



The Impact of COVID-19 on the Pest Management Industry in Asia-Oceania Region

The results of a survey of the industry in the region

Raymond Lee

Introduction. With the global COVID-19 pandemic, it is without a doubt that the COVID-19 situation has impacted every segment of business operations and every sector of the economic markets. It is an unprecedented event and many businesses are not excluded from the impact, including the pest management industry. Many of us have been taken by complete surprise with the way things have been unfolding. Many businesses are forced to scale back their operations due to lack of demand for services and products; a chain reaction when consumers are no longer spending and that is when more businesses start to fail. We can envisage that with the consumers struggle to make ends meet, it is no longer business as usual and retail outlets have been forced to close.

The seriousness of the domino effect is certain and it is observed that many businesses will still struggle to make ends meet. It is not surprising to note that many businesses are now finding it hard to keep up with their expenses. The severity of the COVID-19 impact on business is considered unprecedented as COVID-19 started as a health crisis but over a period of time it quickly evolved into a global economic crisis at a speed which many of us were astonished and magnitude

we have not witnessed in our lifetime. The devastating effects are still unfolding on a global scale.

There are many questions which we find it hard to comprehend during such challenging and uncertain times. Against this backdrop, FAOPMA initiated a survey on the impact of the COVID-19 upon the Pest Management industry in the Asia/Oceania region. It is hoped that the survey would provide data in order to form an understanding of how the industry is impacted and to provide information to Suppliers and Manufacturers to determine how best to work with local PCO in collaborating together to recover from the impact of COVID-19. The survey identified areas that were impacted, plus opportunities created during the pandemic, and key challenges and concerns faced by Pest Control Operators (PCOs) in Asia/Oceania. This paper reports on the findings of the survey.

Purpose of the Survey and Study: The main purpose to conduct this study is to determine the impact of COVID-19 on the Pest Management industry in the Asia/Oceania region.

The findings of this survey will help the FAOPMA to determine the economic impact of the Industry and its effects on the business operations of

the PCO. This brief survey can help FAOPMA to better understand how COVID-19 is affecting the regional Pest Management business and how FAOPMA can best support her members during these challenging times.

Background to Survey

The survey was held online and received some 522 responses from Pest Control Operators or companies involved in the Pest Management industry in the Asia/Oceania region who are mainly country members of FAOPMA.

Data Analysis and Descriptive Analyses

Descriptive analyses as conducted to answer the main objectives of the study on the impact of COVID-19 on the pest management industry in the Asia/Oceania region. The data responses were statistically analysed in order to assess the impact and effects on the Industry. Moreover, the descriptive analyses also serves as the basic foundation for determining the association between the independent and dependent variables of the study.

The geographical country regions, profile of the PCOs, which includes their years of experiences in the industry, business services segments, and total annual turnover measured in terms of sales were examined in order to examine the impact of COVID-19 in relation to the business.

The changes in business operations due to the impacted business areas encountered, the government supported provided in each region, and the problems encountered are presented.

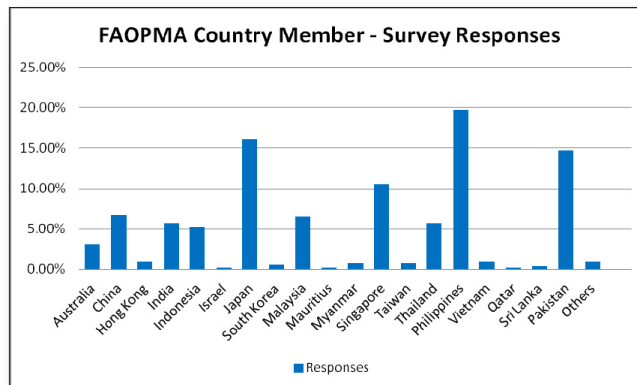
Demographics and Organizational Profile

To determine the organizational profile for this study, the employee size, type of services provided, and years of involvement in the Pest management Industry were asked. This helped to determine the expertise and the business capacity of these respondents in withstanding the impact of the COVID-19 pandemic. The type of business services provided, included:

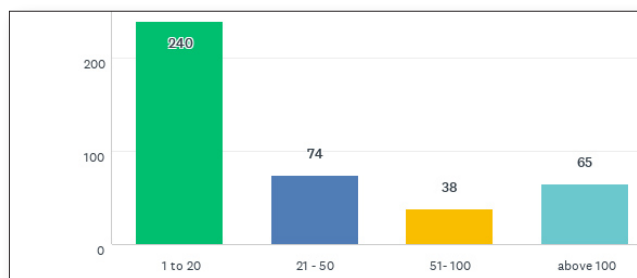
- (a) General Pest Control Services & Termite Baiting,
- (b) Sanitation & Hygiene,

- (c) Fumigation,
- (d) Equipment & Chemical supply,
- (e) Disinfecting Services for COVID-19.

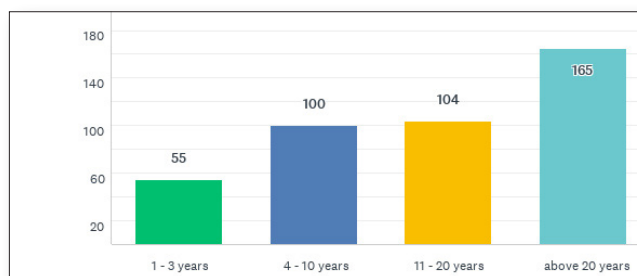
Question 1 focused on the country of origin of the respondent.



Q2: Organizational Profile - Employee Size



Q3: Organization Profile - Years of Experience in the Pest Control Industry

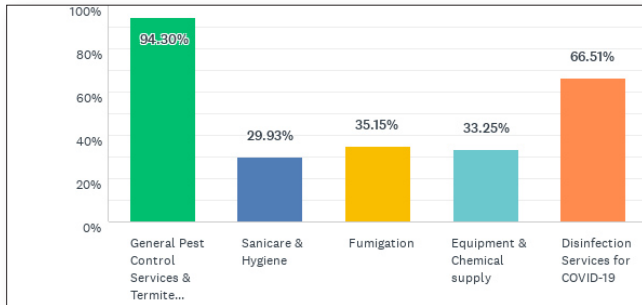


Significant findings:

a) The majority of the respondents (58%) were considered small to medium PCOs employing less than 20 employees and it is noted that only 16% of the respondents employed more than 100 staff. Although the study shows a high percentage (58%) are considered small to medium PCOs, it

is interesting to note that 64% had accumulated more than 10 years industry experience with 40% having more than 20 years industry experience.

Q4: Type of Business Services Provided

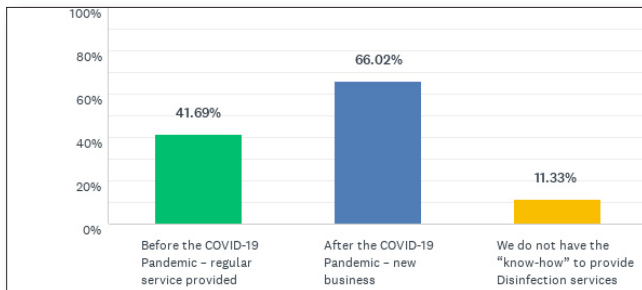


Significant findings:

a) The findings of this study showed that 94% of the PCO respondents are involved in general pest control and termite baiting, and it is noted that 35% of the pest services provided is for fumigation and 33% for the supply of chemicals and pest control equipment.

As indicated by the study, 67% of the PCO respondents are involved in providing disinfection services against COVID-19.

Q5: Do you Provide Disinfection Services?



Significant findings:

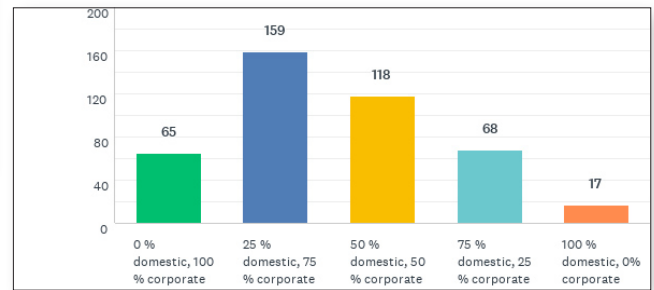
a) A significant finding of this study showed that 66% of the PCO respondents are now providing disinfection services following the emergence of the COVID-19 pandemic. This is now seen as a new business opportunity, in comparison with 42% indicating that disinfection services have been a part of their regular services before the COVID-19 pandemic.

b) A small (11%) indicated the lack of "know-how" to provide disinfection services

Taking into consideration the situation, it is noted

that the COVID-19 pandemic has provided some significant opportunities for the PCOs to provide disinfection services. Thus the survey explored the ability of the PCO to provide such services and their expertise or the "know-how" to provide disinfection services.

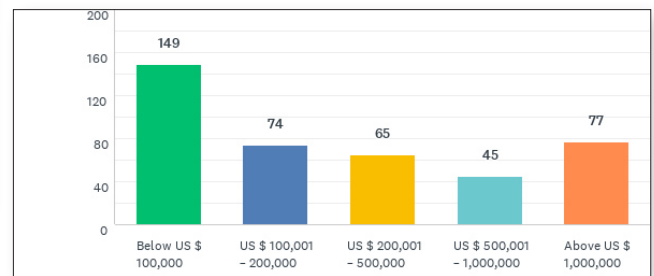
Q6: What is Your Mix of Domestic to Corporate Servicing?



Significant findings:

a) Overall, around 35% of the respondents have a breakdown of 75% corporate to 25% domestic clients, and this formed the main customer mix. b) An estimated 28% have an equal balance of 50% of customer mix. It is interesting to note that a very small percentage of 4% depended 100% only on the domestic customer.

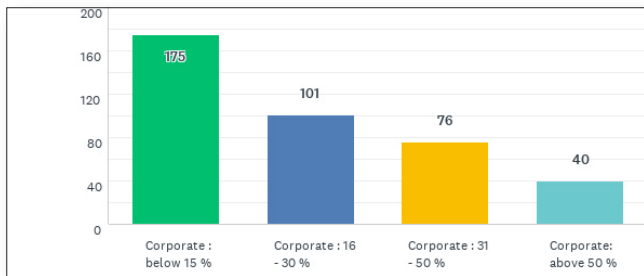
Q7: Estimated Annual Sales (USD\$), Based on 2019 Year Annual Sales:



Significant findings:

a) The survey revealed that 70% of the PCOs have an annual turnover of up to USD\$500,000.00. b) A significant 36% have an annual turnover of USD\$100,000.00 and this is consistent with the demographic profile that shows 60% are considered as small to medium operators. c) Those who have an annual turnover of USD\$1 million or more only make up 18%.

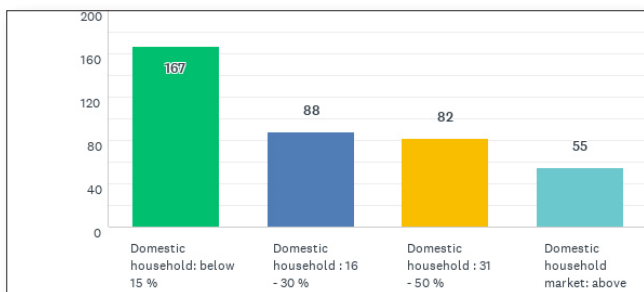
Q8: If Your Business Has Been Affected, What Percentage Decline Have You Seen in the Last 6 Months for Corporate Services?



Significant findings:

- a) A significant finding of this survey showed that 45% of the respondents experienced a 15% decline in their corporate market segment, while an estimated 26% of the respondents experienced a 16-30% decline in their corporate market segment.
- b) Around 20% reported a decline of 31-50%, while it was surprising to note that 10% of the respondents recorded a drop of more than 50% in their corporate market segment.

Q9: If Your Business Has Been Affected, What Percentage Decline Have You Seen in the Last 6 Months for Domestic Services?



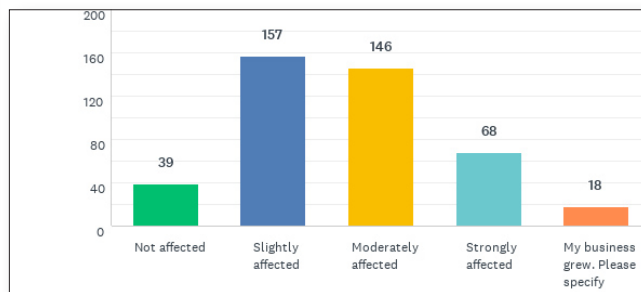
Significant findings:

- a) A significant finding of this study shows that 43% of the respondents experienced a 15% decline in their domestic market segment, while an estimated 23% of the respondents experienced a 16-30% decline in their domestic market segment.
- b) Around 21% reported a decline of 31-50% while it was surprising to note that only 14% of the PCO respondents recorded a drop of more than 50% in their domestic market segment.

Note: It is interesting to note that the COVID-19

pandemic has not unduly influenced one market over the other.

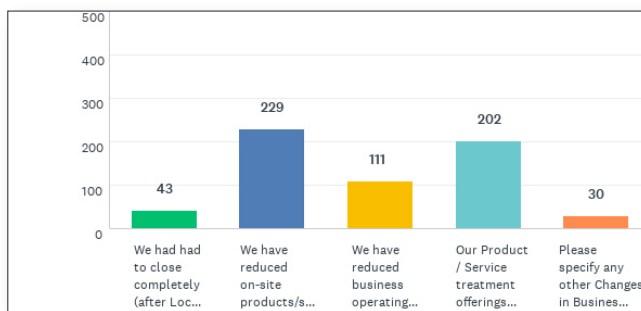
Q10: How Has Your Business Been Affected by COVID-19 Pandemic?



Significant findings:

- a) The severity of the COVID-19 impact on business is considered unprecedented and the respondents were not excluded from the impact. The study revealed two extremes of the impact.
- b) Around 10% of the respondents indicated that the business was not affected by COVID-19 in any way.
- c) Some 16% reported that the business was strongly affected, which is relatively a small percentage of the industry.
- d) Some 73% indicated that their business has been either slightly or moderately affected by the impact of the COVID-19 pandemic.
- e) The significant positive impact revealed in this study shows that a small percentage (4%) of the respondents experienced growth in their business which specifically was due to the disinfection services.

Q11: Changes in Business Operations



Significant findings:

- a) Nearly half (56%) of all companies surveyed indicated that they had to reduced on-site service

treatments or visits due to reduced customer appointments, and similarly, 50% indicated that services and products offerings have to change due to customers' demands.

b) Most of the changes in the business operations were affected to some degree (27%) by the changes brought about with movement control orders and lock downs. This led to reduced business operating hours or limited communication with customers.

Q12: Changes in Workforce and Employee Size when Normal Business Operations are Resumed



Significant findings:

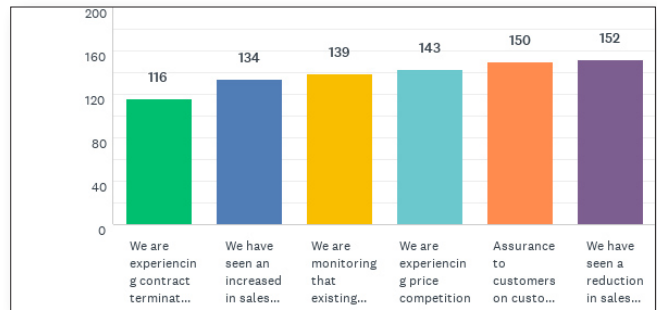
a) The findings of the survey in relation to changes in workforce and employee size when normal business operations resume indicated that nearly 62% of the companies are concerned with the health and safety of the employees. To mitigate the risk of COVID-19, 30% have reduce the working hours of technicians.

b) An estimated 10-12% have anticipated a reduction and indicated that layoffs and retrenchments of workforce has occurred. A small percentage (14%) reported cost cutting measures such as a reduction in employee wages, allowances and staff benefits, due to the impact of the pandemic with the changes in workforce and business operations.

Q13: Changes in Sales Activities

Significant findings:

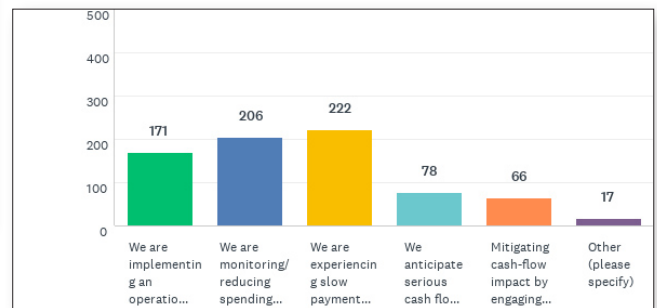
- a) The most significant change (37%) in sale activities has been the reduction in sales inquiries.
- b) It was observed that the 33% increases in sales inquiries are mainly derived from disinfection services.
- c) Price competition during the COVID-19



pandemic is also being experienced by 35% of the PCOs probably due to limited market opportunities.

Contract termination due to economic uncertainty was reported by 29% of the respondents.

Q14: Changes in Finances



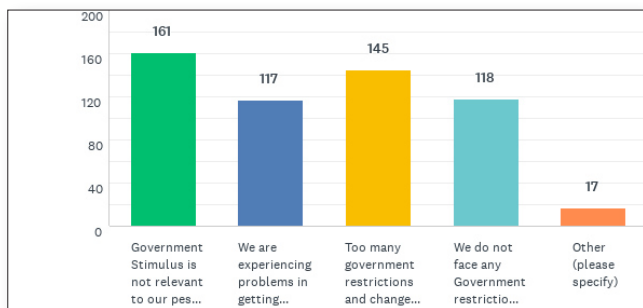
Significant findings:

The changes in finances can be noted from the following measures adopted by the PCO respondents:

- a) 44% indicated implementing cost reduction as a strategy.
- b) 53% cited that monitoring expenses and reducing spending will be implemented due to the uncertainty of the impact of the COVID-19 pandemic.
- c) The impact is faced by about 20% on the changes in finance which resulted in the serious cash flow problems to meet business operations.
- d) Most of the PCOs (57%) are experiencing slow payments from customers, which contributed to the cash flow.

The study also showed that 17% of the PCOs managed to mitigate the cash flow by engaging with the customers and suppliers.

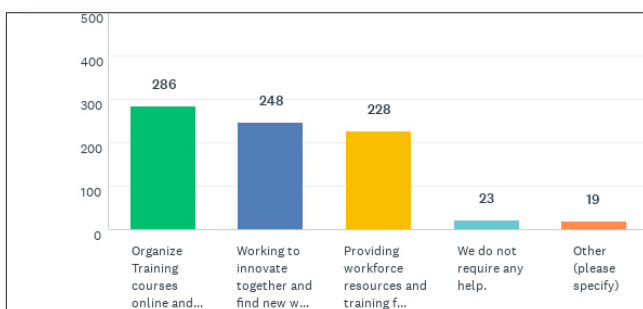
Q15: Issues Encountered During COVID-19 and Government Support/Assistance



Significant findings:

- a) Slightly more than one-third (41%) of the PCOs cited that the government stimulus is NOT relevant to the industry.
- b) About one-third (30%) of the PCOs cited experiencing problems in obtaining support and financial assistance from their government.
- c) Some 37% reported that too many government restrictions and changes are required for undertaking business during the pandemic. About one-third (30%) of the PCOs indicated that they do not face any government restrictions during the COVID-19 pandemic.

Q16: FAOPMA is trying to Identify Ways That We Can Best Support the Pest Management Industry Community during the COVID-19 Pandemic. How Can We Best Help Your Pest Control Business Navigate This Situation?



Significant findings:

- a) Close to two-thirds (71%) of all member countries indicate that FAOPMA needs to organize training courses online and virtual meetings for education and discussion forums.
- b) Close to 62% of all member countries suggested that working to innovate together and to find new ways to support the regional industry is necessary.
- c) Most member countries (56%) indicate that

FAOPMA should consider providing workforce resources and training for pest control industry certification requirements.

HIERACHY of 'Fear Factor' During the COVID-19 Pandemic.

Thus the survey question focused on the main 'Fear Factors' during the COVID-19 pandemic. The total responses selected by respondents were ranked in terms of most concern (No 1) to least concern (No 10) for these factors. The mean score for each factor was then used to rank the importance of each Fear Factor.

Rank	HIERARCHY of Fear Factor	Mean Score
1	Safety & Health of employee due to COVID-19	7.94
2	Financial impact - Cash Flow problems	7.52
3	Fall in Customer demand and Sales	7.10
4	Reduced employee productivity	7.07
5	Business closure - Temporary	5.54
6	Employee retrenchment & lay offs	5.02
7	Bank financing and Loan repayments	4.38
8	Employee salary Freeze and removal of Bonus	4.29
9	Disruption in supply – insecticides & equipments.	4.28
10	Litigation	2.41

Significant findings:

- a) The key survey findings from the impacted business areas and the fears concerned in relation to the impact of the COVID-19, Safety & Health

of employee was recognized as important this is consistent with the earlier findings which also showed the findings (Q12) of this study in relation to Changes in Workforce and Employee Size when normal business Operations resume indicated that nearly 62% of the PCO are concern with the health and safety practices of the employees. It is important as it indicates that the pest service company considers Safety & Health of employee as paramount importance in comparison with the profits and business.

b) The other factors related to the impact of COVID-19 in relation to the business, operations and financial Impact on the PCO companies. An equally important factor to be considered is the financial impact - Cash Flow problems which has been discussed in the findings in Q14 in which the impact is faced by about 20% on the changes in finance which resulted in the serious cash flow problems to meet the business operations. Similarly, most of the PCO (57%) are experiencing slow payment from customers which contributed to the cash flow.

c) The rankings are fears and concern of the impact that has been expressed by the PCO companies. These outcome factors seem to be consistent with the study concerning the market and the employee workforce. Of least concern expressed by the respondents – litigation impact on the business.

SUMMARY OF THE SURVEY FINDINGS

1. COVID-19 Impacts on the Pest Management Industry; Financial Cash Flow:

Top Challenges Encountered in the Industry and Identified in the Survey:

- a) Most of the PCOs (57%) experienced slow payment from customers which contributed to cash flow problems.
- b) Cost of operations – PPE & safety equipment were required for employees for their health and safety. Some 62% of the companies have clear concerns about staff health.

Actions Recommended:

- a) **Cash Flow:** the survey showed that 17% of the PCOs managed to mitigate the cash flow by engaging with the customers and suppliers. Other options includes cash flow management.

b) 44% indicated that they implemented **cost reduction** as a strategy and re-prioritized business activities.

c) 53% cited that **monitoring expenses and reduced spending** will be implemented due to the uncertainty of the impact from the COVID-19 pandemic.

d) Nearly half of all PCO companies surveyed indicated that cost-cutting measures are a priority.

Interventions Needed:

- a) The findings of the study showed that obtaining support and financial assistance from the government was very important. This included stimulus packages and wage subsidies as enacted in Australia, Japan, and Malaysia.

2. COVID-19 Impacts on the Pest Management Industry; Business Operations/Marketing:

Top Challenges Encountered in the Industry and Identified in Survey:

- a) Price competition during the COVID-19 pandemic is being experienced by 35% of the PCOs probably due to limited market opportunities.
- b) Contract termination due to economic uncertainty was reported by 29% of the PCOs.
- c) There was an overall 43-45% decline in sales revenue (in both the domestic and corporate segments).
- d) The most significant change (37%) in sales activities recorded was a reduction in sale inquiries.

Actions Recommended:

- a) Most of the respondents noted that frequent communication with customers is key to planning and managing customer relationships.
- b) The survey revealed that 17% of the PCOs managed to mitigate the cash flow by engaging with customers and suppliers.
- c) Some respondents have undertaken new operations and business processes to suit the pandemic, by working from home and/or having reduced working hours.

3. COVID-19 Impact on the Pest Management Industry; Staff:

Top Challenges Encountered in the Industry and

Identified in Survey:

- a) An estimated 10-12% have anticipated a reduction with layoffs or retrenchment of part of their workforce.
- b) A small percentage (14%) reported cost cutting measures including reduced wages, allowances and staff benefits.
- c) Most of the changes in business operations were affected to some degree by the changes due to movement control movement orders or lock downs.

Actions Recommended:

- a) Adjusting wages or applying for wage subsidies from Government.
- b) Close to two-thirds (71%) of all member countries indicate that FAOPMA needs to organize training courses online and virtual meetings for education and discussion forums.
- c) Close to 62% of all member countries suggested that we need to work together in order to innovate and to find new ways to support the regional industry.
- d) Most member countries (56%) indicated that FAOPMA should consider providing workforce resources and certification for the pest control industry.
- e) Employees need to have clarity about the new normal working processes and ensuing expectations. They need to enhance their remote working approaches with technical and connectivity support.

4. COVID-19 Impact on the Pest Management Industry; New Business Opportunities*Top Challenges Encountered in the Industry and Identified in Survey:*

- a) As indicated by the study, 67% of the PCO respondents are involved in disinfection services against COVID-19.
- b) A significant finding of this study shows that 66% of the PCO respondents are providing disinfection services after the COVID-19 pandemic and recognises this as a new business opportunity. In comparison, 42% had disinfection services prior to the pandemic.
- c) A small percentage (11%) indicated the lack of "know-how" to provide disinfection services.
- d) It was also reported that the 33% increase

in sales inquiries was mainly derived from disinfection services.

Actions Recommended:

- a) The significant positive impact discovered in this survey shows that a small (4%) of the respondents experienced growth in their business which specifically was due to the disinfection services.
- b) Invest in the new sector of disinfection services and diversify.

CONCLUSIONS

- a) The survey suggests that the concerns of pest management businesses vary across different geographical regions and the main concern is a potential global recession.
- b) A Pest Management company that weathers a crisis well understands that adversity is a concealed opportunity for growth or change.
- c) The global pandemic has affected every nation on this planet and we all will continue to face a difficult time ahead. At the same time, we know that our long-term business strategy will need to change, too.
- d) Companies need to plan to emerge from this COVID-19 disaster as strongly as possible and be educated by experts in order to adapt to the demands of the new normal.
- e) It is clear that the COVID-19 pandemic will have a devastating impact on the regional and more so, the global economy. While it is uncertain as to when the pandemic will end, it is important that pest management companies respond quickly and appropriately to minimise impact, to recover, and to emerge stronger. In terms of responding – perhaps a good start would be to consider the findings for cash flow management described in this paper. ■

This article is a summary of the Dr Lee's presentation at the FAOPMA-Pest Summit 2020 Virtual Conference. See also the papers from various Associations on the impact of COVID-19 in their nation, under FAOPMA Member News in this issue.

Dr Raymond Lee is the Honorary Secretary, Federation of Asian and Oceania Pest Management Association (FAOPMA).

Email: raylee@pc.jaring.asia