

Public (be damned) Relations

Orkin could end the lawsuits by being open with customers

BY John F. Sugg

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It's hard to miss "The Orkin Man" on television. The congenial pest exterminator reminds folks that they can rely on Orkin to rid their homes of termites.

Some Georgia consumers trusted Orkin, only to be so disappointed they have gone to court. They won a major victory Aug. 18 when Cobb County Superior Court Judge J. Stephen Schuster ruled Orkin customers can join in a class-action suit to force the company to honor its contracts. Schuster, in a 33-page opinion, concluded that "60 percent of [Georgia] customers' termite jobs were incomplete" and that company policy rewarded sales over performing promised home inspections.

The heart of the Orkin business lies in convincing customers to trust the company's expertise. There's evidence, however, that not only has the company disregarded that trust – but that Orkin has at times viewed customers with disdain.

In a speech nine years ago, Gary Rollins, CEO of Orkin Inc.'s Atlanta-based parent, Rollins Inc., called some customers "bandits." These "bandits," Rollins told pest control magnates, have "become greedy and are looking for money – our money" through lawsuits claiming Orkin didn't fulfill its contracts.

Let's look at two "bandits." Elizabeth Allen bulldozed her home near Jacksonville, Fla., about three weeks ago. Termite damage was so extensive, she says, she had no choice but to rebuild. Allen had hired Orkin because of its written guarantee to repair termite damage that occurred after she signed the contract. She learned the promises weren't worth squat. An arbitration panel agreed and awarded Allen about \$1 million.

In July, Collier Black, a neighbor of Allen's, received a check from Orkin for \$4,571,718.26. Black's victory cost Orkin about 8.6 percent of its \$53 million in profits last year -- a fact sure to be noticed by shareholders in the publicly held Rollins Inc. If Orkin had made guaranteed repairs, there wouldn't have been a case, and Orkin's expenses would have been a fraction of the settlement.

Orkin spokeswoman Martha Craft said in a written response to CL questions that she's "disappointed ... because the awards were significantly greater than the damage incurred." She didn't note that the award amounts include punitive damages in view of Orkin's betrayal of its customers' trust.

For five years, Orkin denied responsibility and sent in contractors to do what Black described as "patch and paint" work that concealed the true extent of life-threatening termite damage. When Black won the arbitration, Orkin appealed the decision in court -- even though the company's own contract said no appeal was allowed. After stalling, Orkin was cornered and paid.



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– Marietta attorney John Salter

Orkin's problems began with contracts that promised more than the company delivered. Management dictated policies that emphasized sales over servicing existing customers. Some employees claimed work was done when it wasn't. The top brass was informed of that and, until litigation mounted, took little action.

"Orkin makes promises, but the exceptions in the contract swallow those promises," says John Salter, a lawyer who, along with former Gov. Roy Barnes, won the class-action status this month for Georgia Orkin customers. Salter's clients, Ernest and Dolores Warren of Marietta, are grandparents who trusted Orkin for years -- until their floors buckled from termite damage.

Orkin recently derailed two Florida class-action suits by arguing that damages among plaintiffs differed so much that they couldn't be lumped together. But across the Southeast -- the "Termite Belt" -- legal assaults against Orkin and other pest control companies have piled up.

Florida Attorney General Charlie Crist is investigating the company for possible racketeering. One Alabama jury awarded \$81 million, later reduced to \$2.3 million, to a family Orkin had offered \$400 in compensation for almost \$30,000 worth of damage, despite a full guarantee.

Tampa attorney Pete Cardillo, who is seeking \$10 million from Orkin for an apartment complex damaged by termites, brought the fight to the company's Atlanta headquarters last week, deposing Gary Rollins and his son Glen, who now oversees Orkin's operations. "You can automatically be suspicious of everything Orkin says," Cardillo argues, "and you'll be right."

When Gary Rollins made his "bandits" speech, he expressed amazement Orkin would be accused of fraud. Yet just one year earlier, his subalterns had dispatched memos warning of criminality. A Georgia manager wrote: "[T]here have been instances of fraud, theft and forgery in the company. ... We are also seeing far too many instances ... [of] finding customers being charged for services not rendered."

Cobb County courthouse files contain similar examples. A common practice at some Orkin field offices was to forge the signatures of customers on re-inspection reports. Barbara Crosson, an Alabama employee, testified: "Re-inspection was a joke. ... I could tell [the signatures] had been forged." Two of the forgers were summoned to Orkin's Atlanta HQ, but Crosson recounted they returned "laughing and carrying on."

What's Orkin's solution? Glen Rollins appears to be trying to clean up bad practices at the company -- by, for example, revising contracts so customers won't have false expectations. Doing things right in the future, however, doesn't address the problems of customers who were left vulnerable to termites in the past.

"They have had terrible controls," says Paul Lapidés, a corporate governance expert at Kennesaw State University. He warns that corporate board members can "be sued individually for not addressing illegal actions."

The public relations strategy at Orkin is denial. Spokeswoman Craft says: "The media coverage of a handful of disappointed Orkin customers ignores the quiet satisfaction of more than half a million others. Claims are extremely rare among Orkin's more than 500,000 termite customers."

That's true. Equally true: Only a handful knows of the litigation that has beset the company -- or about claims that homes were left unprotected due to Orkin's business practices.

The solution is obvious: Inform the customers that the company might not have fully protected their homes. Re-inspect every home. Fix those with termite damage. Tell the public: "We were wrong. We'll make amends." Spend \$100 million, if that's what it takes. In the end, honesty and integrity will reap many times that sum.

For more information:

– *John Sugg's previous article is at atlanta.creativeloafng.com/orkin. The Rollins Inc. website is at www.rollins.com.*