POWER TELEMATICS

*Innovative Monitoring Solutions*

# Your Service Department Needs an Overhaul

*By Andy Briggs*

The service component of your company is (or should be) the most profitable segment of your business. For some of you, that is 100% of your business. Therefore, it makes sense to focus on ways to grow service revenue and maximize the profitability of your service operations. However, the traditional "old school" way of running a service business the way we always have simply cannot be sustained. Now is the time for an overhaul of your service operations. This means opening your mind to envisioning what your business will look like five years, and even ten years from now.

Change is inevitable in our lives and we must continually adapt and adjust. "To improve is to change; to be perfect is to change often," said Winston Churchill. Albert Einstein said, "the definition of insanity is doing the same thing over and over again and expecting different results." Notable motivational speaker, Zig Ziglar said, "If we keep on doing what we've been doing, we are going to keep on getting what we've been getting." Change in the standby power industry and in our individual businesses is the only way to improve and grow! Growing your service business is the key to your future success.

However, there are inherent challenges in our industry and within our own companies that limit growth and must be addressed.

## Growth Challenge #1: Not Enough Technicians

Perhaps the greatest growth challenge we face in our industry is the shortage of qualified technicians. Technicians in our field must be proficient with engines, electricity, electronics and fuel systems. They also perform this highly skilled job in often adverse conditions. We must face the fact that most young adults are not entering into skilled trades professions and our existing population of technicians are aging and retiring. There are simply not enough technicians in the industry today to properly service the existing equipment. Nor are there enough new technicians entering the profession to keep pace with the growing number of power systems being sold each year. While our industry is collectively trying to get young people interested in becoming professional power systems technicians, the shortage of skilled technicians will not go away any time soon. Let's look at the numbers.

## Generator Market Overview

***Power Systems Research*** provides comprehensive data on our industry, including statistics on generator production, generator in-service population and growth trends. Thank you to Joe Zirnhelt, President of Power Systems Research, and his team for providing the data below (www.powersys.com).

## 2019 U.S. GEN-SET IN-SERVICE POPULATION – DIESEL & NATURAL GAS/LPG – ALL POWER RANGES

| OEM Power Range | Mobile | Stationary | Total |
|---|---|---|---|
| <5 kW | 209,949 | 22,956 | 232,905 |
| 5 to18 kW | 1,112,442 | 1,035,221 | 2,147,663 |
| 18 to 50 kW | 440,927 | 315,776 | 756,703 |
| 50 to 250 kW | 353,694 | 555,366 | 909,060 |
| 250 to 500 kW | 18,313 | 170,741 | 189,054 |
| >500 kW | 16,561 | 162,965 | 179,526 |
| Grand Total | 2,151,886 | 2,263,025 | 4,414,911 |

*Source: Power Systems Research PartsLink™*

**Products Included**
APU's & Portable Generator Sets
RV Generator Sets
Trailer Mounted Generator Sets
Stationary Industrial & Residential Generator Sets

**Fuels Included**
Diesel
Natural Gas & LPG
*(Does NOT Include Gasoline)*

## 2019 U.S. GEN-SET PRODUCTION (<500KW) – ALL FUELS

| OEM Power Range | Mobile | Stationary | Total |
|---|---|---|---|
| < 5 kw | 193,328 | | 193,328 |
| 5 to18 kW | 475,492 | 114,952 | 590,444 |
| 18 to 50 kW | 14,638 | 44,259 | 58,897 |
| 50 to 250 kW | 11,919 | 45,911 | 57,830 |
| 250 to 500 kW | 1,086 | 10,680 | 11,766 |
| Grand Total | 696,463 | 215,802 | 912,265 |

*Source: Power Systems Research OE Link™*

## U.S GEN-SET PRODUCTION PROJECTIONS (<500KW) - ALL FUELS

| OEM Power Range | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| < 5 kw | 193,328 | 170,343 | 177,906 | 184,211 | 186,075 | 188,950 |
| 5 to18 kW | 590,444 | 523,733 | 550,250 | 573,241 | 582,737 | 595,634 |
| 18 to 50 kW | 58,897 | 53,120 | 56,691 | 59,973 | 61,930 | 64,295 |
| 50 to 250 kW | 57,830 | 51,763 | 54,778 | 57,286 | 58,491 | 60,048 |
| 250 to 500 kW | 11,766 | 10,519 | 11,097 | 11,567 | 11,743 | 11,986 |
| Grand Total | 912,265 | 809,478 | 850,722 | 886,278 | 900,976 | 920,913 |

*Source: Power Systems Research OE Link™*

**Products Included**
APU's & Portable Generator Sets
RV Generator Sets
Trailer Mounted Generator Sets
Industrial & Residential Generator Sets

**Fuels Included**
Gasoline
Diesel
Natural Gas & LPG

## What Does the Data Show?

There are over 4.4 million existing generators that require professional generator service. This DOES NOT include gasoline portables. If we subtract the mobile APU's, Small Portable Diesel Generators and RV Generators, there are conservatively over 3 million existing stationary and trailer mounted generators in the U.S. and well over **300,000** new generators being sold each year (not including portable gasoline generators) that need professional service from a qualified generator technician, preferably an **EGSA Certified Technician**.

It is unknown exactly how many existing generator technicians there are today, but according to most service companies and EGSA member companies, the consensus is NOT ENOUGH, particularly in the commercial & industrial market. Most growing service companies need more technicians, but they are hard to come by. There are currently 1,279 EGSA Certified Apprentice Technicians and 556 EGSA Certified Journeyman Technicians. Those certified as Journeyman are the "Elite" technicians in our industry, but many are nearing retirement. While there are many more technicians in the industry that are not EGSA Certified, we simply do not have enough technicians to meet the demand.

Simple math…If there are not enough technicians today and not enough entering the profession, the traditional service model of "growth by adding technicians" is a model that cannot be sustained going forward. The bottom line is that Service Companies must implement ways to serve more customers, per technician, in order to grow revenue and profitability.

## Growth Challenge #2: Efficiency, Productivity & Profitability

Unfortunately, most company leaders are too busy "working in" the day-to-day operations of their business to stop for a moment to "work on" the business. Without proper maintenance, a generator will fail. The same goes for your service business. There are many key metrics to analyzing the effectiveness of our service operations. Some of these include productivity rate, efficiency rate, effective billing rate, absorption rate, parts/labor ratio, and vehicle expense ratio just to name a few. Companies that track and maximize these metrics are the strongest and most profitable businesses in our industry. To start with, a few key minimum benchmarks are below. How does your business compare to these?

- Labor Gross Profit Margin = 65%+ (Labor Gross Profit/Labor Revenue)
- Parts Sales Gross Profit Margin = 35%+ (Parts Gross Profit/Parts Revenue)
- Absorption Rate = 100%+ (Total Labor & Parts Gross Profit/Total Company Expenses)

There are many more key performance indicators, but if you are not achieving these, it is time for an overhaul.

## So, what is the answer?

We cannot continue to operate service companies the way we always have and expect to grow, to remain competitive, and to remain profitable. We must find better ways to deliver a higher level of responsive service and serve more customers with the labor force that is available. ***Service companies that want to grow MUST implement new tools and technology to serve more customers.***

The service business is changing. The day is coming, sooner than you think, when we are wirelessly connected to all stationary generators, mobile generators, vehicles and all other equipment that we service and maintain. It is inevitable and it is the future of field service. The changes that have evolved over the past decade in how technology is used in our industry pale in comparison to what is about to come. The implementation of 5G wireless technology is about to revolutionize our lives and our businesses. Those who embrace this fact now and include technology in their growth plans will emerge as the leaders of tomorrow. Those who do not, may very well be out of business.

Generator manufacturers are already deploying remote connectivity capabilities. Many generator dealers, distributors and independent service companies have already embraced remote connectivity. The technology is now so affordable that integrating generator monitoring and vehicle/equipment tracking as a normal part of your professional service business is an easy decision.

## Generator monitoring has significant benefits for the service company and the equipment owner!

### IMPROVED EQUIPMENT RELIABILITY

The ***definition of reliability*** in our business is simply this…***the power goes out and the generator works***…and the generator absolutely **MUST** work when needed, every time. How confident are you that the generators you maintain will work when the power goes out? What are the consequences to you and your end user customers if they do not? There is no better way to retain a loyal customer than to have the generator perform as it is supposed to when the power goes out. There is no faster way to lose a customer if the generator fails.

We also know that inspecting a generator more often increases reliability and the likelihood of finding and resolving problems before the next power outage. Quarterly or even monthly inspections improve reliability. How about providing 31,536,000 inspections per year? Monitoring a generator exponentially increases the reliability. At the end of the day, the service company and the brand are judged by our definition of reliability…did it work? Improve reliability with generator monitoring and avoid angry customer calls.

### RETAIN HAPPY AND LOYAL CUSTOMERS

When you provide the highest level of service possible and their equipment performs as it should, customers WILL be loyal to you. One of the key benefits of remote monitoring that is often overlooked is customer retention. Retaining ***Loyal Customers*** is the goal. Loyal customers stay with you through the life cycle of the equipment allowing you to capture the highly profitable scheduled services such as changing batteries, block heaters, belts, hoses, coolant, load bank testing, etc. Loyal customers quickly say yes to recommended repairs. Loyal customers are also your advocate and will provide referrals.

### PROVIDE A HIGHER LEVEL OF SERVICE

Generator monitoring provides a much higher level of service than visiting a customer quarterly or even monthly. When a problem occurs, the service company and the customer are alerted so that you can provide a fast, proactive response to equipment problems. If you are not providing the highest level of service possible to your customers, be careful because your competition will.

### OTHER KEY BENEFITS OF GENERATOR MONITORING

- Differentiate from Your Competition
- Improve Efficiency & Productivity
- Reduce Unbillable Service Trips
- Reduce Vehicle Expenses
- Automated Communication to Your Customers
- Increase Top Line Revenue
- Increase Bottom Line Profit
- Service More Customers/Technician

## What is your vision of where you want your service business to grow?

What does your business look like in five years, even ten years? How many service customers and technicians do you have? What does your revenue, gross profit and net profit picture look like? Does your service business provide 100% absorption? Imagine that you are remotely connected to all generators you maintain. Every day, you know what generators need immediate attention, which ones are working properly, which ones are due for maintenance and you also have your list of approved scheduled repairs. Every day you are easily routing the right technicians for the work in the most efficient manner, maximizing your productivity and your profitability.

## Where do I start?

One of the first steps in starting your overhaul is to review the profitability of the different types of service jobs you perform. Do not analyze every work order, but take a good sampling of annual PM services, minor service inspections, scheduled repairs, and emergency repairs. Look at the profit margin and profit dollars from these as well as the amount of labor hours consumed for each, including travel time. You will quickly see that the most profitable jobs you do are quoted repairs and emergency services. These include battery changes, block heaters, belts, hoses, coolant flush & fill, load bank testing, etc. The second most profitable jobs are typically major PM services. In both cases, you are “selling” parts along with the job, increasing the revenue and profitability. You will also likely find that the least profitable service jobs are minor service inspections, aside from unbillable calls of course.

## If it hurts, stop doing it…

The next step is to stop doing the work that is the least profitable (or do less of it) that is consuming technician labor hours and redeploy your technician labor (hours bought) on higher profit jobs. This will have an immediate impact to your bottom line and will not cost you anything more; you are already buying the labor hours. There are a limited number of available hours per technician and a limited number of available technicians. The first strategy of growing your business should not be hiring more technicians. It should be maximizing the revenue and profitability per technician already on staff. Use generator monitoring to take the place of low profit minor service inspections. The goal should be to monitor every generator you maintain, as soon as possible. The benefits to you and your customers are tremendous. Remember, customer retention is a huge benefit.

Everyone agrees that generator monitoring is a smart thing to do. Every time I ask a service company "if it were free, would you put it on every generator you service" and the answer is always YES. My response is that it is better than free…it will make you a lot of money! The need and value are there, but the challenge is ***who is going to pay for the upfront investment of a few hundred dollars for the monitoring system and an hour or two of labor***. There are a few easy ways to overcome this concern and quickly reach your goal.

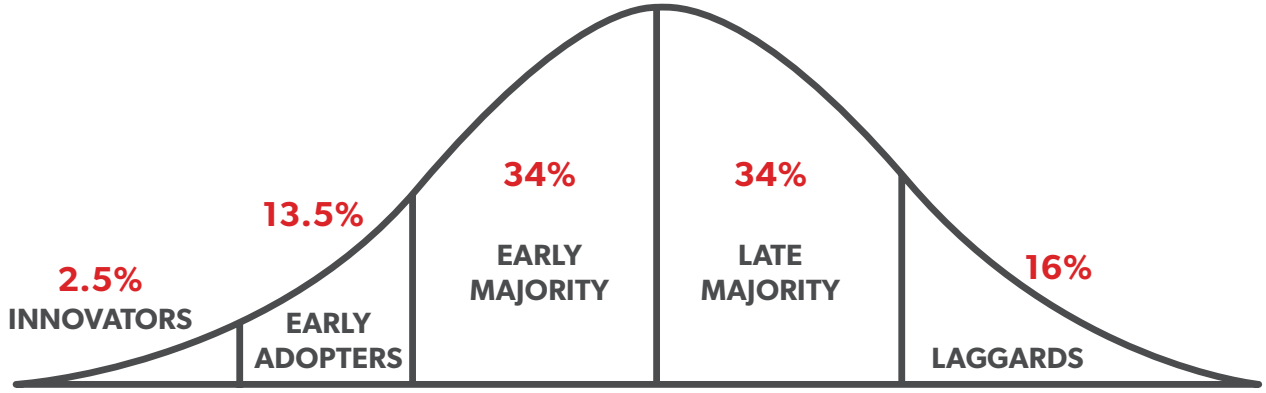
1. For new customer agreements, quote an annual service with monitoring at roughly the same price you would normally quote for a quarterly agreement. Stop quoting more minor service inspections when you know they are not profitable work and consume available (and valuable) technician hours. If the customer insists on additional minor service visits, then price those as extra and at an acceptable profit margin.
2. For existing customer agreements, offer to trade out minor service inspections for monitoring. You can keep the annual service agreement at roughly the same price, gain the margin from monitoring and redeploy the technician on higher profit work orders.
3. Consider bundling monitoring into a repair quote and offer it as a "special promotion" to include the monitoring equipment and first year of service if they accept your repair quote. Then you can bill the customer the annual monitoring service in the following years.
4. When none of the above apply, simply offer it to your customers at a reasonable price, many will say yes!
5. The goal is to get your monitor on every generator you maintain (remember, customer retention).

## Where are YOU on the adoption curve?

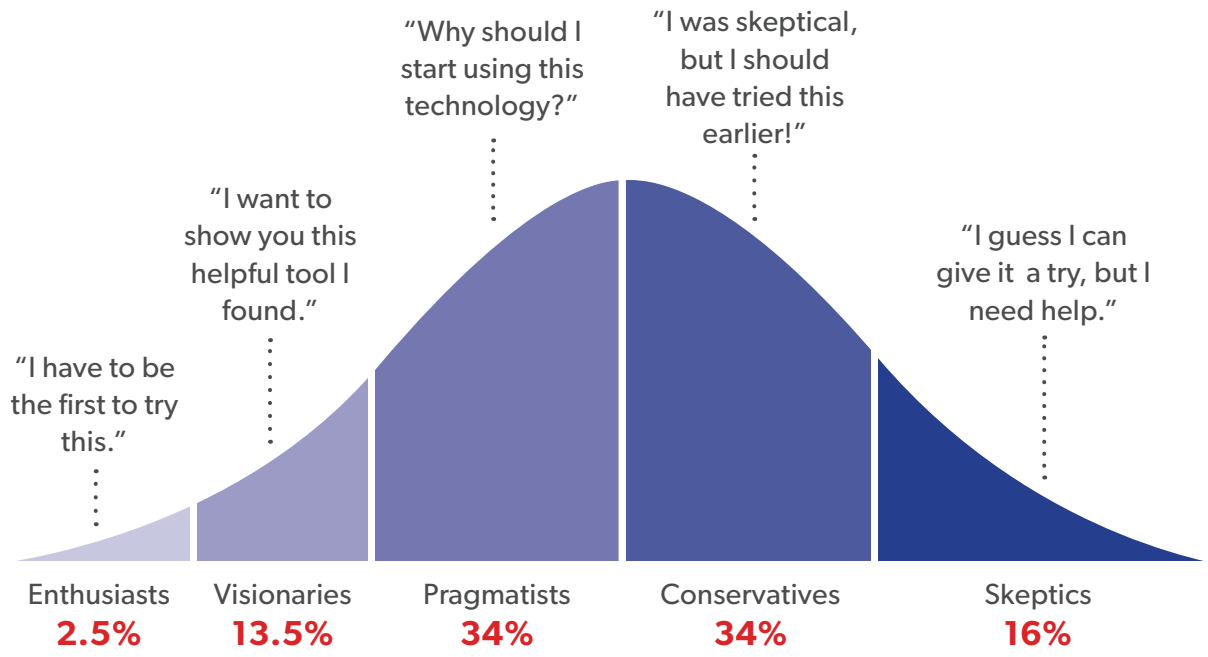
You may be familiar with the technology adoption curve, often referred to as the change adoption curve. Two Thirds of the population are in the Early Majority and Late Majority, whereas the other third is split between the Innovators/Early Adopters and Laggards. Most likely you are in the middle of the bell curve. Now is the perfect time to consider starting your overhaul. The technology transformation in the power systems industry is in the Early Majority phase.

### TECHNOLOGY ADOPTION CURVE

Everett Rogers - Diffusion of Innovations 1962



**A DIFFERENT PERSPECTIVE OF THE ADOPTION CURVE**




## When will you start?

Hopefully, your mental wheels are turning and thinking about the long-term success of your service business. Where will your business be in the next five years, ten years? What will it look like? Where will you find enough technicians to service the equipment? Are you going to continue to do business the way you always have, or is it time for an overhaul?

Technology solutions are fundamental to the growth and success of service organizations. The day is coming, sooner than later, when we are remotely connected to all vehicles, stationary generators, mobile generators and all other equipment that we service and maintain. Those who embrace this fact now and include technology in their growth plans will be the market leaders of tomorrow. Those who do not may very well be out of business.

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Andy has over three decades of professional experience in the power systems industry having held senior level positions with several leading generator distributorships, owned his own distributorship for 10 years, and has provided consulting services for generator dealerships throughout the US. Andy is also on the EGSA Board of Directors. For more information, visit www.powertelematics.com.