

The Downfalls of Downtime

Preventive maintenance contracts help customers avoid equipment failure & downtime

By Michael Thompson

In business, unscheduled downtime costs money—sometimes a lot of money.

In the current economy, it seems that everything is about saving money. Most companies are tightening their budgets, scrutinizing expenses and keeping cost-cutting top of mind. Repairing equipment can be a significant expense, and having to close down or cancel an event or production as a result of equipment failure that could have been prevented could be catastrophic. The financial impacts go far beyond parts, labor and downtime.

Properly maintained equipment and processes can help reduce the occurrence of expensive repairs or equipment replacement costs. Preventive maintenance contracts offer a way for business operations to save on expenses, keep operating costs lower, help keep equipment running smoothly and increase return on investment of capital expenditures.

Owners and managers are not focused on the responsibility of managing a preventive maintenance or water treatment program; they are focused on running their businesses. Economically, it makes more sense to outsource these services than to hire and train an employee.

Poor water quality can be a major cause of production and equipment downtime. There are countless articles about this topic, discussing everything from pretreatment to descaling methods. As you continue to grow your commercial water treatment department, understanding the value of water quality and preventive maintenance to the end user is imperative.

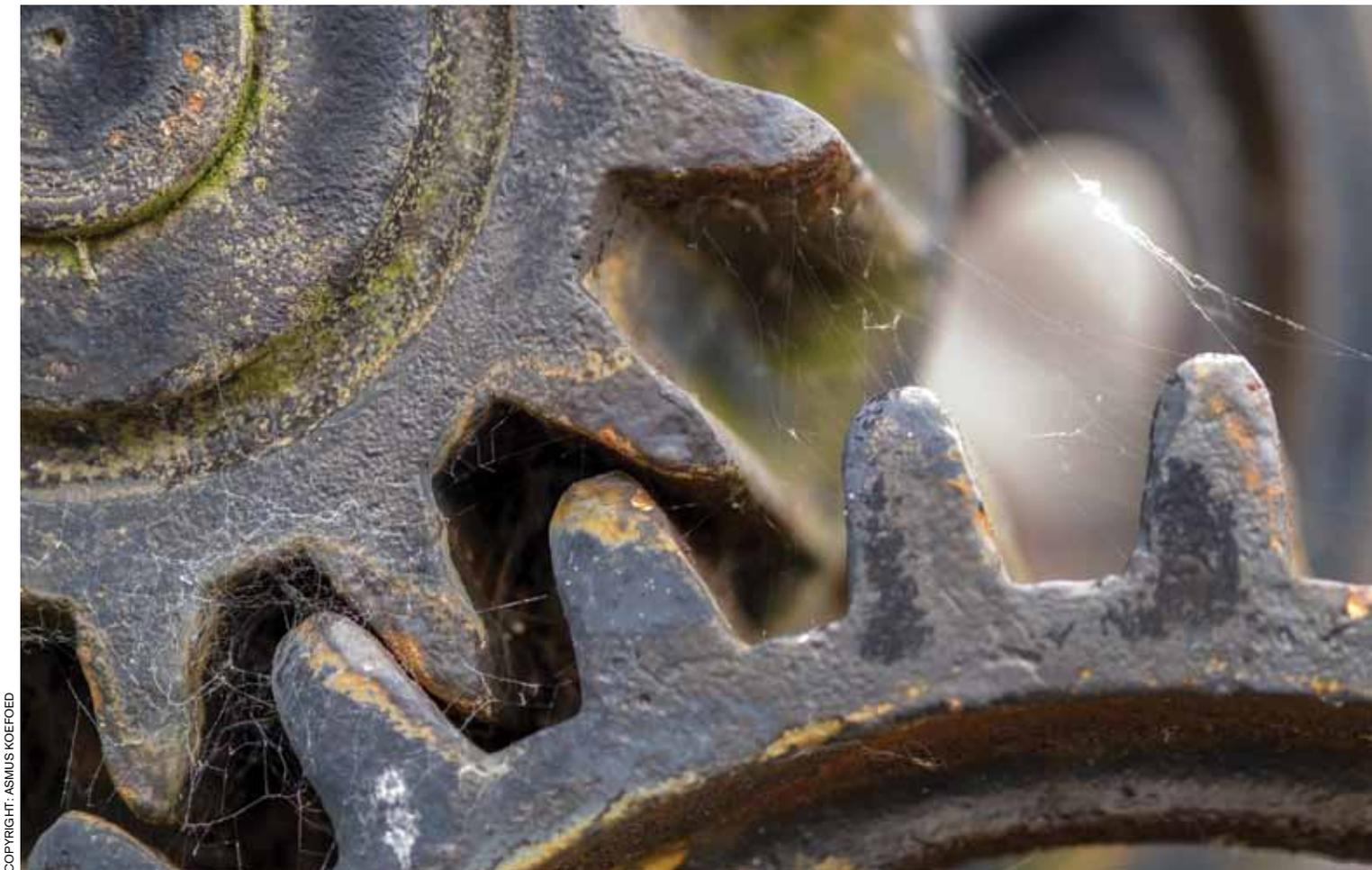
Preventive Versus Service

There can be a substantial difference between a preventive (proactive) maintenance program and a service (reactive) contract. Preventive maintenance programs are more defined. They address the specific tasks required to maintain the equipment. Any additional service needed due to wear and tear can be scheduled in addition to these tasks. A preventive maintenance contract covers care by your personnel for the purpose of keeping a customer's equipment and processes in satisfactory operating condition by providing for systematic maintenance, inspection and detection of developing failures either before they occur or before they become major defects. These regularly scheduled visits ensure that the equipment is properly maintained on a consistent basis, without lapses.

A service contract is a business agreement between you and your customer covering agreed-upon maintenance and servicing of his or her equipment over a specified period. The details of a service contract vary by customer and equipment. Service contracts are far more ambiguous, lending themselves to being misinterpreted by customers. Does it cover emergency service? Does it cover replacement of equipment? Does it cover all parts? These are just some of the issues that may arise, and if they are not addressed, the end user might assume everything is covered. Service contracts tend to be arbitrary.

Customer Satisfaction

Preventive maintenance contracts are an essential component to any commercial/industrial venture. These



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contracts solidify the relationship between you and your customer. Preventive maintenance can be a cost-effective way to exceed customer service goals and, at the same time, strengthen your company's public image and insulate your customer base from competitive intrusions into your market. Every commercial sale, rental or lease should include a recommended preventive maintenance program with pricing.

These contracts will provide consistent cash flow and profitable scheduled service work. The scheduled work can be routed to maximize efficiency and minimize travel times. Your enhanced relationship with the customer allows for the opportunity of replacement equipment and/or add-on sales, without added lead costs.

Drawing Up the Contract

There are specific items that should be included in any preventive maintenance program contract:

- Equipment to be serviced: A detailed description of the specific equipment that will be serviced, including condition and age;
- Services to be performed: A specific list of maintenance that will be performed for each piece of equipment; testing of raw and product water, including parameters; inspection checklist, agreed upon by both

parties; list of any materials required to complete the services specified; frequency of service for each piece of equipment; and intervals of service (weekly, monthly, etc.);

- Owner's responsibility: What is expected of the end user to allow for services to be provided;
- Charges and fees;
- Time limits: Length of contract;
- Payment for services;
- Liability;
- *Force majeure*: Not responsible for acts of God;
- General: Any additional information, parameters or schedules; and
- Signatures.

Pricing is a critical aspect of any preventive maintenance contract, especially if the contract period is longer than one year. The devil is in the details. If you miss anything or miscalculate your time and materials, you will be held to those numbers throughout the life of the contract. Understanding your burdened labor costs, as well as material price increases over the life of the contract, can be the difference between profit and loss. Document everything: Use estimating worksheets to calculate your time and material costs for both current and

future scenarios, and keep those worksheets with your copy of the contract so you know where your numbers came from.

Your employees play an essential role in the success of a preventive maintenance program. With written processes and procedures in place, you set clear and precise expectations

(e.g., what time frames were given for each service listed). They also have the responsibility of creating an open line of communication with the customer by providing both written and verbal verification of what was completed, when it was completed, and observations and recommendations. This

provides the value-added service the customer is looking for by making him or her aware of what is happening when, allowing for proactive decisions on additional services and scheduled downtime.

Learn More

When done right, adding a preventive maintenance program to your commercial offerings can be profitable and successful. It is the natural progression in developing your commercial/industrial department. Understand the value of the relationships you and your team are building—honoring those commitments can make or break your commercial business.

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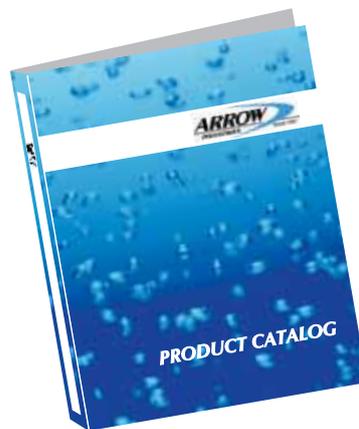
Join us Wednesday, Sept. 23, at 2 p.m. EDT for a webinar that further explores the development of a preventive maintenance program. This webinar is the third in a series on developing your commercial/industrial department. The series began by examining your company's strengths and weaknesses and the potential commercial markets you are prepared to enter by completing the Applied Management Group C&I Critical Assessment, available free for download at www.appliedmg.com/media-room, compliments of WQP and Applied Management Group Inc. The second webinar in the series explored commercial vertical markets. It looked at three vertical markets present in every town and how to penetrate those markets. All of the previous webinars are available at www.wqpmag.com/view-all?type=webinars. **WQP**

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