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Electrical firm looking for spark

Staco Energy diversifies for more growth

By Joe Cogliano

DBJ Staff Reporter

When Ed Kwiatkowski took the helm at Staco Energy Products Co. more than a decade ago, a majority of its revenue came from selling two product lines: variable transformers and voltage regulators.

Through the years, the president of the Dayton-based company prodded his engineers to diversify the lineup. Staco — which typically sells to distributors who then sell to electrical contractors — began making more products, such as uninterrupted power supplies.

The move sparked sales, which grew annually, including a 16 percent increase in 2008 when the company logged a record year.

Through the years, Kwiatkowski had put Staco through the necessary steps of evolution: new product development, employee training and ISO certification. But it still wasn't enough to combat the poor economy. So this year he shifted the company in a new direction.

Kwiatkowski turned to the service market, an idea on his back burner for years, to get the company back on solid footing. It involved a quick ramp up where Staco would go to businesses to study their power situation then offer contracts that included tailored products, installation, maintenance and repairs.

Staco still sells products off-the-shelf, but Kwiatkowski expects the addition of service to recover lost revenue then add 50 percent to the top line within three years. He said the early response has been positive.

"In the larger facilities that really rely on good power, it can keep a plant manager awake at night because if the plant goes down, he loses money," he said. "You want to sell the man responsible for power a good night's sleep."

Until this year, Staco didn't push service because it had only a few personnel. Under the new plan, Kwiatkowski needed to quickly field a service team to make his model work. That meant having technicians available anytime, within a two or three hour drive of any customer in the U.S.

So he went on the hunt for a partnership and found that most companies did the work, but on a regional level. Then he found Thomas & Betts Corp., which has more than 60 offices across the U.S., and signed a deal. In about six months Staco was able to get the Memphis, Tenn.-based electrical contractor trained in how to repair their products. As a bonus, Kwiatkowski expects to pick up additional product sales via Thomas & Betts technicians.

Bringing on the company as a partner went smoothly, except for a few bumps in the road when it came to documentation and other minor issues.

"Like anything, it's about communication, and we probably could have had a few more planning meetings," Kwiatkowski said. "But things got worked out fairly quickly."

To jump-start the service side of the business, Staco is recruiting two marketing program managers and an inside salesperson. The next investment will be in mailing lists for direct mail campaigns and mass media advertising.

Staco's transition from an electronic parts seller to a service company appears to have come at an opportune time as an increasing number of power companies are levying penalties — as much as 10 percent to 15 percent — for companies with poor power factor ratings. Poor ratings are typically caused when large industrial companies use power inefficiently. A power company in New York state, for example, recently told its largest customers it would start charging for those who fall below a certain power factor threshold.

Staco is going into those companies and holding seminars, explaining the issue in laymen's terms, and auditing electric bills to determine what equipment. A company facing a \$1,000 monthly utility bill increase, for example, may be able to spend \$600 to lease equipment and avoid the charge.

Staco also is gearing up to go after emergency lighting market, mostly in retail venues.

Tipp City-based LeVeck Lighting Products Inc. recently went through a transition similar to Staco's.

More than two years ago, the wholesale lighting distributor launched a maintenance division — the service arm of the company — to rekindle growth.

Chris LeVeck, director of new business development, said the biggest lessons he learned during the transition were to be prepared for growth — in needs such as hardware, software and human resources — and recognize issues that may arise before customers spot them.

"It's best to be proactive and flexible," LeVeck said.

Staco's legacy product — the variable transformer — along with voltage regulators account for 60 percent of its revenue these days, but in three years Kwiatkowski expects that to be less than 25 percent. He plans to keep the variable transformer business because Staco has more than half the U.S. market. But while it's profitable, it's not a growth business.

"You pick your markets," he said. "We're competing against large companies, like Eaton (Corp.) and GE, that have a big footprint in a large sandbox, so we go into the corners and offer special services to the customer."

Staco was founded in Dayton about 70 years ago and has been located on Gaddis Boulevard for about 30 years. In the late 1960s, it was purchased by Dallas-based Components Corp. of America and is still a subsidiary.