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EXPERT INTERVIEW

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Matt Velker, CEO of OpenWrench, on the taxonomy of the maintenance services SaaS space

TEAM

Jan-Erik Asplund
Co-Founder
jan@sacra.com

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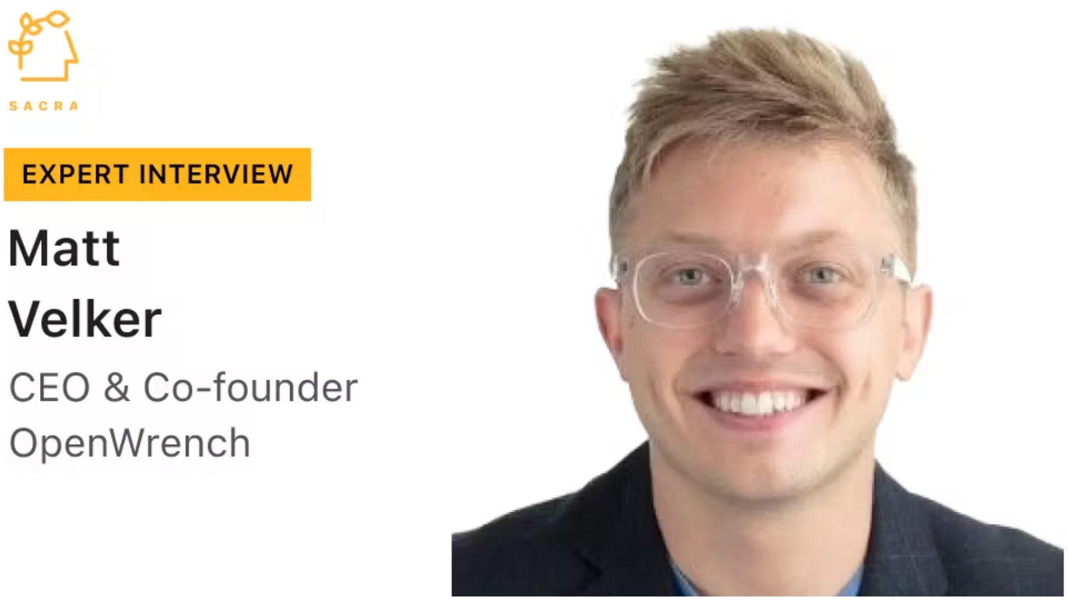
Matt Velker, CEO of OpenWrench, on the taxonomy of the maintenance services SaaS space

By **Jan-Erik Asplund**



Background

Matt Velker is CEO and co-founder at OpenWrench. We talked to Matt about the permeability of the split between commercial and residential in field management SaaS, the marketplace opportunity in commercial maintenance, and how the rising tide of private equity roll-ups is powering the growth of companies like OpenWrench and ServiceTitan.

Interview

Can you talk a bit about the segments and categories in this space?

There are two broad software categories.

There's CMMS, or computerized maintenance management systems, which originally comes from the factory environment—IBM mainframes and people coming up with software to keep equipment running. You had reliability engineers tracking these systems and working on improving uptime and that kind of thing.

That's the software category where we see OpenWrench, but there are essentially two distinct markets within CMMS.

One is focused on traditional industrial and manufacturing sectors—think large single-location or few-location operations, like Tesla. These businesses often use systems like UpKeep, which acts as a productivity suite, positioning itself as the "Basecamp for maintenance."

OpenWrench, on the other hand, serves the other segment: the multi-site market. This isn't about direct maintenance management but facilitating connections within a two-sided market, from restaurant groups to plumbers, for instance. It's more about acting as a bridge, with managed marketplace companies like ServiceChannel and SMS Assist being notable players. These companies either sell into the buy-side like us, or they operate as a marketplace and have a take rate in the middle.

There are some upstart companies here, and some a little later stage, like Ecotrak and Fexa. On the more industrial side of CMMS, there's UpKeep and some other companies that have been there for a long time—TRIRIGA, Maximo. There's crossover here with some ERP companies like eMaint.

Field services software is a different segment—a lot of the products here position themselves as EAMs or enterprise asset management software, which is basically an expensive version of the same thing as CMMS. It's a very fragmented marketplace, with companies like Jobber and Service Fusion, UtilizeCore, and BuildOps. UtilizeCore was founded by the son of the founder of ServiceChannel. BuildOps was founded by an ex-ServiceTitan employee who basically left and said, "I'm going to build the commercial ServiceTitan."

Can you talk about the split between residential and commercial work in this space? How permeable is that split?

Between commercial and residential, some contractors do both. The big difference between the two segments is how the transactions occur.

In residential, the homeowner pays with their credit card at the end of the transaction. ServiceTitan was the biggest winner in this space, but they were not the first. A lot of early SaaS companies targeted this space.

The ServiceTitan founders came from the HVAC business—they were the sons of Armenians who had HVAC businesses in LA. They started out selling to mechanical contractors—plumbers, electricians, HVAC—but they have since expanded out to landscaping and other segments.

The residential or consumer-focused segment is largely built around proposal management (how do you show the consumer what the service is going to cost) and the in-field upsell is the big thing that ServiceTitan does. They charge $5k for $10k per truck or per team of technicians per month, but they say, “Put this on your iPad and you can do these in-field upsells and make a lot more money.” There’s a big payment processing element.

If you’re a really old school contractor and you’re not using Square you gotta have some way to charge while you’re in the field. Some contractors use things like Housecall Pro—there are plenty of tools for this.

The main difference between the consumer and commercial side is how the transactions flow.

On the commercial side, often it’s not “pull out your credit card and pay while you’re there”. The person who’s ordering the service and paying for it is often different.

The problem that BuildOps and UtilizeCore have to solve is that contractors are interfacing with technologies like OpenWrench, and there’s a desire to automate it because the chain wants to have analytics and business process automations. They want the system to integrate with the service provider.

It’s a bit similar to the problems that restaurants went through with the proliferation of delivery service companies. They have like 5 tablets at their take-out counter. Now there are companies that have consolidated those to give them one screen for managing all their orders. That really doesn't exist yet on the service provider side.

Within the commercial side, we're the creator of a bit of this extra work. We're selling to clients, who use us, but contractors end up having to use OpenWrench too. Those same service providers often have their own systems and they have to update both their system and the client system, creating more manual work.

They could be using ServiceChannel, Ecotrak, FacilitySource and OpenWrench all at the same time.

We do service folks who want to do API integrations, but most field services companies are not that technically sophisticated.

There are some companies now experimenting with business models around the "contractor in a box" idea, where they're providing software and also all the things necessary to get an HVAC business up and running.

There's a company doing this that's focused on the HVAC industry—the idea is that they're doing more than routing and dashboarding but actually helping you build the business, which then helps them capture more of the value the business creates.

Can you talk a bit about how important a growth drive private equity is when it comes to both field management and the maintenance management space that OpenWrench is in?

As far as roll-ups go, in OpenWrench's GTM, we onboard service providers to the platform but we don't sell them in the same way as if they were a service provider. PE has affected OpenWrench in a different way.

Just like there are rollout plays happening of HVAC players, there are similarly rollup plays happening of brick and mortar businesses. Today, you have a Jiffy Lube franchisees getting invested in by Goldman Sachs, and the only reason that can happen is because of these PE players.

On the commercial side, it's definitely happening too—we even get outreach from less diligent SDRs asking us if we're a service provider ourselves and if we want to sell our business.

For OpenWrench, it matters because PE firms want a few things.

The first thing they want is to improve the profitability of the business by creating a more efficient business process. Smaller firms tend to be run inefficiently, and they don’t have a lot of processes. The PE firm comes in, they bring structure and discipline and systems and streamline the way the business runs and help them grow.

For OpenWrench, if you come in and want to grow your Domino’s franchise—let’s say you have 20 locations and you’re contractually obligated to grow to 200 in the next 4 years—the only way you can scale like that and not completely blow up headcount is to get more efficient. It’s much cheaper to buy software than to hire 5 new managers.

PE firms are also thinking about the marketability of the asset when they re-sell it. They’re thinking about the turnkey nature of it—how easy is it to operate that business.

To that respect, they like having systems like OpenWrench because it lets them show off that a business is not just profitable and cash-flowing, but well-run and operationally streamlined.

OpenWrench has a marketplace to connect service providers with your primary customers. Do you see that as a way to sell into the other side down the line?

Definitely. OpenWrench functions as a marketplace, but we just make money as a SaaS right now. We don’t charge a take rate right now, compared to tools that are charging 25-26%. We talked to one large retail chain on a different managed marketplace software that’s paying 26%, and the ROI of switching to OpenWrench looks really good for them

We're already building features comparable to those of ServiceTitan, and we get requests all the time from service providers who want to use OpenWrench to manage their business. There’s definitely an opportunity there, particularly because ServiceTitan has been pretty much focused exclusively on the provider side, not the client side.

Can you talk a little about COVID and what you saw on the commercial side, as well as if you have any sense of the progression in residential?

The residential side was actually pretty busy during pandemic whereas the commercial side was significantly down during that first year

On the client side, when the pandemic first started no one wanted to buy anything. It varied based on industry, like grocery retail was busier than ever because you couldn't eat out. More grocery sales, more demand. But a lot of segments were making $0. Full-service restaurants and gyms were crushed.

As things reopened, which was very uneven, there was a surge in demand. A lot of the folks who were managing maintenance and physical operations were laid off, and companies suddenly needed that stuff again. As they started scaling up those operations again, they asked themselves, "Should I really go hire those people again or is there a better way?"

There was this post-pandemic drive for efficiency. Companies that used to have two or three people in a function started to look to use software instead of re-hiring all of those people.

As things started to reopen, a lot of companies found that they no longer had the same size of team but needed to get more and more stuff done because of all the deferred maintenance —and because of the increased wear-and-tear on appliances et al. with the rebound in more people going out to eat and going to gyms.

Another data point here is that COVID forced about a quarter of gyms to close permanently. We went from 40,000 gyms to 30,000. Now, it's been slowly ramping up—the demand is still there, and we're seeing that people still want to go to a gym, and more and more gyms are opening up.

The difference is that now, people who are opening gyms are seeing how they can build things up in a more efficient way.

Is there anything else we didn't talk about that you think would be interesting?

Long-term, where we see this going is that software is eating the world.

Overall home services maintenance is a bit of a lagger. On the service provider side, a lot of the businesses are mechanical contractors. If you're a good plumber, do you wanna work for $50 an hour for someone else or start your own business? We're going to see a lot of small operators and an increasingly fragmented industry.

At OpenWrench, we own the client relationship. We thought about both angles—do we start with service providers or clients? What we realized was that on the commercial side, if you have demand, then service providers have to come to you. No service provider doesn't want to work.

That's because if you're a service biz, there's a utilization rate problem. You have all these full-time employees, and you're constantly monitoring the percentage of time that people are billing or not billing, you are constantly on the treadmill of the next job.

The very best service providers maybe aren't as ready to jump through hoops, but a large percentage will do whatever to get the work.

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