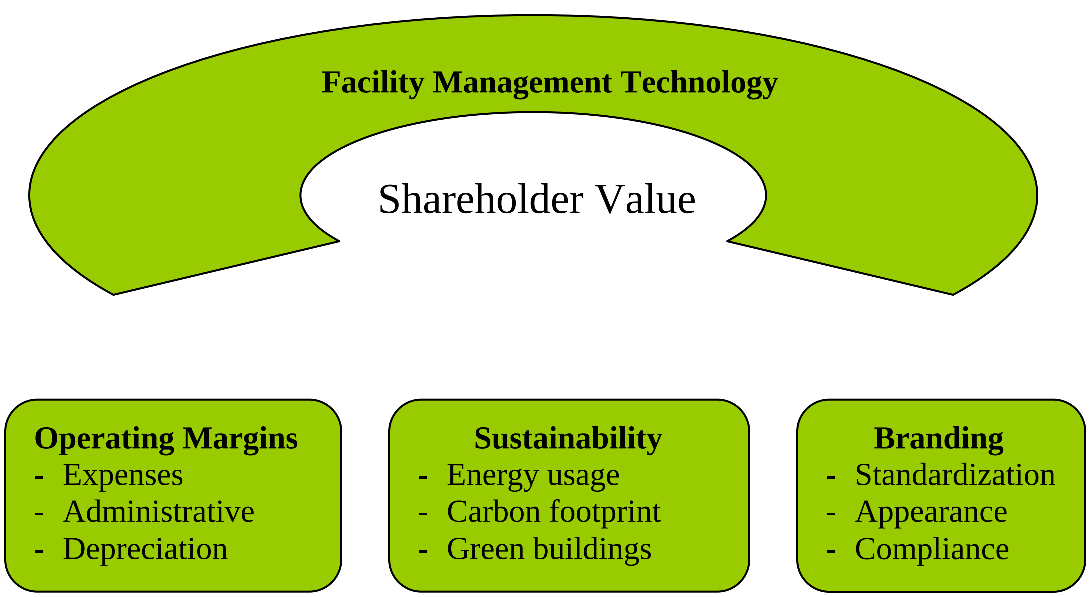
Justifying Facility Management Technology to the C-Suite

Many restaurant facility mangers understand intuitively that a significant amount of money can be saved by utilizing technology to better manage their restaurant equipment and assets. Few however are prepared to articulate and justify facility management technology investments to the executive level of their organizations in a way that is meaningful and persuasive in comparison to other competing priorities; creating a gap between operations and the C-Suite and often leaving large areas of expense ineffectively managed.

The key to executive level selling lies in the better alignment of your restaurant facility management initiatives to address the needs of the C-Suite; which ultimately are driven by ownership, shareholder or stakeholders interests. The pitfall made by many facility managers is they tend to approach the justification of investments in facility infrastructure from an operational and technical perspective rather than a financial or shareholder perspective.

So what are some of C-Suite business issues that can be better addressed by the facility management organization? Each business enterprise faces unique opportunities, challenges and needs based on the markets they serve, the maturity of their segment and brand. There is however a number of common needs, in today's business environment, irrespective of concept that every restaurant C-Suite is concerned about that you can leverage in justifying facility management technology investments.



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C-Suite Issue #1: Improved Operating Margins

An investment in facility management technology can yield returns in a broad cross section of areas including direct maintenance and repair, administrative processes and capital expense, which impacts both cash flow and depreciation.

Many companies tout the reduction of contractor expenses as the primary rationale for facility management system investments. Our expereince in the restaurant market indicates that although contractor sourcing can yield savings it is only one component and represents less than 25% of the total operating costs reduction opportunity. Larger opportunities exist in the administrative area which can comprise up to 10% of the total maintenance costs and which can often be reduced by over 50% as depicted below:

Sources of administrative savings example based on 5000 work orders:

Contractor Sourcing Savings	4 hours saved per sourced contractor	$22,800.00
Contractor Certification Savings	1 hour saved per contractor file	$28,500.00
1099 Preparation Savings	15 minutes per contractor per year	$7,125.00
Warranty Cost Savings	$300 per avoided call	$11,250.00
FM Administration Savings	15 minutes saved per work order	$42,750.00
Avoided Billing Errors Savings	Elimination of errors in 1% invoices	$90,000.00
Transaction Cost Savings	74% reduction in transaction costs	$95,475.00
	Estimated Annual Cost Savings	**$297,900.00**

Although administrative costs often are accounted for in the finance area the CFO understands very well the overhead costs associated with this aspect of the companies operation and each cost justification should include savings in this area.

Another important benefit of implementing facility management technology that is often overlooked is the impact of reducing capital replacement costs. Most facility management systems include an asset management and preventive maintenance application. Preventive maintenance is often not implemented at the operating or restaurant level because it is an expense which negatively impacts the operating budget. It is well documented that preventive maintenance can extend equipment life by up to 50% which can have a dramatic impact on capital expenditures, depreciation and ultimately free cash flow; a critical financial measurement. The facility executive's ability to explain this benefit in financial terms is an additional powerful argument to support an investment in the centralization and more effective management of capital assets.

One useful tool you can use to illustrate this opportunity is to educate the C-Suite on the level of capital equipment investment in your existing restaurants by calculating the size of your HVAC investment by first estimating the total installed tonnage (typical restaurant installed tonnage by number of sites) and multiplying it by $1000 a ton (average replacement costs). When a CFO realizes they have a multi-million investment which can be managed 50% more effectively they will more clearly understand the benefit of asset management.

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C-Suite Issue #2: Sustainability

One of the most important emerging issues occupying the thoughts of the C-Suite today is sustainability. Magnified by the rapidly growing public awareness of green house gasses and energy costs, there are few companies that are not thinking about and implementing a green building initiative. Often companies think first about new construction but the real opportunity for improvement lies within the existing restaurant building portfolio.

Maintenance and energy usage are highly interdependent and therefore pursuing a solution that integrates both areas can provide a more solid foundation for assured cost reduction. Facility management systems can address both areas and include technology to enable site based energy audits, real time equipment monitoring, control and supply-side procurement.

As a facility executive you can dramatically improve the financial return on investment on a facility management system investment by coupling these two areas together in an integrated program. The restaurant environment is different than other retailers, who have variable load characteristics, but still has significant opportunities for lowering energy costs through effective maintenance, load profiling, supply-side procurement (especially natural gas) and the use of automation technology which has been consistently demonstrated to generate 20-25% savings in electricity and natural gas.

Energy Savings Potential - % Improvement	**Yes**	**No**
Conducted energy assessment of existing sites		2%
Utilizes a maintenance management system		3%
Has established a company energy strategy		3%
Implemented low cost/no cost procedures – Level 1		3%
Utilizing HVAC preventive maintenance – Level 2		4%
Retrofitted for basic reduction/controls – Level 3		5%
Implemented enterprise energy mgt – Level 4		10%
Systematic capital improvement plan– Level 5		10%
Savings Potential %		

A secondary but also significant benefit is the ability to monitor freezers and refrigerators and avoid equipment failures and the associated spoilage which can impact the cost of goods sold in the restaurant operating budget.

New emerging opportunities for demand response management and the sale of carbon reduction credits also represent real opportunities that can help facility managers and the restaurant industry improve operating margins.

Sustainability and the use of facility management technology is not limited to energy only but also can impact other areas including recycling, water usage and refrigerant management; all representing additional functions and opportunities for the facility management group.

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C-Suite Issue #3 – Branding

A third area of C-Suite concern is the protection and development of one of the companies most important assets, its' brand. The facility management function plays a critical role is establishing standards for appearance, cleanliness, comfort and safety.

Facility management systems that include functionality to enable site based audits, that record and track maintenance and capital investment needs, can be critical components to constructing accurate budgets, forecasting costs and ensuring quality standards. One of the most difficult but important tasks the facilities management organization has is to provide budget stability in an environment where rapid response to equipment failures is required. Proactive analysis of equipment maintenance history, failure rates and costs are an essential tool for avoiding lost revenue from equipment failures caused by inadequate maintenance or lack of an effective capital replacement plan.

Many facility management systems also have technology to establish service performance benchmarks and measure site compliance which directly impacts the customer experience and therefore sales and revenue growth.

A final C-Suite concern that facility management systems can effectively address is compliance and risk management. The increasing state, local and Federal regulatory requirements for inspections, waste management, safety, financial and contractor certifications represent a significant business risk for fines and lawsuits which also can provide further justification for investment in facility management information systems. The ability to automate the service contracting process, utilizing workflow technology, can also reduce risk by helping the financial organization demonstrate compliance to Sarbanes Oxley and SAS 70 requirements.

About WorkOasis

WorkOasis is a facility management services and technology company specializing in the retail and restaurant industries. Our solutions include web-based service management systems for in-house maintenance groups, outsourced maintenance and energy management services, and advanced work order management systems for service contractors.

WorkOasis was founded by Bob Dickhaus in 2002 to provide innovative facility management services and technology to owners and operators of large portfolios of distributed property. Prior to WorkOasis Bob Served as founder and CEO of Service Resources (1999) and President and COO of Johnson Controls global facility management business from 1990-1997.

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