enough to warrant a contract relationship with a supplier, or whether it is only seriously considered in response to actual incidences of infestation, it is important that all pest control solutions are tailored to different environments and individual businesses.

Businesses Handling Food

Cause and Effect: the real impact of infestation

Having food at the core of your business means that pest infestations are a very serious threat to business success. They can literally make or break a business. There must be a mind-set of zero tolerance towards pest activity; there must be an expectation that pests are always lurking due to the presence of food, and there must be continual action to prevent an infestation starting and therefore managing any potential risk.

There must be a mind-set of zero tolerance towards pest activity.

If members of the public are present on the business premises, there is also great potential for significant damage to a company's reputation, which can quickly snowball through word-of-mouth and social media. Pest control needs to be subtle yet effective in these instances, while those operating "behind the scenes" operations can take more explicit pest control measures.



Businesses Handling Food



78%

are concerned about
loss of reputation
through infestation

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**The cost to
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staff morale.**

The research commissioned by Rentokil has found, that for most public-facing food businesses in the USA, loss of reputation is the major concern related to pest infestation. On average, 78% of firms of this type cited this as a concern or a high concern

Infestations may occur in areas such as kitchens, storage and waste areas, and our research showed great concern in states in the West over compensation claims (75%) and loss of reputation (56%). Throughout the country, 76% of public-facing food businesses cited loss of income as a major concern, although other factors such as compensation claims (66%), and damage to electrical equipment (53%) also factored highly.

In the USA 49% of food-related, public-facing businesses reported that less than one working day each year has been lost in the past five years due to pest infestation. For non-public facing food related businesses, this figure was significantly lower at 32%

Food based firms tend to lose a higher number of days than non-food based firms – particularly those that are public facing. In fact, the difference between these two different types of firms can be as high as 20 percentage points when comparing firms that lost no working days at all over the past five years.



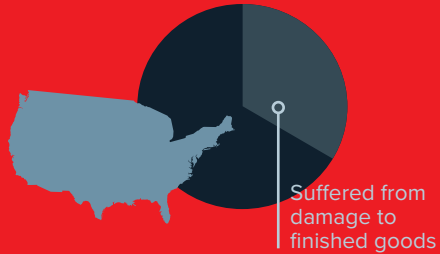
For businesses such as food processors or manufacturers¹, where the public are not usually on site, there are dangers of pest infestation at several parts of the supply chain: when raw ingredients arrive, inside machinery, in the warehouse or at the customer's warehouse.

According to the Cebr report, the costs to these businesses in the five countries studied have typically been mostly as a consequence of the impact on staff morale (30%) and contamination of raw materials, leading to replacement costs (28%). The scale of the impact on business operations will be dependent upon how early an infestation is discovered and dealt with.

If the problem is only discovered in finished goods on arrival at a customer, the negative impacts such as financial penalties and loss of revenue and reputation will be at their highest. Even before then, if pests are discovered during production, there can be loss of productivity due to machine downtime, which can lead to missed fulfillment dates, potentially causing contracts to be lost or financial penalties to be applied.

¹Refers to business type: Core food, non-public facing

Businesses Handling Food

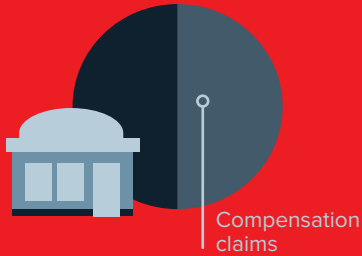


65% of US firms cited a loss of reputation as a concern or a high concern

In businesses dealing exclusively in food and beverage retail such as restaurants or supermarkets,² a sector very much in the public eye, there are also key moments where a pest infestation can occur: it might be “delivered” to the business in raw or packaged materials; it might be discovered in food storage, causing stock damage, or distress in kitchens during food preparation; worst of all in terms of reputation and financial impact, the infestation might become visible to paying customers sitting down to eat or drink, or in the products they have bought. The businesses which fall into this category were found to have been affected differently, depending on the region.

Raw material contamination affected 20% of these businesses, while impact on staff morale affected over a quarter (26%). Finished goods damage affected 29% of food-core businesses in the public eye, although only 14% would suffer raw ingredient contamination.

Whether a business is customer-facing or not, for those businesses handling food, the consequences of a pest infestation can be devastating. Questions of cleanliness and quality will be raised, revenue lost, staff embarrassed and demoralized, and operations disrupted or even shut down.



Pest control is a necessity by companies operating in legislated environments, and the degree of auditing that is required can vary according to the size or type of business. Businesses such as cafes and restaurants are typically checked for compliance with hygiene regulations, with owners/managers recognizing that it is in their interests to meet required environmental health standards. Among all types of small business in the US (two to nine employees), compensation claims are the biggest fear, with 52% identifying it as a high or moderate concern. Interestingly, businesses with 51-250 employees tend to be the most concerned with reputation and income with an average of 70% of business citing it as a high concern. But US businesses with over 1000 employees were generally the least concerned with reputation - even less so than sole-traders.

Businesses need pest control experts, who not only provide pest control and management services, but also advise on changes in relevant legislation and auditing.

However, pest control is only one aspect of running a business, so it can be difficult to manage effectively without support from professional pest control experts, who not only provide pest control and management services, but are also up-to-date on changes in relevant legislation and auditing. If they are also supported by dedicated research into pest behavior and technological advances in products and solutions, they can stay one step ahead of the pests. This helps not only to protect businesses, but takes the headache out of managing pest prevention.

Businesses Handling Food

Pest controllers need to do more than simply eliminate pests.

Businesses in food processing/manufacturing or the production of oral medicines are likely to be subject to stringent audits by customers, their own corporate head office as well as independent industry auditing bodies. Up to date and easily accessible records are essential in demonstrating that pest control is managed effectively.

In all cases of businesses subject to legislative and auditing requirements, while partnering with a professional pest control supplier can provide peace of mind, it should be a carefully considered and planned decision. Pest controllers need to do more than simply eliminate pests; a strong partner should provide a highly trained, dedicated technical and field biologist team, in-depth understanding of legislative requirements and specific characteristics of that industry, non-toxic product/solution options for sensitive production areas and online/real-time reporting and monitoring options, especially valuable for multi-site businesses. The application of practical and scientific experience to provide a tailored solution for each business is the first step in proactively minimizing the risk of pest infestation and protecting a business.



A trusted partnership

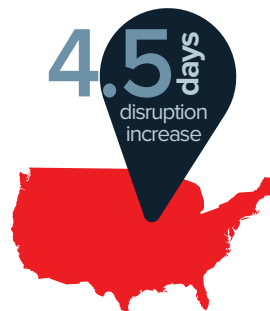
Call in the industry experts

The research Rentokil commissioned found that there is a direct correlation between having a proactive approach to pest control and reducing the disruption to business. France and the UK were the two countries in the study, where businesses were the least proactive on pest control, with 65% and 68% respectively claiming only to respond to problems when infestations actually occur. These two countries also reported some of the highest number of working days disrupted due to pest infestation per year – an average of six days.

In contrast, 82% of US businesses said they were proactive about pest control, and the number of working days lost on average per year was the lowest of the five countries: around 4.5 days. It is clear that the potential detrimental impact of pest infestation makes effective and proactive management of pests a business-critical issue, to protect revenue and reputation, as well as minimizing additional costs.

It follows, therefore, that choosing a pest control supplier is an important decision - expertise is an expected given, but not every pest control supplier can claim to have been studying and researching the behavior and biology of common pests around the world for over 90 years, and applying this fund of knowledge to staff training and bespoke solutions puts it in the field. Rentokil can.

The US is proactive on pest control, and as a result sees fewer days disrupted due to pest infestation when compared to other European countries and Australia.



A trusted partnership

Businesses appreciate the trusted relationship that comes from engaging in a pest control contract.

Beyond expertise, companies need to know that their pest control supplier understands their business, understands the market they operate in, and the issues that affect it; that it will be proactive in giving preventative advice and scheduling site visits; that it understands what is at stake for a customer if there is a pest infestation¹.



Allied to these, businesses also appreciate the trusted relationship that comes from engaging in a pest control contract, as opposed to a less personal and ad hoc pest control service that is only called upon when problems are already arising. A regular service technician is able to build cumulative knowledge not just of each business, but also of the local neighborhood, making for a much stronger service provision.

A trusted partnership

Protect your business

Protection for businesses, which manufacture food or pharmaceuticals need specialist support from expert service technicians and field biologists, trained to understand the specific needs of food safety and hygiene legislation. Trusted partners, such as those from Rentokil, provide special inspections, surveys and critical appraisals, and these professionals use their knowledge and expertise to create tailored Integrated Pest Management programs for each business.

By creating a tailored approach, based on all the factors at play, a program of “ERDM” – Exclusion, Restriction, Destruction and Monitoring – protects a business and minimizes risk of pest infestation. Supported by a technical team and regulatory experts, as well as having focused R&D programs for innovative, technologically advanced non-toxic products, Rentokil technicians offer best-in-class products and solutions that underpin their knowledge and advice.

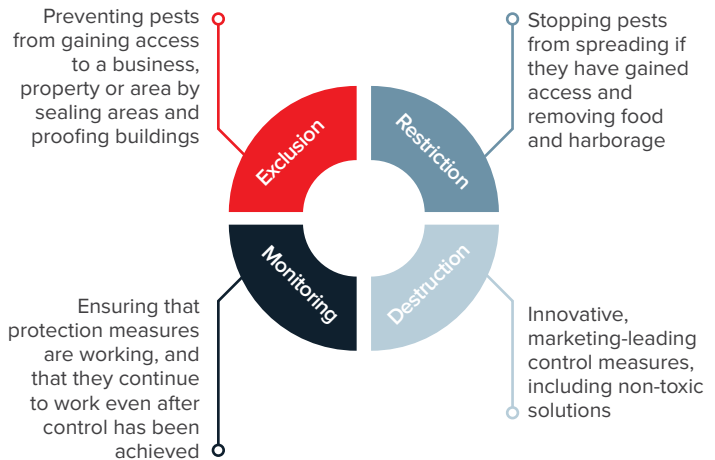
Integrated Pest Management programs are supported by pest awareness training for employees and staff, to help recognize early pest activity and online tools to monitor and track pest activity reports support businesses in audit compliance.

Rentokil technicians offer best-in-class products and solutions that underpin their knowledge and advice.

In summary

**We've created
a tailored
approach,
based on all the
factors at play.**

Rentokil has developed its knowledge and expertise over 90 years and in over 60 countries worldwide to offer effective pest management solutions, through a global team of over 12000 professionally trained technicians. Our Integrated Pest Management approach is based on four principles that together we call ERDM:



Customers the world over tend to have clear and universal requirements for a pest control supplier. They want to work with a company that:

Has professional expertise applied over many years in pest control

Is reliable and responds quickly to their needs

Offers technologically advanced solutions supported through R&D

Offers where possible non-toxic solutions

Is proactive in helping customers keep on top of pest management

Understands its customer's business and the implications of pest infestation

Has an in-depth knowledge of the legal framework for pest control

Can bring a personal touch to its customer relationships, making the partnership even stronger

In all of these, they will find a perfect partner in Rentokil

Rentokil is a global leader in pest control, bringing expert, reliable and professional advice to commercial and residential customers in over 60 countries worldwide. Over 12,000 qualified technicians across local Rentokil teams respond quickly and effectively to deal with the full range of pest control issues on behalf of customers – so they can continue with their daily lives. Rentokil works constantly on introducing innovations and effective solutions for pest control, with specific emphasis placed on health, safety and protection of the environment.

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