

Episode 78 - Mike O'Connell - PowerPay [00:15:09]

Intro: Welcome to Profiles In Prosperity, the leading podcast for residential service contractors sponsored by Service Roundtable and hosted by David Heimer.

David Heimer: Hi everybody, this is David Heimer. Welcome to Profiles In Prosperity. Michael O'Connell is the director of strategic accounts and partnerships at PowerPay. Mike has been both an owner and a sales leader, so he has a wide and deep understanding of the benefits of consumer financing from selling at the kitchen table to improving a company's balance sheet. Since 2017, Mike has worked directly in home improvement lending and has originated more than 500 million in loans, so, very impressive. PowerPay is a Service Nation preferred vendor partner. They are a valued member of our Roundtable Rewards program. So Michael O'Connell, welcome to Profiles In Prosperity and thank you for joining us.

Michael O'Connell: David, thank you for the opportunity. I look forward to it.

David Heimer: How did you end up getting into this industry?

Michael O'Connell: You know, David, I have always enjoyed working with my hands and after a short stint in the military; I took on a technical sales role. And I really enjoyed the fact that I was solving a problem with my hands, but enjoy interacting with customers as well. So I got that hands-on sales experience that was scary as a lot of contractors, I think kind of have a dividing line between I'm an installer, I'm a craftsman by trade, I'm not sales. I was able to have a role that served both. And what it did was it allowed me the opportunity to create a side hustle. Early in my twenties, when school was over, I turned this side hustle into a full-time position in a company, and it was a home improvement-based product. I just naturally gravitated towards it because I like creating a solution for homeowners and talking with them at the same time.

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David Heimer: That's an interesting way to get into the industry. So, tell me about PowerPay.

Michael O'Connell: Sure. So, PowerPay was developed by contractors for contractors, and that's what really gravitated myself towards them as a lender. I've been in this space now for several years, as you mentioned, and I've found that there's a lot of lenders in this space that were maybe major banks that saw how massive the opportunity of home improvement lending really is. And PowerPay was the first that kind of had that bottom-up approach that said, I'm a contractor, and I needed a lending solution that better serves my need as a contractor, rather than a bank that just wants to be there to help pick up my customers that I bring them. So PowerPay was formed by a power generation contractor, hence our name. And he fully understood the opportunities to position monthly payments as the best value prop to close business with the contractors, so that's what he did. He said, I can do this better. Let me go find the banking partners that want to do it the right way for contractors, and then let me develop the FinTech platform so that I can share that with the contractors across the country, so that's what PowerPay is.

David Heimer: Is that what differentiates PowerPay that it was a company that is built by people who understand contractors and it is uniquely designed to serve the needs of contractors?

Michael O'Connell: That's exactly right, David, because if you think about home improvement lending is a very niche space where you have to best suit the needs of several people. It's more than just the homeowner. You also have the bank, you have the contractor and you have the sales rep. So you have four interested parties that need to win, and that's what we've done, is develop a solution that's created that four-way

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win. You know, we have unique banking partners that understand what we're doing, how we're going to market, and the types of opportunities, you know, our contractor's customers, how valuable those homeowners are. And we've developed a solution that talks to the contractor owner, as well as the contractor sales rep.

What I mean by that is that the owners care about growing and scaling their business and doing it in a profitable and meaningful way. So if you look at the economy as a whole, and you realize that the vast majority, over 50% of home improvement projects over \$5,000 are financed, you know that financing is an important tool to grow your business in today's environment. So, how can we do that but also let the homeowners keep their margins. What we've done is we've eliminated banking fees. Let's be honest as a contractor, you might be a little upset that you're bringing the bank customers and paying for it in the form of a dealer fee. To me, it's not how it should happen. And that's what we've done is we developed a platform where we reward that activity. Those Service Nation members, as a matter of fact, it's the inverse. You know, you actually qualify for a rebate through Service Nation for the loans you bring us. You should be getting paid for the business that you're bringing your lender, and we give that opportunity to the owner.

And so because of that, the sales reps win because they don't need to bake in extra costs. Because it's financing, they're allowed to sharpen their pencil and deliver the best price. And then win on a payment solution at the same time, without there needing to be any adverse action on their commission scale. And in order to do that and really win in the market, we had to develop a certain set of products so that the sales reps won. Now, not only do they get to take out any of those dealer fees so they're developing the best price, but we needed to have payment solutions that really just blew out the competition. And what we did, David, was we created what's known as a risk-based

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model. And really what that's saying is that instead of having the need to work with two or three different lenders to hear, yes, you get a hearing yes with one application with us.

So we'll go down to those credit-challenged customers and still approve them. And we're still going to approve them at an affordable monthly payment because we have three terms. When we say yes, we're letting the customer know, would you like a 60 month, a 120 or 180 month payment? And we really open up the opportunity for that soft-close that we're all comfortable with on which is the payment that works best for you and your family's budget.

David Heimer: So is that you guys take all the information and then in the background you will submit it to different lenders. Is that kind of the way it works?

Michael O'Connell: What we do, David is, we have unique banking partners behind us that no other lender has. And what they are is they're your local banks and credit unions. That solution that many contractors preferred to use in the past was to give the customer the price and then let them go down to their local bank and secure their own financing. We put those types of banking relationships at the kitchen table. And you know, those banks are excited about the opportunity to be introduced to a new homeowner and have a loan with them, which is why we don't feel the need to charge bank fees. We're happy to service and support those loans for our banking partners. So every loan with us is going to save PowerPay and throughout the entire experience, the homeowner's going to have that PowerPay brand behind them all the way until the loan's paid off.

David Heimer: Well, I've heard a lot of good things about you guys from our members. They've had a lot of success. So, what are the advantages to a company in our industry

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for offering finances?

Michael O'Connell: Now, are we talking specific to HVAC or home improvement as a whole, David?

David Heimer: HVAC, plumbing, remodeling, electrical, anybody that is in the home improvement world.

Michael O'Connell: Absolutely. So I mentioned a little earlier that 50% of home improvement projects today that are larger than \$5,000 are financed in some sort. What we've also found is that we are in a multi-billion dollar space just on the financing side. So if we're not talking about payment solutions with our customers, there's a strong likelihood that the market leaders in your territory are leading with those payment solutions. So, it's going to put you in that competitive space, no matter what size you are. And it's just going to give you that validation that you're supported behind a banking partner. David, an interesting fact; when I was running through the numbers, the number of households that are going to receive a home improvement project and use financing today is greater than the number of houses that are in the state of Texas and Florida combined. So I guarantee your audience members, no matter what market they're in, they have houses in their market that are using financing for their home improvement projects.

David Heimer: What you said is that if you aren't offering financing, you're at a competitive disadvantage; that it also feels like if you can offer financing, you're just going to close more deals, is that what you guys have seen?

Michael O'Connell: A hundred percent. I see financing, we talk about payment options and that you need to offer them early and often so that you really win in two places. To

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your point, if it's in the beginning and it's leading with your marketing, whether that's through pay-per-click, social, television, I can't remember the last time I watched the local news, and any home improvement project wasn't leading with what their finance offer was at the time. So if you want your phone to ring more and have lead generation campaigns, talk about financing then, it's going to create a bigger opportunity. And we used to say, the rule of 30 is if you talk about financing earlier, you can expect, you know, a 30% bump in interest in your product and calls. And then your sales reps can experience a 30% higher closing rate than what they're experiencing if they're talking about payment and solutions towards the end of the sale.

David Heimer: So, when you were at the point of sale, sales rep talking with a homeowner, what are some of the best practices for selling with financing?

Michael O'Connell: You know, David, the number one question I get is how to offer financing like you just said. A lot of that is based on the only experience they have is asking a homeowner, would you like financing? And that negative connotation that goes with it to where they may think, does this guy think I can't afford their products? You know, and that's not the experience that you want at all. If you are talking about the payment solutions that you and your company have to offer early and often throughout the sale, whether you're following your best practice or a certain 10 or 11 step model, you talk about how affordability and payments are available with your organization. So when it comes time to actually close, you're introducing not only your costs but also what the payment options are at the same time. And you let the customer choose what works best for them. Do they want to write the check for the full amount or would they like to look at those different payment options and pay it off under their own terms?

David Heimer: So if you were doing it, would you just routinely say to them, here's the

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price if you pay for it in one payment, here is the price - we've got some different financing options; here's one of them, here's another one, here's the third one. Is that kind of how you lay it out?

Michael O'Connell: It's going to depend on the contractor and how they want financing to be offered, how the owner wants financing to be offered by their sales team. What we're finding is that contractors will often pick which products their sales teams are allowed to offer. And the sales reps need to understand what those products are and how to display them at time of close. What that would look like David is when I was selling as a comfort advisor, one of the first things I would say when I come into the house and I thank them for the opportunity to meet with them today, I would sit down and set the expectations that we're going to walk through this experience together. And we're going to share many of the affordability options that we have at the time of price presentations. So, customers are aware that financing is offered at that time.

When you do sit down and offer those, the products that your owners allow you to see, or in our case, we have a pretty simple platform, it looks like this. You have your price, you know, this is our best price for the installation. You've covered the benefits and rewards as a system, so here's the price. Now, you have the opportunity to take advantage of some of our affordable options and then introduce your programs. Whether it's 12 months at 0% interest, monthly payments of \$79 a month. I really like to give those three options of cash, a promotional offer, and a payment option.

David Heimer: That's good stuff. So Mike, if someone was listening to this podcast and wanted to contact you or PowerPay, what would be the best way to do that?

Michael O'Connell: David, our website is getpowerpay.com. We have an 1800 number, 1-800-397-4485. For those listeners who are participating in the Service Nation

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Roundtable Rewards, we have a partner page on there and they can sign up and learn more about us through that link as well.

David Heimer: All right. Fantastic. Well, Mike, this has been really interesting. I love hearing about PowerPay. I appreciate what you guys do for Service Nation, and we're getting such great reviews for you guys from our members. We appreciate the partnership and best of luck to you, and thank you for doing this.

Michael O'Connell: David, thank you very much for the opportunity for this and with Service Nation, we love the synergy between us. And our simplified enhanced platform is just a great fit for those home improvement contractors. So, thank you for the opportunity for us to share it with you and your audience.

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