

What Does the Future Hold for Oilheat?

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I recently had 200 gallons of heating oil delivered to my home, and paid almost \$500. Yikes! That used to be my heating cost for an entire season. It made even me, someone who works every day in the oilheat industry, sit up and take notice. And that's not good.

Through a combination of global circumstances, market forces and our own short-sightedness, the oilheat industry has placed itself in a dangerous position. We are losing the trust and confidence of our customers. If we don't do something soon, we will lose their business as well.

I am not talking about a frustrated homeowner who calls around looking for oil at a lower price. That is the least of our worries. The real threat is a mass exodus away from oil toward a different energy source, one that markets better efficiency, lower overall cost and the promise of stable supplies, even if those claims are untrue. The race is on, and without a concerted, industry-wide effort, the current situation may eventually resolve itself without oilheat having a significant place at the table.

What can we do? The solution must have two components, one technical and one organizational.

To begin with, all the advances in technology the oilheat industry has been touting have only scratched the surface of what we need to do. The improvements in efficiency that manufacturers have achieved in oil heating systems are admirable, but far from adequate.

If I am going to pay four or five dollars per gallon for oil (and I believe we are rapidly heading for that price point), I need to be able to heat my home with less than 500 gallons of oil per year. The brilliant minds at Brookhaven need to buckle down and dazzle the world with a quantum leap in technology that will allow oil to remain a viable energy source.

While you are at it, please design a heating system that will also generate electricity right in my basement. Co-generation is a concept that we should all embrace as soon as possible. An oilheat dealer who can also help supply your home's electrical needs would have a decided competitive advantage.

This new system will also negate the need for a homeowner to make a service call, or for a dealer to guess how much oil should be delivered. Telemetry built into the system will allow the dealer to monitor the status of the system at all times, be alerted to a potential problem, and automatically schedule an oil delivery when the customer's tank drops to a certain level. All using intelligent routing and scheduling software that makes the most efficient use of delivery trucks and service technicians.

Oh, and the cost of a delivery will be automatically deducted from the customer's bank account, too. No more credit or collections.

While the technical geniuses are busy developing the next generation of heating equipment, dealers need to also look inward and examine their own operations. Too many dealers remain in the dark ages when it comes to managing their companies. True, many of the more successful dealers have adopted and adapted the available technology to improve efficiency. (Those dealers who are still mulling over the purchase of their first fax machine, and who maintain customer records on index cards, are likely candidates for what Darwin called "natural selection." In other words, they will soon be history.)

But the basic structure and operation of almost every oilheat company remains pretty close to what it was back in the 1950s. That needs to change. A new business model must be developed that takes the emphasis away from the routine task of delivering a commodity and shifts to a more universal role.

What will the "new" oilheat company look like? It will be an integrated energy company, offering a much broader range of services that meet a homeowner's energy needs from start to finish.

I envision a company that will start a relationship with a customer while a new home is still in the design phase, offering energy system engineering services in concert with the architect. Then the company will act as the subcontractor for the installation of an energy-efficient co-generation system that produces both heat and electricity for the home. The company will then continue to service and supply the system with product.

On the management side, the oilheat company of tomorrow will need to streamline and modernize. New financial reporting software that is already available (its called XBRL – extensible business reporting language) will make all phases of the operation "transparent" and easily trackable. You'll know instantly where your business is making money, and where you are losing it.

This software will also be required by lenders and finance companies, along with government agencies and the IRS, who will demand more open access to transactions and records.

The same type of monitoring software that tells you that a customer's tank is running low will also alert your wholesale supplier that your delivery trucks are empty and on the way to the rack for a refill. There will be no dealer-owned bulk plants – environmental concerns will have forced them all to be closed and cleaned up.

All of this will require fewer people, operating more efficiently. This may not be good news for your brother-in-law on the dispatch desk. But it will allow you to better control overhead costs.

That is my vision of the future. Will it continue to include oil as a source of energy? Will the future include your company? Only time will tell. But if we do not take significant steps today to improve, upgrade and streamline our entire industry, we may soon go the way of the buggy-whip makers.

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