




BBB® INDUSTRY REPORT | U.S.

Electrical Industry Outlook

Trends and Opportunities



Thanks to the new housing construction 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 industry didn't trip the breakers or blow any transformers over the last two years. **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 construction 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 a training and certification process of 4.5 to 5 years, a shortage of electricians 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 can 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 an owner or their 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 industry is today. We'll define the current market and break down the numbers in greater detail⁽¹⁾.

The industry encompasses electrical contractors that design, install, and service wiring, and electrical equipment. While a large share of the industry's revenue is generated by the installation of electrical systems in new residential and commercial structures and remodeling projects, a **demand for maintenance, repair, disaster recovery, and retrofit work continues to increase.**

Industry Snapshot: Revenue and Expense Breakdown



TOTAL REVENUE 2021

\$202.3 Billion



Profits

\$11.1 Billion



Wages

\$64.2 Billion



Electrical Contractors

221,000 Nationwide



Number of Employees

1 Million

For the last few years, electrical contractors have enjoyed increased growth fueled mainly by low-interest rates, which created a new housing boom. And as home values soared upward, others accessed their equity to fund remodels and additions.

Profits did decline slightly in 2020-21, mainly due to higher material costs caused by supply chain issues and higher wages for licensed electricians. While material costs could level-off, the labor shortage remains a long-term challenge.

Historical trends indicate that 3,300 electrical contracting businesses are launched each year. While new owners often hold the masters' license or certification, these firms often need an additional electrical journeyman or trainee, sometimes an entire crew, to tackle projects and generate receivables.

(1) IBISWorld US INDUSTRY (NAICS) REPORT 23821 / CONSTRUCTION Electricians in the US Report by: Kush Patel September 2021



2021 revenue breakdown

Expense	% of 2021 Revenue
Purchases (materials, tools, and services)	36.5%
Wages	31.7%
Other costs (licensing, taxes, and admin)	22%
Profit	5.5%
Utilities	1.8%
Rent	1.3%
Marketing	0.2%

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 electrical contractor industry remains wide open as the four largest companies were responsible for less than \$13 billion (7%) of industry revenue totaling \$202 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 state to another.

Business insights

Number of Employees	% of Electrical Contractors
1-4 employees	59.4%
5-9 employees	18%
10-19 employees	11.1%
20-99 employees	9.9%
100 or more	1.6%

In 2021, there were 1,433,650 inquiries for electricians and 443,944 inquiries for electrical contractors in the U.S. on BBB.org. Over 75% of the industry revenue gets generated by smaller contractors with less than ten employees. Since marketing is nearly non-existent in this industry, 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.

Industry segmentation by products and services

System/Services	% of Revenue
Electric power systems service/installation	62.1%
Other services	11.3%
Fire/security systems service/install	9.6%
Telecommunications service/installation	8.0%
Electronic control systems service/install	5.4%
Road/street lighting systems service/install	3.6%

Electrical systems for new builds and remodel projects continue to be the most requested. Demand generally grows with disposable income and corporate profits.

Electrical contractors will soon benefit from the recent passage of the Infrastructure Investment and Jobs Act² (IIJA), which will modernize the nation’s roads, transit, rail, bridges, airports, broadband, and drinking water and wastewater infrastructure. As these projects become available for bid, demand for licensed electricians will rise again.

(2) transportation.house.gov/committee-activity/issue/infrastructure-investment-and-jobs-act

Industry segmentation by project type

Expense	% of Revenue
Institutional (schools, hospitals, fire)	29.2%
New residential/remodel	20.9%
Retail space	15.8%
Office buildings	12.3%
Non-building (roads, bridges, parking)	7.2%

While you likely have heard about the recent housing boom, you may not know that more than 75% of all electrical work results from projects for institutional and commercial clients. Most businesses provide electrical services to both residential and commercial customers, while some do specialize in one project type over another.

Increasing demand and the growing customer base have diminished the need to compete on price for many contractors. However, price remains a factor in the decision-making process, but customers report scheduling and availability are equally important when selecting an electrical contractor.

Annualized growth rate

Category	2016-2021	2021-2026 (projected)
Revenue	2.1%	1.4%
Profit	1.5%	1.5%
Wages	3.6%	1.6%
Electrical Contractors	1.6%	1.5%
Employees	2.7%	1.6%

Electrical contractors can expect steady incremental growth for the next five years. All the key indicators show moderate growth, while the rate of revenue and employee growth slow slightly.



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.

1 New home growth driving demand

Many electrical contractors are awash in new business as low-interest rates fueled the housing boom. To help battle inflation, the Feds are now slowly raising interest rates, which would typically shrink the pool of eligible buyers. However, the increased disposable income (3.6%) should help offset rising interest rates. In addition, due to low housing market inventory, contractors are seeing increased demand from homeowners looking to remodel or add square footage on to their existing properties.

2 Finding (and keeping) talent remains a challenge

Electrical contractors find themselves in similar situations to other trades 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 state 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 International Brotherhood of Electrical Workers (IBEW) training center. 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, schedules, and projects coming up for bid.

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, fuel costs, and rising wages affecting every contractor's bottom line, residential and commercial customers can expect increased costs.

(3) nietc.org/applicants/apprenticeship-programs/inside-electrician/

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.

The U.S. government is (slowly) raising prime interest rates to slow down inflation to provide some consumer relief. But inflation remains the 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 24 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 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](https://www.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 BusinessSM

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 BUSINESSSM

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

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

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