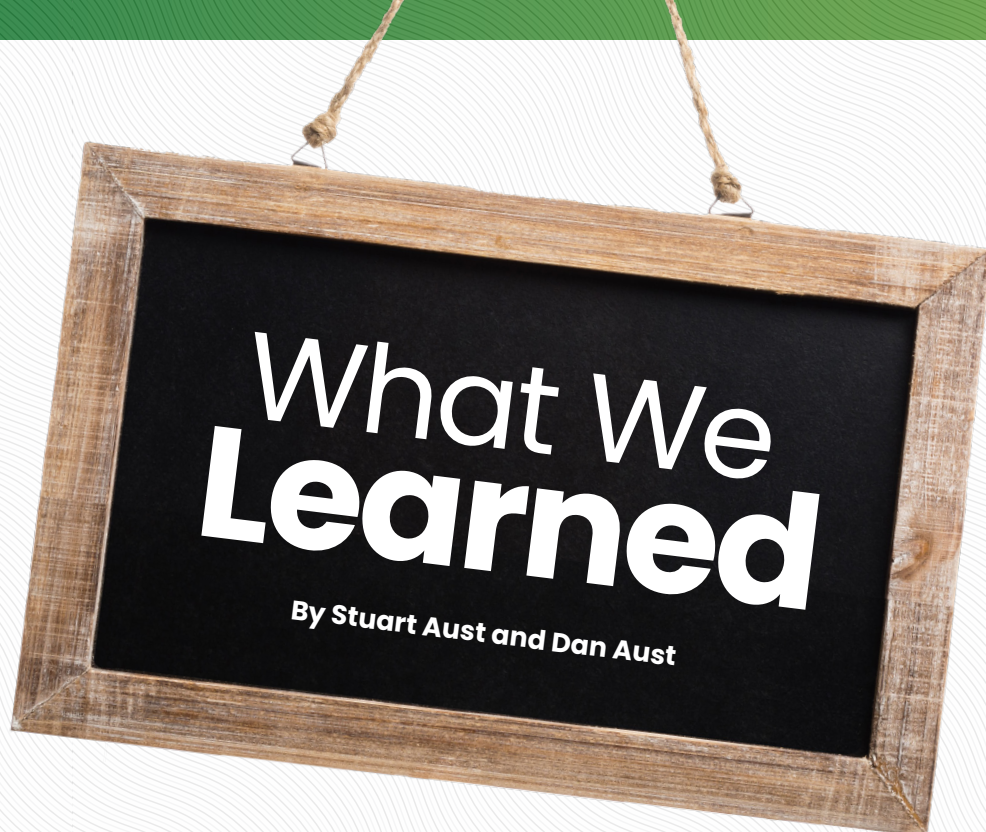


With the benefit of hindsight, former pest control company owners Stuart and Dan Aust share the lessons they've learned from more than 30 years in the industry.



**C**liches are cliches for a reason — often, they ring true.

Hindsight being 20/20 couldn't be more fitting for us as we look back over the years since we sold our company Bug Doctor Termite & Pest Control. In our case, transitioning from pest control owners to mergers and acquisitions advisors who specialize in the pest control industry has made us reflect on the ways we could have improved our pest control operations and created more value for our employees and customers.

But we're not here to critique ourselves. Instead, we want to use our clear-eyed vision to help owners and managers run more efficient and profitable businesses and create more value for the industry. So, here are some of the takeaways and lessons we've learned from more than 30 years of wearing many hats in the pest control industry.

**RECURRING REVENUE.** At Bug Doctor, we prided ourselves on our different divisions (bird control, animal control, etc.). We spoke about them at industry events and promoted them among our clientele. While it certainly made us very profitable and generated good cash flow, it made our business less predictable and more vulnerable to changes in the economy and the world. As exciting as it was to be awarded a six-figure bird control project, it was difficult to depend on this revenue year over year. While our business never had a decline in revenue, it took a large push from our salesforce to drive new business on an annual basis.

So, as we currently evaluate businesses for our clients and bring them to the market for an eventual sale, we see that the most attractive businesses are those that are highly recurring in nature. In other words, the recurring model is the winning model. The benefit is that it creates a steady stream of revenue and cash flow that is expected to remain with the business year over year. It is how you grow a sustainable business that isn't as dependent upon a sales team or one-time sales.

A good benchmark to aim for here is for 75-80 percent of your total revenue to be recurring or to be repeat customers. This will help you operate a business that is more predictable and scalable, as well as prepare you for a potential sale. An important sidenote to mention here is that it's equally as important to have the right systems in place to retain your customer base and maintain low cancel/churn rates. By doing so, you will be able to protect your company's greatest asset, which is your continuing customer base.

**SALES AND MARKETING.** When we operated Bug Doctor, we targeted and serviced large commercial accounts such as Yankee Stadium, the United Nations headquarters, Madison Square Garden and Walmart. Many of these accounts were initially solicited through our own cold calling efforts.

These partnerships created a lot of buzz and helped launch our growth. However, the sales process for these accounts was lengthy and the accounts demanded a lot of attention and constant



Stuart Aust



Dan Aust





customer care from the service perspective. At the time, it was certainly worth the investment, but in today's market we've seen a shift in what accounts are targeted and how they are sold.

The playing field is different than it was just 10 years ago. The rise of social media and technology has changed consumer behavior. We're seeing more leads than ever being generated and harvested through online searches and comprehensive digital marketing strategies. Customers are now being intentionally targeted based on characteristics that are unique and valuable to the business such as the geographic location in relationship to the business and customer demographics.

Likewise, the sales process for residential pest control has changed and is now less costly to the business. Instead of

always requiring an onsite inspection, calls are now routed to call center representatives that are trained to convert inbound calls into sales over the phone. The call center has the capability to look at properties online and determine the program pricing based on square footage, distance from nearest stop and specific needs of the customer.

The benefit to this approach is certainly not just in cost savings, but also in terms of an eventual exit. At the time of sale, the customer base will be reviewed and examined. Carrying too many large accounts might raise concerns and increase risk whether the revenue associated with those accounts will transfer and continue with the successor.

With that said, diluting your customer base and diversifying it through a com-

plete sales and marketing program will help maintain a customer base that has lower concentration and can be easily maintained after the transaction. Thinking along these lines now will prepare you for a sale and make your operations more balanced and less dependent on a handful of customers.

**MERGERS AND ACQUISITIONS.** At Bug Doctor, we purchased five pest control companies over our 25 years in business. These acquisitions added great talent and leadership to our team as we grew our operations, but they also added value when we sold our business.

Out of the five businesses we purchased, two of the owners joined our leadership team and were an integral part of our company. Knowing the impact that these

employees had and then the increased value we received from these businesses when eventually selling, we just wish we would have purchased more businesses before we sold our company.

This process, known as multiple arbitrage, is the practice of buying a business at a lower multiple than the eventual exit of the company itself. It is utilized mostly by investors and private equity-backed buyers that rollup businesses, build them and liquidate through a public offering, sale or transfer to another fund. While more easily said than done, the “buy and build” strategy can be utilized by business owners who have their minds set on a future exit.

Talk to owners in your market that are approaching retirement age and engage them about their future and succession

plan. While price is always an important component of the transaction, it's not the only factor that is considered during the acquisition process. Sellers have other priorities such as their employees, customers, their role after the transaction and more.

By listening to sellers and understanding what's important to them, you can find opportunities to give them something that is unique from the rest of the competition. When you're able to be creative and, in turn, add other companies to your core business, you can again quickly scale your business, add talent and build for the future.

**FINAL THOUGHTS.** While there are certainly more lessons and takeaways from our time in the pest control space, our last piece of advice, for now, is to surround

yourself with mentors and industry vets.

We all belong to a great industry that is transparent and forthcoming with information. So many individuals are passionate and willing to benchmark and share best practices. During our Bug Doctor days, we learned from so many other business owners and from different industry related events.

Today there are even more resources available to you. Take advantage of the wealth of information that is right at your fingertips. Learn how to grow a business that is sizable, profitable and sustainable, and hopefully you won't have to look back one day and lament the truisms of cliches.

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