

Grocery Facilities Benchmark Report

Key Metrics for Data-Driven Facilities Management





Introduction

How do your facilities measure up?

In this report, you'll find:

- › How much grocery stores in the U.S. spend on facilities, and what they spend it on.
- › Insights into the grocery service provider marketplace, including the gap between the best performers and the rest.
- › Analysis of repairs & maintenance spend and activity for the refrigeration trade.
- › Costs to repair revenue generating equipment, with a deep dive into refrigeration racks.

Learn how you can improve asset uptime while getting more from your budget.

To our friends in the grocery industry:

With great pride, I introduce you to our first annual ServiceChannel Grocery Industry Benchmark Report. These benchmarks are informed by \$1.75 billion in 2020 spend on the ServiceChannel platform by U.S. grocery operators.

This report highlights the key metrics used by leaders from Facilities, Real Estate, Procurement, and Finance to assess the performance and cost-effectiveness of their facilities programs. With the pressure on profit margins in the grocery industry, every dollar spent on physical assets matters. Plus, with the ever growing variety of departments and consumer offerings, the reliability of assets and the quality of the customer experience matters more each year.

We've heard again and again from customers asking us how they are doing compared to their peers, and this is the first step in our answer. In addition to this report, we are introducing new benchmarking solutions that will allow you to directly compare your own KPIs to industry peers in real-time.

We want to hear from you. I invite you to share your questions and feedback, because we believe progress is built on partnership.

– **Tom Buiocchi**, CEO, ServiceChannel Inc.



Spend Insights

Where grocers spend the most

The typical U.S. grocery store spent \$1.71 per square foot on facilities repairs & maintenance (R&M) in 2020¹.

Average spend per location was \$101,900 in 2020, a negligible change from 2019.

Invoice cost increased by 5%, which was offset by a 5% decline in invoice volume.

Spend per location is higher than average on the West Coast due to greater invoice volume.

In the Northeast, spend per location is higher than average due to labor costs. Locations in the Northeast are also older than average, having been open 2.1 years longer.

Spend on Locations and Invoices in 2020

\$101,900

Average spend per location

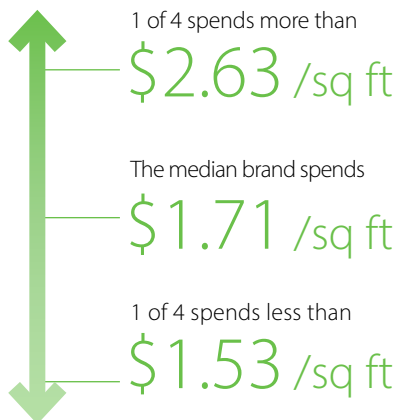
\$563

Average invoice amount

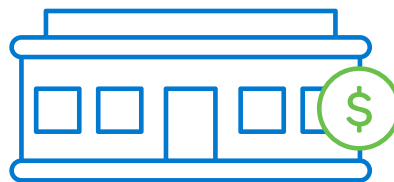
15.9

Average years since opening

Range of Spend by Brands Per Square Foot Per Year



Spend per square foot varies between brands, with half of brands spending more than \$1.71 per square foot on R&M in 2020.



Larger locations over 60,000 square feet tend to spend less per square foot than smaller ones.

Other factors that can influence spend and work order volume include:

- Brand standards
- Service provider quality and geography
- Asset intensity, suppliers, age, and condition
- Facility format, age, and landlord responsibilities
- Maintenance program investments

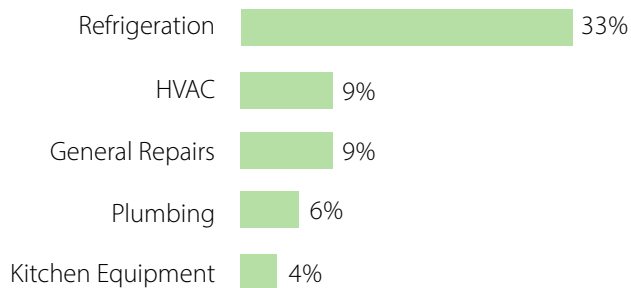


Spend Insights

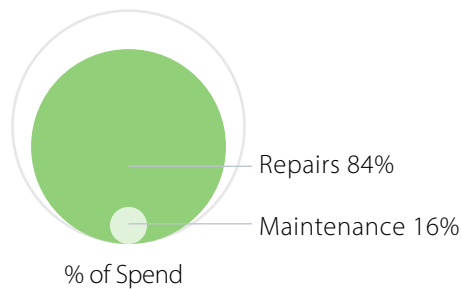
Where grocers spend the most (cont.)

The refrigeration trade weighs heaviest on budgets, accounting for one third of R&M spend. Grocery stores hold vast inventory of cold and frozen food, and maintaining the cold chain is critical for food safety and customer trust. Spend on HVAC comes in second and is critical for a comfortable customer experience. Kitchen equipment is increasingly important, as in-store restaurants, delis, and bakeries draw customers with prepared food and ready-to-eat meals.

Spend Breakdown on Top Trades



Spend Breakdown on Repairs & Maintenance



The repairs category consumes over four out of every five dollars. Maintenance spend varies, with some brands investing twice the average to uphold brand standards and protect asset uptime.

Capex spend is allocated primarily to investments in refrigeration assets, as well as HVAC, plumbing, and kitchen equipment, in order to grow capacity and improve the brand experience.

How to use this data:

Consider these questions about your overall spend compared to peers.

- › Do we spend more or less than average? Does our data explain why?
- › Which trades and categories present savings opportunities?
- › How is our invoice volume and cost changing, and are we in control?



Trade Insights

The cost to keep your cool

Spending on the refrigeration trade is significant, driven by the quantity and condition of racks, display cases, and coolers at a location.

Featured Trade: Refrigeration

Would you like to see insights for other trades?

Refrigeration R&M Spend Per Location

\$33,900 Average spend per location

+11% Increase in spend per location from 2019 to 2020

In 2020, refrigeration spend increased by 11%, driven by underlying increases in labor rates, materials, and travel costs.

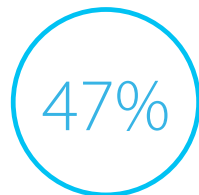
Refrigeration Repairs

While the average location completes **36 refrigeration repairs per year**, brands with more extensive assets complete **over twice this rate**. Labor makes up more than half the cost, and the strongest lever for savings is selecting providers that complete repairs faster with less labor time.

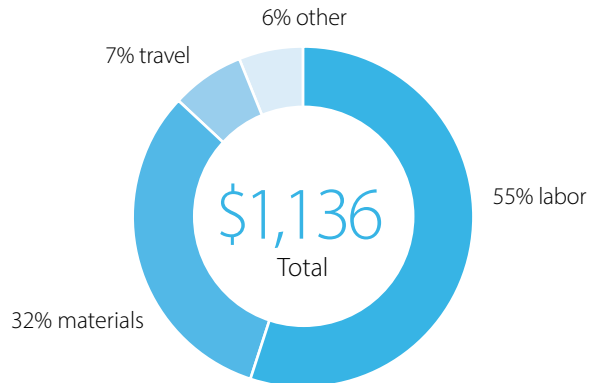
Almost half of repairs are emergencies, requiring response time of less than 8 hours. These are critical to resolve quickly to avoid food product loss and safety risk.



Average refrigeration repairs per location per year



Percentage of repairs that are emergencies



Refrigeration repair cost with breakdown



Trade Insights

The cost to keep your cool (cont.)

The average invoice for refrigeration preventive maintenance costs \$1,512 and covers multiple assets.

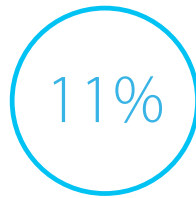
The goals of refrigeration maintenance are to avoid disruptive operational failures, increase energy efficiency, prevent refrigerant leaks, and extend asset lifetime.

Brands typically schedule monthly or quarterly maintenance, with this service accounting for 11% of refrigeration spend.

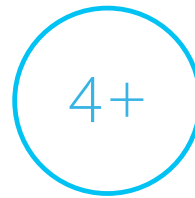
Refrigeration Maintenance



Average invoice for refrigeration preventive maintenance



Percentage of refrigeration R&M spend on preventive maintenance



Typical frequency of refrigeration preventive maintenance is quarterly or monthly

How to use this data:

Consider these questions comparing your trade spend and activity to peers.

- › How does our repair data compare in terms of frequency and cost breakdown?
- › Do we have data to track whether maintenance is actually getting done?
- › Do our providers resolve emergencies fast enough to protect sales?



Provider Insights

Sourcing the best service providers

By comparing providers based on their actual cost and performance for other grocers, you can make confident procurement decisions, instead of the traditional guessing game.

ServiceChannel ranks providers in each trade and regional market based on their historical cost and performance data with grocery customers. We use a wide range of cost, quality, and speed metrics to measure what matters most. This data enables us to recommend the best providers available for each of your locations.

In the example below, we compare the top vs. bottom grocery refrigeration providers on cost, speed, and quality.

| Comparison of Refrigeration Provider Performance for Grocery Stores | | | |
|---|-----------------------|--------------------|-------------------------|
| METRIC | BOTTOM 25% PERFORMERS | TOP 25% PERFORMERS | DIFFERENCE |
| Cost Median Invoice Cost | \$638 | \$386 | 39% cost savings |
| Speed Dispatch to On Site | 8.0 days | 1.7 days | 6.3 days faster |
| Quality First Time Completion | 43% | 84% | 2x more often |

What is median invoice cost?

The median invoice represents the typical cost for work. Half the invoices are higher than the median, and half are lower. In the past, the only cost metric available was hourly labor rate, but it can be misleading. Our invoice data shows that the most cost-effective providers often have higher rates, but they take fewer hours to get the job done.

In the refrigeration trade, the top quartile (25%) of providers cost 39% less than the bottom quartile. Faster providers resolve issues 6.3 days sooner than slower ones, so you can avoid losing revenue. Quality providers complete the job on the first visit twice as often, which means fewer repeat trips and lower travel charges. Overall, top providers use skilled technicians who work faster and charge less labor time, which leads to lower cost and quicker resolution.

How to use this data:
Consider these questions about your provider cost and service quality.

- › Are we working with top providers? How do we know?
- › Do we use actual cost and performance data for provider procurement?
- › How much could we save by upgrading our provider network?



Provider Insights

Sourcing the best service providers (cont.)

How We Assess Service Providers

The ServiceChannel platform tracks the cost, performance, and compliance of over 70,000 service providers, so you can find the best vendor for every trade and location. Here are some of the metrics available to help source and manage the optimal provider network for your business needs:

| COST | SPEED | QUALITY | COMPLIANCE |
|---------------------------|------------------------|------------------------------|----------------------------|
| Invoice Amount | Resolution Time | First-Time Completion | Insurance Coverage |
| Invoice Median | Travel Time | Defect Rate | Certifications |
| Labor Time On Site | Work Order Age | Satisfaction Score | Service Levels |
| Labor Rate | Response Time | Communication Score | Training Status |
| Materials Cost | On-Time Arrival | Dispatch Confirmation | Ownership Diversity |
| Trip Charge | Invoicing Time | Recall Rate | Check-in Compliance |

Cost Savings Opportunity from Provider Optimization

30%

Estimated savings on repair spend by upgrading from bottom to top ranking providers across five key trades

To measure the opportunity for cost reduction from optimizing the provider network, we modeled the savings potential from upgrading five key trades: refrigeration, HVAC, kitchen equipment, plumbing, and general repairs.

Grocery brands working with median providers could save 17% on repair spend by upgrading to top performers in these five trades.

For brands starting with bottom performers, the savings from upgrading are even larger, at 30%. For a chain with 100 locations, this amounts to recurring savings of \$2.4 million per year.

Beyond saving on repairs, top providers can reduce maintenance and capex costs, as well.



Asset Insights

Refrigeration racks you can rely on

When your refrigeration rack breaks down, your inventory can melt while your sales freeze up. These critical assets also require a large share of operating expenses to power, repair, and maintain.

The highest repair costs are for HVAC units and the parallel rack compressors that drive central refrigeration systems.

Grocers that track their revenue-generating assets in ServiceChannel have granular visibility into the performance and cost of each unit, so they can prioritize capital investments and improve uptime proactively.

Below we take a deeper look into the key metrics for racks, which are vital to store operations.

Emergency repairs to refrigeration racks are typically completed in one day, which minimizes loss of product and revenue.

Since racks are critical for safely storing food, it's important to avoid failures and resolve repairs as soon as possible.

Central rack systems can contain over 1,500 pounds of refrigerant, and the HFC type is under increasing regulatory scrutiny due to its global warming effects. Brands use ServiceChannel's refrigerant tracking capability to monitor their equipment for leaks, improve sustainability, and comply with government regulations.

Warranties are commonly 12 months in length. To avoid unnecessary out-of-pocket costs, asset repairs can be automatically routed to the warranty provider.

By analyzing the frequency of repairs and comparing the total spend on an asset to its remaining useful life and replacement cost, brands make data-driven replacement decisions and maximize the ROI of their capital investments.

This same asset reliability data is then used for procurement to select reliable manufacturers with low operating costs.

Repair Cost by Asset Type

| ASSET TYPE | AVERAGE REPAIR COST |
|---------------------------|---------------------|
| HVAC | \$2,772 |
| Refrigeration Rack | \$2,013 |
| Rotisserie | \$654 |
| Auto Sliding Door | \$575 |
| Refrigerated Case | \$507 |
| Floor Scrubber | \$413 |

Key Asset Metrics for Refrigeration Racks

| | |
|----------------------------------|----------------------|
| Cost per repair | \$2,013 |
| Emergency resolution time | 1.3 days |
| Asset age | 11.3 years |
| Life expectancy | 20 years |
| Warranty coverage | 12 months |
| Refrigerant capacity | 300–1500+ lbs |
| Most common supplier | Hillphoenix |

How to use this data:

Consider these questions about your asset management strategy.

- › Which assets are costing us the most for repairs and maintenance?
- › What data do we use to make proactive decisions about asset replacement?
- › Which assets are most critical for our customer experience, and what does our data say about their reliability?



Wrap Up

How do you compare?

ServiceChannel is the #1 Facilities Management Platform, used by over 500 brands across grocery, restaurants, retail, convenience stores, and other verticals.

We track the richest data in the industry to help optimize costs, reduce asset downtime, and deliver amazing customer experiences at every location.

THE INDUSTRY'S RICHEST DATA

70,000+
Providers

150+ Million
Work Orders

4.7+ Billion
Performance data points tracked annually

Looking for peak performance? Learn how you can optimize your assets and budgets



Where do you spend more than your industry peers? Where do you spend less? Do you know why?

The key to optimizing your facilities program is taking a data-driven approach to managing your spend, assets, and providers. The grocery brands on ServiceChannel use the key metrics in this report to make better decisions every day.

5/10

5 out of the top 10 grocers in the U.S. rely on ServiceChannel

Here are 3 reasons why:

Saving 15%–25% on annual facilities costs. Grocers source the most cost-effective providers based on our marketplace data, and they hold providers accountable for cost and quality by tracking detailed performance and invoice data.

Reducing critical asset downtime by 25–40%. Grocers avoid tens of millions in lost sales by better maintaining revenue-generating equipment and accelerating repair time.

Letting Operations focus on operations. Grocers report dramatic reductions in time spent by store managers and associates on equipment, facilities, and provider issues, so they can focus on customers instead.



“Prior to ServiceChannel, we were very reactive and had a false sense of control over costs. Now with ServiceChannel we have become dramatically more proactive with real-time actionable data. We are able to have meaningful improvement discussions with our vendors using vendor scorecards.”

– Jeffrey Luna, Director of National Projects, ALDI USA



The Richest Data in the Industry

Drive every decision with data

70,000

Service Providers

Your decisions are more confident and accurate when you have data to guide you, which leads to better outcomes from every dollar spent.

The ServiceChannel platform tracks the industry's richest data to help you optimize spend and streamline operations.

4 Million

Assets

Provider quality data is used to hold vendors accountable for delivering the services you're paying for while ensuring compliance and minimizing risks.

Some examples include:

- Performance scorecards on cost, speed, quality, and communication
- Service level agreement (SLA) compliance
- Satisfaction scores for completed work
- Contracted labor rates
- Compliance with insurance requirements

150 Million

Work Orders

Asset performance data helps manage the asset life cycle, so you can ensure reliable operations, avoid revenue loss, and minimize equipment downtime.

Some examples include:

- Service history with costs
- Downtime / uptime
- Issue resolutions and root causes
- Warranty coverage
- Replacement cost

5 Billion

New Data Points Per Year

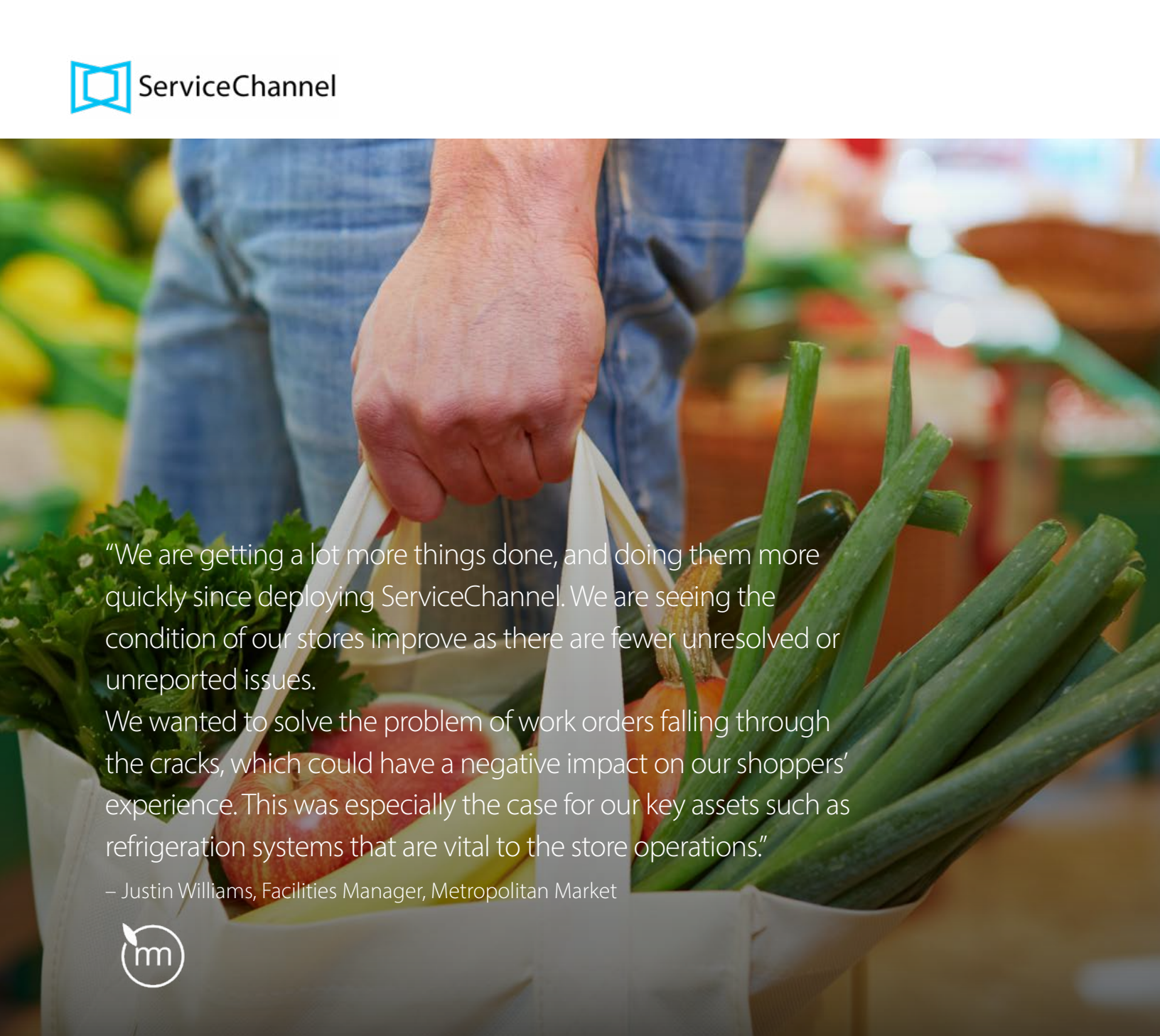
\$50 Billion

Invoices Processed

Work order data tracks every service you receive, so you can control and prioritize spend while maintaining a consistent customer experience.

Some examples include:

- Spend by region and location vs. budgets
- Invoice line items: labor time and rate, materials, travel
- Validation of invoice labor time and rate
- Time on site from GPS check-in
- Proposal decision recommendations



"We are getting a lot more things done, and doing them more quickly since deploying ServiceChannel. We are seeing the condition of our stores improve as there are fewer unresolved or unreported issues.

We wanted to solve the problem of work orders falling through the cracks, which could have a negative impact on our shoppers' experience. This was especially the case for our key assets such as refrigeration systems that are vital to the store operations."

– Justin Williams, Facilities Manager, Metropolitan Market



Learn how data-driven facilities management can help you improve asset performance from every dollar you spend.

