

Budget *Blowing* Hot & Cold?

Four Strategies for Reducing the Real Cost of HVAC Maintenance

BY DAVE HANSEN

Let's face it—managing HVAC budgets, corporate philosophies, and the idiosyncrasies of store personnel has never been easy. These difficult economic times make managing HVAC costs more important than ever. It's a daunting task to keep stores running efficiently while staying within a budget that may have already been cut. A knee-jerk reaction may be to slash services; while this may lead to immediate gain, in the long term, it does not work.

There *are* answers, and lots of opportunity to reduce HVAC costs while providing a valuable service, provided that a) the value is ultimately defined by the retail customer, b) true costs are understood by all and c) information is shared freely among vendors and facility managers.

1. Success through Collaboration.

I'm often asked, "How can it be done for less?" At first blush, I'm struck by the paradoxical nature of this question. If I say yes, that "it" can be done for less, then why didn't I offer "it" for less? If I say no, then I'm turning my back to different solutions and perspectives. HVAC service is a complex proposition—filled with nuances, set in changing environments and high in volume—leaving the door open to many differing solutions. Colleagues of mine often hear me say, "There are no square corners in HVAC, only round." So yes, many times "it" can be done for less, however, most success comes from first determining what "it" should be.

So what is collaboration, and can it be done between vendors and customers? A quick look at synonyms shows: *teamwork*, *partnership*, *association*, *alliance* and *relationship*—terms that both customers and vendors put out there as their greatest desire in business relationships. I've always maintained that if people working together have the same information and the same



motivation, they'll come to the same decisions. It seems that communicating information should be the easy part, though we all know it's often not. It requires a lot of work, but work worth doing and absolutely necessary.

If you're convinced that collaboration is possible and are willing to do the extra work it takes, then it's time to move to the specific options that vendors and facility managers face when budgets are lowered and/or deferred.

2. Recognize Preventive Maintenance's Return on Investment

When budgets get tight, preventive maintenance is one of the first items we look at. Reducing the fixed costs is very appealing and does have some merit if placed in context with your overall strategy. It's important to recognize the ROI (return on investment) of preventive maintenance and be careful not to scale back the most important tasks, that is, those that have the greatest ROI.

We can break maintenance down into two basic parts. The first, which we'll refer to as "preventive," is to clean or replace coils and filters and adjust the mechanical drives. In short, if this isn't done, the unit will break down and costs will go up. Thus, this is the greatest ROI for maintenance and should not be significantly deferred or eliminated. It's similar to maintaining a good smile: Changing the filters is like brushing your teeth; it must be done, or you'll know right away! Coil cleaning is analogous to the deeper and greater need of flossing. If you don't floss, you may look good on the outside, but you'll cause your body more harm every day it remains neglected. Like gum disease, impacted coils work away at the heart of your machine, causing high temperatures and oil dilution leading to premature failures among many other potential problems.

The second part, which we'll refer to as "predictive," is to inspect the equipment's operation under real or simulated conditions, make minor repairs while on-site, and/or make recommendations for larger repairs. Repairs need to be done sooner or later. Making them proactively

reduces the chance of causing more damage to the unit and thus increasing your costs. Making minor repairs while the technician is onsite reduces your vendor's costs and consequently lowers yours.

Approving and scheduling larger repairs in a timely manner reduces the chance of additional emergency service calls and/or the possibility of increasing down time due to parts allocation and other logistical problems. However, it is important to note that minor repairs have a larger window of deferment, as do predictive failure proposals for larger items. Even non-functioning units may not affect store comfort due to environmental factors such as having redundant units on site, outside temperature fluctuations, and changing temperament of the onsite employees. That is, until something changes!

3. Understand Vendor Costs before Making Changes

If you're looking to spend less on fixed costs maintenance, it is helpful to understand the cost impact of the tasks and requirements you're asking of your vendor. **You can then use this knowledge to evaluate true cost reductions and the resulting price reductions, as opposed to just reducing vendor-related expenditures—a strategy that generally doesn't work since costs are usually**

passed on in one form or another in order for businesses to remain viable.

If you're able to work with your vendor to understand their true costs, evaluate your priorities and balance these factors. Together you'll be able to align the scope of the maintenance with your overall objectives. In doing so, you'll get a better value at a lower price.

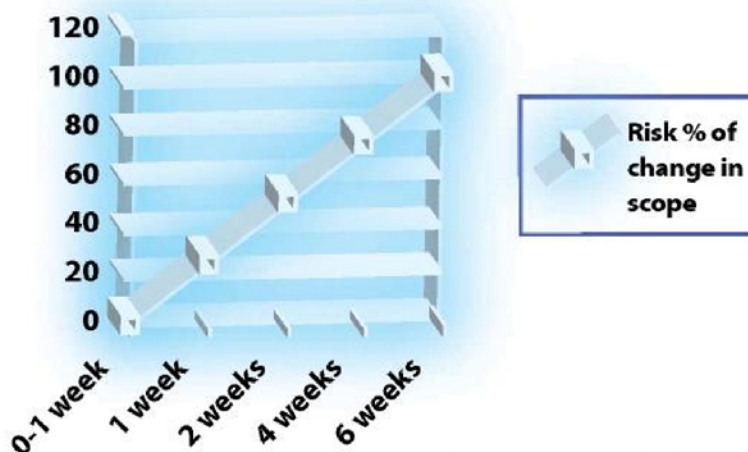
Given the host of options for retailers and the very specific needs of each, it is not reasonable to suggest a one-size-fits-all solution. However, we have seen the following program adjustments be very successful:

Scope Reduction

If you're thinking of reducing scope, you may want to evaluate the predictive portion of your maintenance program. Predictive repair recommendations have a window of value: that is, they become less reliable as time goes on, and the likelihood of environmental factors changing increases (see chart). The main benefit they offer is a proactive approach to reducing additional emergency services and time delays due to parts allocation and other logistics. If the recommendation's accuracy is diminished (likely, as time goes on), it will not deliver on its benefits. You may approve the job only to find other things are needed and your costs will go up due to return trips and unplanned service.

(continued on p. 20)

Percentage of Risk as Time Goes On



If circumstances are such that you anticipate a lot of repair deferments, you may want to take the money you're investing in this area and spend it elsewhere. You can expect lower costs from your vendor if you lower the scope of any or all of your scheduled visits. We generally recommend this be applied to two out of four of your inspections.

Reduce the Number of Inspections from Four to Three

In most cases, three inspections per year will meet the minimum requirement for the preventive portion of your service. Although you'll have some increased risk, reducing one inspection per year saves costs and still allows for a preventive and predictive service. This strategy fits well with a company that intends to approve repairs as identified and is looking to cut fixed costs. Having well maintained equipment goes a long way in supporting this strategy. If the equipment is in poor shape and/or you anticipate deferment as an overall strategy, this adjustment will not be as valuable.

Reduce Administrative Costs

Take the opportunity to evaluate the administrative costs you are paying through vendor requirements. Are there vendor requirements that are not delivering value? An example may be requiring a form that is not being looked at due to staffing cutbacks. Remember, reducing your vendor's administrative costs will reduce your final costs.

Reduce Travel Costs by Increasing Schedule Flexibility

Having stringent guidelines on maintenance investment completion windows offers benefits from a financial, administrative, and service level standpoint. However, it's important to recognize that increased schedule flexibility allows vendors to reduce travel costs and work more efficiently. This allows them to lower your final costs. If your current program has stringent completion guidelines,

this may be a good time to reevaluate. We often recommend a 60-day window as opposed to a 30-day window. This works extremely well for a retailer that has good controls in place, such as a web-based work order management system. Adding a bit of scheduling flexibility allows for cost reductions while not sacrificing other efficiencies.

4. Manage Risk with Good Information

For many retailers, cash is of the greatest concern, meaning: defer, defer, defer. But how long can you defer? And what shouldn't you defer? From a mechanical perspective, deferring repairs is never a good thing. It leads to more complications when one or more of the environmental factors discussed above change, e.g., something else on the same machine or another piece of equipment breaks down or the temperature outside changes. In short, deferment means risk. Make the wrong decision and it will end up costing more.

Unfortunately, priorities must be balanced and risk managed if we are to be successful. To balance these priorities, facility managers need to have good information. Vendors are sometimes asked, "if it needs to be done, why hasn't the store called?" Usually the answer is that nothing has changed—yet! The good news is that your vendor understands the nuances of store environments and equipment capabilities. If you're

going to defer, it's best to seek additional information about repairs and potential impacts. If your vendor understands your constraints, they'll have a much better chance of helping you and will become more efficient in doing so by not wasting time on things that hold no value to you.

Modern business philosophy teaches us that managing to the customers' needs is always most efficient and profitable. I believe this lesson has been cemented into the motivations of service providers. If the business motivations of vendors and customers can be made transparent, then only the sharing of information is left to help collaborate to make the best facility management decisions regardless of obstacles, budget constraints and other limiting factors. Getting everything you want is sometimes costly. Having the peace of mind to know the best possible thing is being done given the circumstances is priceless. ○

Dave Hansen is the Director of Operations at TradeWinds Mechanical Services (Exeter, NH).

