

## Strategies for Growth

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There is an old saying that goes, "If you are not moving forward, you are moving backward." This is certainly true in the fuel oil business. Unless you are constantly taking steps to grow your business, you are going to slip further and further behind the competition. There is no standing still.

What does it take to grow a fuel oil business in today's turbulent economy? What steps can you take to keep your company pointed in the right direction? And how will you know when the voyage is over and it is time to sell?

The first step to make is an honest assessment of your business and its position in the industry. You must look beyond tomorrow's deliveries at the wider world to try and determine what the future holds for your company.

The oilheat industry in the United States is a mature industry. Despite such programs as "Build With Oil" and the NORA-supported marketing campaign, there are a limited number of new homes being built with oil-fired heating equipment. While a few dealers have had some success in working with builders and developers to install oilheat systems in new construction, they are the exception.

As a result, significant growth can come from only one source – the customers of other fuel oil dealers. Some view this as cannibalism, others as honest competition. Whatever your opinion, the future of your business relies on the homeowner who is currently buying oil from your competitor.

How do you go about taking customers away from other dealers? There are three primary ways to accomplish this: discount pricing, aggressive marketing or acquisition.

Discount pricing is a steep and slippery slope from which there is no recovery. Once you have taken the discount step, there is no going back – you enter a downward spiral of ever-increasing pressure to lower prices, cut margins and squeeze every penny. Cutting margins also requires eliminating many services customers have come to expect, erasing other sources of revenue (such as service or equipment sales) and impeding any chance of differentiating yourself from other dealers.

Such differentiation is the cornerstone of any effort to acquire new customers through improved marketing. Traditionally, fuel oil dealers have been "pennywise but pound foolish" when it comes to spending money on marketing. Investment in advertising and promotion has always been minimal. However, that attitude must change if you are to attract customers away from competitors.

The most successful dealers aggressively promote their companies, positioning themselves as the "best choice" for homeowners. Rather than competing on price, they promote service, reliability and value. They spend a healthy percentage of their annual sales on a marketing mix that includes advertising, customer communications, sales promotions and image building. By raising the profile of their oil companies, they pull customers away from more passive dealers.

If you don't have the patience or inclination to build your customer list through marketing, there is a third way to add a large number of customers quickly – the acquisition of another fuel oil dealer. Given the economic realities of today's marketplace, many dealers have found this to be an efficient way to grow. The infusion of a significant number of new accounts at one time can be an operational challenge. But the upside revenue boost can make a dealer stronger, more competitive and better able to withstand market fluctuations.

Good timing makes the acquisition route even more favorable right now. The owners of many fuel oil companies that were started after World War Two are now at or beyond retirement age. If they have not made arrangement for passing on the business to the next generation – or if the children are not interested – selling the company is their best option.

Of course, the acquisition option has a flip side. You may be one of those dealers ready to cash out of the business. Perhaps your children have found other careers. Or you are simply tired of fighting the good fight and looking forward to a comfortable retirement. If that is the case, now is a good time to sell. This year should be especially active in the acquisition market, as the season's strong margins and big volume place many fuel oil companies at the peak of their selling price. A valuation of your business will tell you what price you might command on the market.

The romantic image of the oilheat dealer as a feisty, independent loner is rapidly becoming history. The days when a one or two truck operation can compete successfully are all but over. Today, a dealer must have enough "critical mass" to support more sophisticated delivery systems and customer service operations, and to have the clout to purchase product at favorable rates.

Whatever path – or combination of paths – you choose to grow your company, it is certain to be better than standing still and being left behind.

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