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Diversify your Electrical Business

Electrical Industry Trends

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Issue Date:

May 2010



Today's economy leaves electricians little choice but to explore new markets. More and more, contractors are familiarizing themselves with new areas of electrical maintenance, regulation enforcement and alternative energy to make up for losses in the construction sector.

"If 15 to 20 percent of annual sales come through service, electrical contractors usually weather recessions well," says Dr. Perry Daneshgari, CEO of Flint, Mich.-based MCA Inc., a management innovation company that specializes in the electrical industry.

In commercial areas, there's ample opportunity for those looking for ways to expand their business. But commercial installations typically require a longer learning curve, as well. Although opportunities in residential construction may be more limited, there are more plug-and-play options like installing home entertainment centers, environmental controls, fire alarm securities and cameras, which don't require as much technical expertise.

Whichever area you choose, "service, testing or any kind of maintenance is a good diversification strategy," he says.

Creating opportunities

In recent years, Electrical Systems of California has stayed afloat by expanding into lamp/ballast recycling and maintenance work. Company president Russell Risley shifted his business model from construction to services like lamp recycling and began urging

clients to follow the states rules and regulations on lamp recycling and building life safety compliance. He has also found a steady revenue stream from doing lighting maintenance on existing properties.

To make his new diversification strategy work, he had to attract new customers with attractive offers. “We offered incentives like no lighting-service contract fees, free monthly outdoor lighting inspections, material and labor discounts, and lamp recycling services at our cost,” Risley says.

For others looking to create a niche for themselves, he suggests offering to do free inspections or informing prospective clients about routine tests like safety inspections they should conduct. For example, you could inform your clients about Occupational Safety and Health Administration (OSHA) requirements for exit lights and emergency pathway lights—then tell them how your maintenance service can address those requirements.

Offer specialized services

Some companies are surviving the downturn by focusing on energy-efficient specialties—but that also brings a new learning curve to their business. If you go into low-voltage lighting, for example, you’ll need to familiarize yourself with regulations, codes and standards that apply to residential low-voltage products and installation.

And be prepared for some extra paperwork. When Risley started alerting clients to new regulations mandating higher efficiency lighting standards like banning the manufacturing of magnetic ballasts and mandating higher efficiency fluorescent and high-intensity discharge (HID) lamps, Electrical Systems of California had to become listed as a universal waste handler and began producing recycling certificates for customers as proof of their service, since these records could only be provided by a certified handler.

“Another service that a number of contractors are now increasingly offering is [the installation of] emergency generators for residential and light commercial facilities in facilities that might not have previously used such systems,” says Bob Baird, vice president of training and development for the Independent Electrical Contractor Association (IEC) in Alexandria, Va. “Generators and their associated switching equipment are basic electrical systems, so it’s a question of specifying the correct unit, knowing building and electrical code requirements and then following proper installation techniques.” Still, that requires an understanding of the manufacturer’s installation requirements, as well as local codes.

Keeping your clients

Developing an expertise in service and maintenance isn’t just a way of making money—it’s an opportunity to attract repeat business down the road. If you’re working in the residential sector, why not offer to replace inefficient appliances with Energy Star-rated counterparts? Or, tell your commercial customers how much money you can save them by integrating lighting control systems into the building’s automation system?

Increasingly, electrical contractors are becoming energy management service providers, as well. You could help companies formulate a strategic energy management plan, lead energy audits and recommend technology solutions or document savings for customers.

Proceed with caution

Some companies go into cell tower hookups, only to discover they're losing the extra revenue on travel time. Before branching out, be sure you've figured in any additional costs from buying upfront equipment, additional labor and training.

An uninformed approach could also backfire, so get some experience in your new service before advertising it to customers. Although many electricians have jumped on the photovoltaic bandwagon, improper installation of solar panels—or an inadequate building audit—could result in structural damage to the roof or the denial of a building permit.

If you're interested in solar energy installation, Baird says, "you need to get appropriate training in solar technology" to ensure you're following the correct installation procedures and taking into account not only the electrical aspects but also siting, weight, wind loading and fire code considerations.

Spread the word

Electrical business is built on networking, which is why Risley continues to focus on developing relationships with property managers. "We found we could negotiate a lower hourly rate and lower material markups. That helped us lower our overhead with bidding to offset the discounts offered and were on call as part of their team, rather than doing bids," which he says is leading to more work in the long run.

Now that you're branching out, don't forget to advertise your new services to potential and existing customers. Whether through newsletters, networking or your web site, your ability to market your new areas of business may prove almost as important to your success as the services themselves.
