

# Residential Standby Generators

## High Prices Curb Q4 Sales Growth

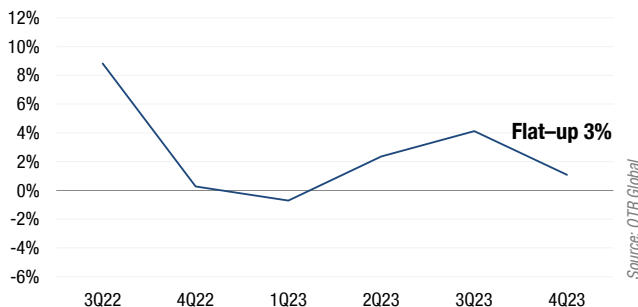
High pricing caused U.S. residential standby generator yy sales growth to moderate during 4Q23, but the 2024 sales outlook remained optimistic.

- 4Q23 residential standby generator dollar sales flat-up 3% yy (vs. up 3%–6% in 3Q23, below October expectations of up 3%–6%)
- Pricing up 6%–8% yy during 4Q23 (similar to 3Q23), helped offset soft volumes but still deterring some interest
- 4Q23 inventory levels up in 4%–6% yy, adequate relative to demand for 15 of 17 sources, excessive for 2 (similar to 3Q23)
- 2024 sales expected up 4%–7% yy (similar to expectations in October) based on increasing prices, hopes for decreasing interest rates

### KEY DATA

#### Residential Standby Generator Dollar Sales YY

(on average)



“We sold fewer units than last year, but prices on generators and higher installation costs have kept our sales from falling.”

*Midwestern dealer*

“Installation costs and rising interest rates continue to be a problem that hinders demand for generators. Many low- and middle-income people are shut out of the market because they just can’t afford them.”

*Southeastern dealer*

### RESEARCH LEAD

SYLVAIN GAVARD

### SOURCES & BACKGROUND

20 U.S. residential automatic standby generator dealers in the Northeast (7), Midwest (5), Southeast (4), Southwest (1) and on the West Coast (3), comprising 13 Generac and 7 Kohler dealers

REPEAT SOURCES 11 from OTR Global's October report

INTERVIEWS Dec. 28 through Jan. 3

AVERAGES Straight

# Residential Standby Generators

## Q4 Sales Growth Moderates

Although underlying drivers of demand for residential standby generators continued during 4Q23 — including concerns about weather-driven power outages — sales of residential generators from **Generac Holdings Inc.** and **Kohler Co.** were pressured by high pricing and high installation costs. Demand improved or remained the same qq for eight of 20 sources each, but 4Q23 dollar sales averaged only flat–up 3% yy, deteriorating from the 3%–6% increase in 3Q23 and below the 3%–6% increase expected in OTR Global's October report.

Sales for sources in the Northeast and the Southwest were more likely to be up yy, while sales in the Southeast and the Midwest were more likely to be down yy. High pricing and high installation costs again were cited most often (by 19 of 20 sources) as hindering sales, followed by economic uncertainty (nine).

### Quotes

“Our clients are constantly asking about the possibility of becoming ‘off the grid’ and avoid relying on the utility companies to prepare for terrible weather.” *Wisconsin*

“Sales have increased 5% [yy] mostly because of rising prices for units, installation and labor.” *Missouri*

“Price increases as well as more storms and floods than we had last year have raised generator dollar sales by around 5% [yy].” *North Carolina*

“We sold fewer units than last year, but prices on generators and higher installation costs have kept our sales from falling.” *Iowa*

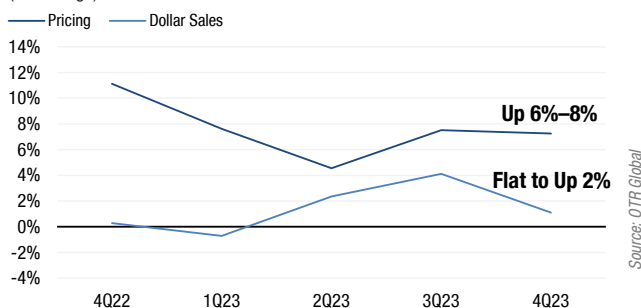
“Our sales are down for the quarter about 25% year to year, but just because we are having much milder weather this year than last year. Overall, we have had a growth year.” *Georgia*

“We knew that the price increases and return to offices would reduce demand, but for us sales are nonexistent right now.” *Oregon*

## Pricing Hurts Demand

### Dollar Sales and Pricing YY

(on average)



Sources said new residential automatic standby generator retail prices increased 6%–8% yy on average, while installation costs increased 8%–10% yy, both similar to October findings. Fourteen of 17 sources said Generac's 4Q23 incentives remained stable qq. Meanwhile, two sources (one each in South Carolina and Rhode Island) said Generac has already announced 1Q24 price increases, ranging from 3% to 8%.

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## Quotes

“The price of a unit coupled with the price of labor with installation and maintenance have people wary of committing to a purchase. Even current customers are worried about maintenance costs.” *Maryland*

“Installation costs and rising interest rates continue to be a problem that hinders demand for generators. Many low- and middle-income people are shut out of the market because they just can’t afford them.” *North Carolina*

“Generac is raising prices in January by \$158 per unit, so about 3%–5%. Kohler has not raised prices in a while and has not yet indicated any price increases yet.” *South Carolina*

“There were no increases from Generac in the fourth quarter, but prices are due to rise 5%–8% in January.” *Rhode Island*

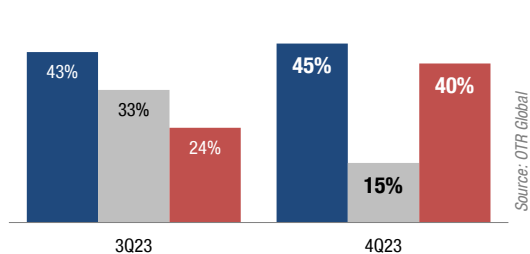
## Consultation, Conversion Trends Vary Regionally

Although consultation volumes increased yy for nine of 20 dealers during 4Q23, they decreased for eight, a deterioration compared with OTR Global’s 3Q23 findings. Meanwhile, eight of 20 sources said consultation conversions decreased qq, while seven cited increases.

### Consultations YY

(percentage of sources)

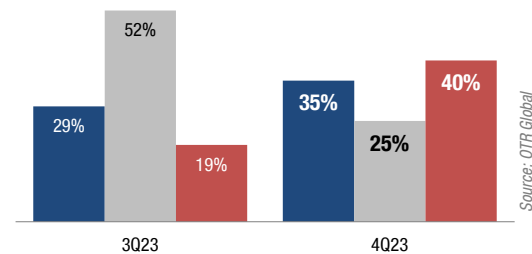
■ Up ■ Flat ■ Down



### Consultation Conversions QQ

(percentage of sources)

■ Up ■ Flat ■ Down



Midwestern sources had the weakest results; all seven said conversion rates decreased qq. Two of three sources on the West Coast also reported decreases qq. All sources who reported a decrease blamed high equipment and installation costs. Meanwhile, sources in the Southeast and Northeast had stronger results, with seven of 11 reporting conversion rates increased qq during 4Q23.

## Quotes

“We are seeing more consultations but fewer conversions to match those inquiries. High prices drive people away.” *Missouri*

“Conversion rates are down from last quarter because customers are more worried about the economy, and financing costs are too high for most people. Over 50% of our customers finance their generators with lenders, so we lost some of those potential customers.” *Iowa*

“We get referrals from Generac and incoming calls through word of mouth. The leads from Generac rarely lead to business because Generac advertises on the weather channel for generators starting at \$2,000. We weed people out by telling them that the all-in cost of a full home back-up generator is \$12,000–\$18,000. [However,] our conversion rates on our word-of-mouth business is very high.” *Rhode Island*

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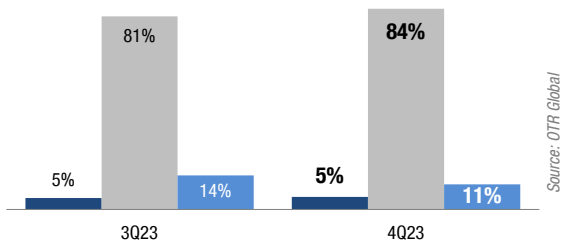
“Most of our business is word of mouth. We have used the Kohler leads portal, but most of those people are not serious buyers. They have no idea how expensive a generator is, and when they find out, they no longer are interested.” *Kentucky*

## Lead Times, Inventories Stable

### Lead Times QQ

(percentage of sources)

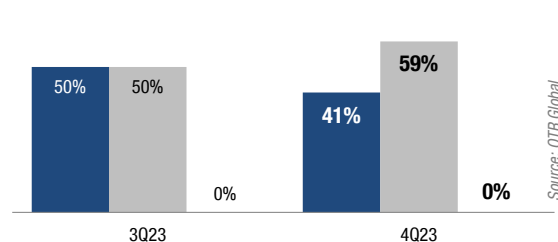
■ Longer ■ Same ■ Shorter



### Inventories YY

(percentage of sources)

■ Increased ■ Same ■ Decreased



Sixteen of 19 dealers reported 4Q23 lead times did not change qq, a continuation of OTR Global's 3Q23 findings. “There has not been much improvement in lead times for generator delivery in the last 90 days, but it is much shorter than in the past. Generator lead times are not long enough to disrupt installations,” one said.

Sources said their 4Q23 inventory levels increased 4%–6% yy on average, increasing for seven of 17 sources reporting increases and remaining the same for 10. Fifteen of 17 sources said their inventory levels were adequate for demand, while two said they were excessive (similar to OTR Global's findings in October).

### Quotes

“Right now, it can take up to three weeks to get the equipment through Generac, so we buy enough and keep it on hand so there is no wait time for the customer.” *New York*

“Lead times are sitting at around three weeks, which isn't different from what we saw 90 days ago.” *Texas*

“We have more units than we can sell. I'm not complaining, because we never lose sales on account of long lead times.” *Maryland*

“We are continuously getting in inventory because the only way to get the business is to have the equipment. The inventory on generators is fine; our only struggle is that parts are delayed.” *Maine*

“Our inventory levels are good and haven't changed that much from this time in 2022. We're maintaining enough generator inventory to satisfy the demand of our customers.” *Texas*

## Market Share Stable

Fourteen of 19 dealers said no generator manufacturers gained or lost market share during 4Q23, while the remaining sources could not identify a clear winner between Generac and Kohler. (In October, Generac was cited as gaining 3Q23 share by seven of 21 sources.) Most sources could not differentiate between Generac and Kohler in terms of pricing or availability during 4Q23.

# Residential Standby Generators

## Quotes

“Generac and Kohler are the main two brands, and we sell them about equally. Customers make their decisions based on cost. No one is gaining market share.” *Oregon*

“We carry only Kohler and **Briggs & Stratton [Corp.]**. Generac is a big brand, but everybody is maintaining their piece of the pie.” *Georgia*

“Kohler has a new 26 kW unit that is selling very well. Also, Generac has been far more aggressive in raising prices, and that has cost them business.” *Kentucky*

“There is better equipment availability for Generac, and that is taking away work from Kohler distributors.” *Maine*

## 2024 Outlook Intact

Dealers expect 1Q24 generator dollar sales to increase 1%–4% yy and 2024 dollar sales to increase 4%–7% yy on average (similar to sources' 2024 expectations in OTR Global's October report). However, nine of 20 sources said their 2024 sales outlook improved since October because of increasing generator prices and hopes that interest rates would decrease during 2024. Ten sources said their 2024 outlooks had not changed during the past 90 days, while only one revised expectations downward.

## Quotes

“Half of our customers finance their generator purchases, and lower interest rates should help our sales.” *Iowa*

“We expect 2024 sales to be up year to year because demand will be steady and we will benefit from price increases on generators. My 2024 sales outlook is stronger than 90 days ago because more customers will move forward with installation after interest rates come down and the economy improves.” *Nebraska*

“We take a cautious approach to forecasting and feel like we will be flat for the full year. This would include the 5%–8% price increase that will happen in January. With all of our booked business, that price increase might not affect first-half sales. ... We are a little more optimistic about the 2024 outlook just because unit installs are beginning to bottom.” *Rhode Island*

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# Residential Standby Generators

## 1. Was 4Q23 demand for residential automatic standby generators better, the same or worse qq?

Better:	8
Same:	8
Worse:	4
<b>OTR Comparative Index:</b>	<b>20</b>
<b>3Q23 Index:</b>	<b>19</b>
<b>4Q22 Index:</b>	<b>-15</b>

*Note: The OTR Comparative Index is a quantitative representation of qualitative responses. The Index is calculated by subtracting the "worse" from the "better" responses, dividing by the total responses and multiplying by 100. An Index below zero indicates a negative trend; above zero indicates a positive trend.*

## 2. What factors are helping or hurting residential automatic standby generator sales?

### HELPING

Severe weather:	15
Regional utility shutdowns/power outages:	12
General uncertainty:	4
Physical limitations and health needs:	3
More working from home:	2
Other:	4

### HURTING

All-in cost of installation:	19
Economic uncertainty:	9
Rising interest rates:	6
Better weather:	2
National advertising:	1
Other:	3

*Note: Some sources gave more than one answer while others did not respond.*

## 3a. Did 4Q23 dollar sales of residential automatic standby generators increase, remain the same or decrease yy?

Up 16%–20%:	2
Up 6%–10%:	1
Up 1%–5%:	7
Up:	2
Flat:	2
Down 1%–5%:	2
Down 6%–10%:	2
Down 21%–25%:	1
Down 91%–100%:	1*

<b>Average:</b>	<b>Flat-up 3%</b>
<b>October expectations:</b>	<b>Up 3%–6%</b>
<b>3Q23 average:</b>	<b>Up 3%–6%</b>
<b>4Q22 average:</b>	<b>Flat-up 2%</b>

*\* Outlier excluded from average*

## 3b. Did 4Q23 residential automatic standby generator dollar sales exceed, meet or fall below your expectations?

	3Q23	4Q23
Exceeded:	4	6
Met:	15	9
Fell below:	2	5
<b>OTR Comparative Index:</b>	<b>10</b>	<b>5</b>

# Residential Standby Generators

### 3c. Do you expect 1Q24 dollar sales of residential automatic standby generators to increase, remain the same or decrease yy?

Up 16%–20%:	1
Up 1%–5%:	6
Up:	1
Flat:	9
Down:	2
Don't know:	1
<b>Average:</b>	<b>Up 1%–4%</b>
<b>3Q23 average</b>	<b>Up 3%–6%</b>

### 4a. Did your 4Q23 volume of consultations (in-home or virtual) increase, remain the same or decrease yy?

	3Q23	4Q23
Increased:	9	9
Remained the same:	7	3
Decreased:	5	8

### 4b. Did the percentage of consultations converted into 4Q23 sales increase, remain the same or decrease qq?

Increased:	6	7
Remained the same:	11	5
Decreased:	4	8

### 5. Did 4Q23 lead times on residential automatic standby generators lengthen, remain the same or shorten qq?

Lengthened:	1	1
Remained the same:	17	16
Shortened:	3	2
Don't know:	-	1

### 6a. Did 4Q23 residential automatic standby generator inventory levels increase, remain the same or decrease yy?

Up 21%–25%:	1
Up 16%–20%:	1
Up 11%–15%:	1
Up 6%–10%:	1
Up 1%–5%:	2
Up:	1
Flat:	10
Down:	-
Not applicable:	3
<b>Average:</b>	<b>Up 4%–6%</b>

### 6b. Are inventory levels excessive, adequate or insufficient relative to demand?

	3Q23	4Q23
Excessive:	1	2
Adequate:	18	15
Insufficient:	1	-
Not applicable:	1	3

# Residential Standby Generators

## 7a. Did 4Q23 new residential automatic standby generator retail prices increase, remain the same or decrease yy?

Up 21%–25%:	1
Up 16%–20%:	1
Up 11%–15%:	2
Up 6%–10%:	6
Up 1%–5%:	4
Up:	1
Flat:	4
Down 1%–5%:	1
<b>Average:</b>	<b>Up 6%–8%</b>
<b>3Q23 average:</b>	<b>Up 7%–9%</b>

## 7b. Did Generac's 4Q23 incentive activity increase, remain the same or decrease qq?

	3Q23	4Q23
Increased:	3	2
Remained the same:	15	14
Decreased:	1	1
No response:	-	1
Not applicable:	2	2

## 8. Did 4Q23 retail installation costs increase, remain the same or decrease yy?

Up 21%–25%:	1
Up 16%–20%:	2
Up 11%–15%:	2
Up 6%–10%:	8
Up 1%–5%:	1
Up:	2
Flat:	4
Down:	-
<b>Average:</b>	<b>Up 8%–10%</b>
<b>3Q23 average:</b>	<b>Up 9%–11%</b>

## 9. Which residential automatic standby generator manufacturers gained or lost market share in your territory during 4Q23?

	GAINED	LOST
Generac:	2	3
Kohler:	3	2
None:	14	14
No response:	1	1

## 10a. Do you expect your 2024 residential automatic standby generator dollar sales to increase, remain the same or decrease yy?

Up 16%–20%:	1
Up 11%–15%:	1
Up 6%–10%:	5
Up 1%–5%:	6
Up:	3
Flat:	4
Down:	-
<b>Average:</b>	<b>Up 4%–7%</b>
<b>October expectations:</b>	<b>Up 3%–6%</b>



# Residential Standby Generators

**10b. Has your 2024 sales outlook improved, remained the same or worsened compared with 90 days ago?**

Improved:	9
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Remained the same:	10
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Worsened:	1
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# Residential Standby Generators

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