



Electrical Industry Outlook

Trends and Opportunities



Thanks to the new housing boom and increased demand for residential remodeling, the past two years have been some of the busiest on record for electrical contractors. This white paper provides electrical contractors with a grounded look at today's industry and the emerging trends driving it toward a future of continued growth.

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Introduction

Despite all the recent challenges, the electrical contractor industry didn't trip the breakers or blow any transformers over the last two years. **So the industry is very much alive and well as we look to 2022 and beyond.**

Everyone's heard about how the low-interest rates spawned the new housing boom. But those same low rates have also fueled a remodel revolution for families who don't want to leave their neighborhoods and communities.

The pandemic created significant supply chain issues, leaving many supply houses with empty shelves and material shortages that wreaked havoc on project schedules and timelines across the country.

The labor shortage is slowly disappearing for many other trades. Still, due to the required training and certification process (4½ to 5 years), the electrician shortage is a long-term issue that needs a solution.

Pricing increases are inevitable. Factors include the rise of fuel costs and labor rates necessary to retain talent. **Depending on inflation, material prices could level off as manufacturers continue to replenish inventories.**

Almost every electrical contractor would benefit from customer-centric technology to increase conversions, sales, and profits. But choosing and installing the best system can be a time-consuming and exhaustive process for the owner or support staff.



Electrical contracting in 2022

To fully understand the trends that will affect electrical contractors, like you, over the next five years, we need to know where the electrical contracting industry is today. We'll define the current market and break down the numbers in greater detail¹.

The industry encompasses electrical contractors that design, install, and service wiring, and electrical equipment. While a large share of industry revenue is generated by electrical system installations in new residential and commercial structures and remodel projects, demands for systems repair, maintenance, or retrofit work continue to increase.

Industry Snapshot: Revenue and Expense Breakdown



TOTAL REVENUE 2021
\$24.1 Billion



Profits
\$1.6 Billion



Wages
\$8.3 Billion



Electrical Contractors
25,880 Nationwide



Number of Employees
118,000

For the last few years, electrical contractors have enjoyed the increased growth fueled mainly by low-interest rates, which created a new housing boom. And as home values soared upward, those not interested in moving utilized their equity to fund remodels and additions.

In 2021, there were 107,394 inquiries for Canadian-based electricians and 31,204 inquiries for electrical contractors in Canada on BBB.org.

Historical trends indicate that 300 electrical contracting businesses are launched each year. Every new contractor needs a certified electrician or two, sometimes an entire crew, to complete the work and generate receivables.

(1) IBISWorld CA INDUSTRY (NAICS) REPORT 23821CA / CONSTRUCTION Electricians in Canada Report by: Shawn McGrath June 2021



2021 revenue breakdown

Expense	% of 2021 Revenue
Purchases (materials, tools, and services)	51%
Wages	34.5%
Other costs (licensing, taxes, and admin)	3.4%
Profit	6.5%
Utilities	0.8%
Rent	1.3%
Marketing	0.8%

Just like many trades, wages and materials represent the highest expenses for electrical contractors. In addition, the complexity and training duration of the electrical apprenticeship and certification process, and the overall shortage of qualified labor weighs on project timelines and limits industry growth.

Market share

The industry remains wide open as the four largest companies were responsible for less than \$1.3 billion (5%) of industry revenue totaling \$24.1 billion in 2021.

Unlike other contractor trades like general contractors or roofers, industry consolidation is lacking primarily due to differences in building codes and the certification processes from one province/ municipality to another.

Company	Share	Amount
Chemco Electrical Cont.	3.1%	\$741 Million
Quanta Services Inc.	0.8%	\$188.7 Million
MMR Canada Ltd.	0.1%	\$33 Million
Unitech Electrical Cont.	0.1%	\$15.1 Million

Electrical Contractor Company Insights

Many electrical contractors work within defined “service areas” to keep operating costs down while relying on local word-of-mouth advertising (including website and social media) to find new customers or projects.

The benefits of running a small company with fewer than 19 employees include a higher perceived level of customer service, quality, and a faster response to project changes/issues. However, these traits can also work against the small contractor as they may struggle to assemble the labor and material resources necessary for larger projects.

Industry segmentation by products and services

System/Services	% of Revenue
Electric power systems service/installation	68.1%
Other services	9.6%
Fire/security systems service/install	7.7%
Telecommunications service/installation	8.5%
Electronic control systems service/install	6.1%

Electrical systems for new and remodel projects continue to be the most requested product/service. In addition, as disposable income and corporate profit increase, electrical contractors can expect higher demand for electrical services from corporations and homeowners.

Electrical contractors have benefited from the ICP (Investing in Canada Plan)², which provided funding to modernize/expand the nation’s roads, transit systems, broadband, energy systems, and community services. To date, the ICP has spent \$119 of its \$180 billion budget to start/complete over 77,000 projects.

(2) infrastructure.gc.ca/plan/about-invest-apropos-eng.html

Industry segmentation by project type

Expense	% of Revenue
Multifamily construction	38.3%
Single-family construction	32.3%
Industrial markets	15%
Institutional/government	8.8%
Commercial construction	5.6%

Increasing demand and a constantly growing customer pool have virtually eliminated price competition for many electrical contractors. However, while price remains an essential factor in the decision-making process, customers report that scheduling and availability are equally important when hiring an electrical contractor.

Annualized growth rate

Category	2016-2021	2021-2026 (projected)
Revenue	2.6%	2.4%
Profit	3%	2.3%
Wages	1%	2.1%
Electrical Contractors	1.1%	1.5%
Employees	1.5%	2.1%

The electrical contractor industry can expect steady incremental growth for the next five years. All the key indicators show moderate growth, while the industry revenue and profit do slow slightly, the number of new contractors and employees increase.



Beyond 2022: Trends to watch the next few years

The industry is poised to benefit from the continued demand for new construction and remodeling services for residential and commercial markets across the country. Unfortunately, like many other trades, electrical contractors face hurdles with implementing new technologies to meet changing customer demand while recruiting and maintaining current staffing levels.

1 New home growth driving demand

Many electrical contractors are awash in new business as low-interest rates fueled the current housing boom. As interest rates climb upward, the pool of eligible buyers typically shrinks. However, the increased disposable income (3.6%) should offset those rising interest rates. In addition, due to low housing market inventory, contractors are seeing increased demand from current homeowners remodeling or adding on to their property.

2 Finding (and keeping) talent remains a challenge

Electrical contractors find themselves in similar situations to other trade contractors regarding talent acquisition and retention. But, again, it's a simple numbers game; the number of tradespeople retiring each year is greater than the number of new apprentices coming into the trades.

Electricians must carry the proper credentials or licenses to correspond with local requirements for their specific scope of work for the following:

- + Outside Wireman
- + Inside Wireman
- + Installer Technician
- + Residential Wireman
- + Low-Voltage Systems Specialist
- + Telecommunications Specialist

Most electricians must complete an apprenticeship program³ consisting of 8,000 hours of OJT training and 10 school terms via the local IBEW (International Brotherhood of Electrical Workers) training centre. Upon completing the training requirements, the candidate must pass the Electrician Journeyman exam.

3 Supply chain issues will continue

For the foreseeable future, material shortages and volatile pricing will continue to be the norm for most electrical contractors. However, many contractors can minimize these effects by over-communicating with their suppliers regarding signed projects and schedules and projects coming up for bid immediately.

While the situation is improving daily, there will be potential bumps in the road that could impact growth and continued recovery at the local or regional level. One possible option is to purchase materials and store them until the project is ready. This strategy has two distinct benefits for electrical contractors.

- + Storage fees (if applicable) will be substantially less than potential price increases and additional sales tax costs.
- + Materials are at-the-ready if the schedule is expedited.

4 Inflation, supply issues, fuel costs, and wage growth leads to price increases

Due to inflation, lingering supply chain issues, and rising wages affecting every contractor's bottom line, residential and commercial customers can expect increased electrical contracting costs.

(3) ibewcanada.ca

And while there is currently a strong demand for electrical services, these factors could result in a short-term cooling-off period as customers begin to delay or forego new construction or remodels due to the increased overall cost. Once supply levels exceed demand, the material and wage increases should finally subside.

Banks are now raising the prime interest rate to slow down inflation to provide some level of consumer relief. But inflation remains a great variable because it results from global events and policies beyond our control.

5 Technology embraced, but not fully deployed

Unlike many other business models that quickly went digital during the pandemic, many contractors have yet to implement these technologies across their operations. Many electrical contractors do utilize some level of technology in their business.

However, many don't venture beyond some software for estimating and billing, email, and their smartphone.

According to a recent Dodge Construction Network survey⁴, the construction trades have some catching up to do.

- + The construction industry continues to lag behind other sectors in its digital transformation journey. Just 15% of survey respondents implemented a digital transformation strategy, while 38% have yet to develop one, citing other priorities.
- + Nearly half of their office personnel ran into problems while trying to implement strategy, and of those, 42% had technical issues pertaining to either hardware or software.
- + More than a third of those respondents said implementation problems exacerbated the expense of the digital initiative, and one in five said that worker reluctance or difficulty in adopting new solutions stymied the initiative.

Numerous platforms and applications exist that allow prospects to shop, compare, schedule, purchase, and refer to your products and services twenty-four hours a day. Unfortunately, many electrical contractors don't have the time to sort through all the options and features to select the best solution for their customers.

And, even if they did, most electrical contractors don't have a web developer on staff to install, maintain, and troubleshoot the program when problems arise. Knowledgeable third-party resources are available for hire, but they can be as scarce as a good electrician. As a result, many contractors are in a self-imposed holding pattern and are still "waiting to get it up and running." problems arise. Knowledgeable third-party resources are available for hire, but can be as scarce as a experienced electrician. As a result, many contractors are in a self-imposed holding pattern and are still "waiting to get it up and running."

(4) ecmag.com/section/your-business/desire-digital-transformation-rise-implementation-lags



How to build a loyal customer base

Create a Customer-First Mentality

With limited face-to-face interactions, it's important to step up your customer service game. Make time for your customers by maintaining transparency, communicating consistently, and answering questions.



Personalize Your Communication

A Segment survey found that 71 percent of consumers get frustrated by impersonal encounters by companies. Earn your customer loyalty by building and delivering an authentic, personalized experience.



Start a Community

With social media abundant, Entrepreneur recommends creating an online community that encourages customer engagement and user-generated content, such as final product photos taken and shared by customers.



Respond to Reviews and Complaints

Whether it's a one-star rant or a five-star cheer, it's up to the business to respond positively and openly. Choosing to answer each review promptly and kindly can increase trust in your brand.



Honor Promises

Whether there are supply issues, price quotes, or unforeseen mistakes, work to keep the line of communication open with customers. By honoring promises and operating with transparency, you're building trust.



What business owners like about BBB⁵

- 1 Accredited Business [status on BBB.org](#)
- 2 Use of the [Accredited Business Seal](#)
- 3 BBB [Customer Reviews](#)
- 4 BBB [Dispute Resolution](#)

(5) Source: IABBB Research, 2022, Survey of BBB Accredited Businesses



The Sign of a Better Business*

Be a Top Business in Your Industry

We asked businesses how BBB Accreditation impacts them. Here are their responses...

- 1 Accreditation increases the **credibility** of my business
- 2 Accreditation shows **integrity** in our business practices
- 3 Accreditation builds consumers **trust**
- 4 Accreditation increases my **visibility** as a reputable business
- 5 Accreditation shows **we care** about our customers



THE SIGN OF A BETTER BUSINESS*

Business owners also said the BBB Accredited Business Seal shows they are...

- **reputable**
- **trustworthy**
- **honest**

Find out how BBB can help you.
Visit [BBB.org/get-accredited](https://www.bbb.org/get-accredited)



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