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Financial Reports

Every Facilities Manager Needs

(and Every CFO Loves)

A Publication of



ServiceChannel®

Facilities managers are tasked with all kinds of responsibilities, from ensuring the look and feel of a company's locations remains in top notch order to literally keeping the lights on. To say one is pulled in all directions is an understatement.

Everyone across the company has requests that need to be met, usually on an urgent basis. But there's often one particular audience that can be a real challenge to satisfy: the Chief Financial Officer.



With hundreds of locations, pieces of equipment and contractors resulting in thousands of invoices, staying on top of everything is tough in the best cases. Responding to your CFO and the finance department is exceedingly difficult. And proactively keeping the facilities department a step ahead of financial issues can be near impossible - without the ability to monitor the proper metrics.

- But what are the metrics that are important for a facilities management group to track and report on to the finance group?
- What are the numbers that modern facilities managers share with their CFO?
- What financial benchmarks and data points should you regularly use to optimize performance and make smarter decisions?

Financial Metrics for Facilities Management Operations

Below are a number of the key metrics that ServiceChannel clients regularly monitor and importantly, **how they act on them.** In all these cases, you should be able to track these numbers at individual location levels, regional levels and corporate-wide. Ideally, you're at

least able to easily track some of them. Regardless, understanding the numbers across your repair and maintenance operations is an **important first step to gaining complete visibility for your facilities program,** and being able to provide actionable data for management.

#1 Top Trades

by Spend Variance

What It Is...

This metric details what you're spending on each trade (in total and on average), per period, compared to prior periods. For example, with this data, for a given month, you can see whether you're spending more or less for each trade, and how much.

Top 5 Trades by Spend Variance

Trade	Avg Invoice	Avg Invoice - \$Δ	Avg Invoice -Δ%
Fixtures/Fittings	\$2,765	+\$2,473	▲ 846%
Janitorial	\$1,894	-\$1,237	▼ 40%
Music Service	\$36	-\$1,273	▼ 97%
Painting	\$1,665	+\$637	▲ 62%
Window Film	\$1,166	-\$857	▼ 42%

What It Tells You...

It's always important to understand when and why costs are not what they're expected to be. However, when a particular trade's variance increases too much, it can mean that there could be **faulty or old equipment that's leading to too many repairs**. It can indicate that a repair/replace analysis should be undertaken.

A large or growing amount of spend focused around a particular area **can also indicate planned or scheduled maintenance obligations that are not occurring**. Many companies find it difficult to manage all their assets and their accompanying preventive maintenance schedules. Identifying excessive or unforeseen spend around a particular trade can tie to a certain asset class across a geography, or even a broad lack of training in how to support a particular type of equipment that's leading to unnecessary - and costly - service calls.

2 | Top Providers

by Spend Variance

What It Is... It's important to know which contractors you're paying and to whom you're driving more of your spend. This data point shows you how much each of your contractors are billing you and how these costs compare to the prior period. Are you driving more business to a given vendor in a particular region? Are you spreading out all your work for a particular service across a number of vendors, perhaps too many?

Top 5 Providers by Spend Variance

Provider Name	Invoice Amt	Invoice Amt - \$Δ	Invoice Amt - Δ%	# of WOs	# of WOs - Δ	# of WO - Δ%
Contractor A	\$56,319	+\$55,331	▲ 5,602%	3	-3	▼ 50%
Contractor B	\$79,972	+\$79,972	-	165	+165	-
Contractor C	\$90,156	-\$131,237	▼ 59%	86	-30	▼ 26%
Contractor D	\$107,411	+\$107,411	-	159	+159	-
Contractor E	\$29,097	-\$78,657	▼ 73%	6	-83	▼ 93%

What It Tells You... Understanding exactly whom you're paying, and particularly how it's trending from one period to the next, can have a material impact on what you can do about your facilities budget. If you can see that you're increasing more of your work to a given vendor over time, **you can use that information to negotiate better rates.** Seeing where you spend across geographies can help you uncover this type of vendor concentration that might not otherwise be apparent. Being able to show a vendor clearly how it's getting more business from your company can lay the groundwork for a productive discussion around more competitive rates.

Alternatively, you may find opportunities to simplify vendor management and increase vendor concentration if your spend is spread across too many vendors. In conjunction with analyzing your spend across trades, you may identify increasing work in an area but realize **you're missing out on any purchasing economies of scale.** Either way, without understanding your vendor spend details and being able to review with your finance colleagues, it's likely you're leaving savings on the table.

3 | Top Locations

by Spend Variance

What It Is... In addition to understanding how your spend breaks down by individual trade or contractor, analyzing costs by site or location is important too. This FM metric shows repair & maintenance (R&M) costs for each individual facility (e.g. per store, restaurant, outlet, location). With this data, you can find out what costs are being incurred at particular locations or even types of locations (e.g. grouping locations by ownership or tenure), and whether and/or how they're changing over time.

Top 5 Locations by Spend Variance

Location Name	Invoice Amount	Invoice Amount - \$Δ	Invoice Amount - Δ%
Site 1	\$23,197	+\$23,197	-
Site 2	\$821	-\$38,982	▼ 98%
Site 3	\$36,075	+\$23,423	▲ 185%
Site 4	\$2,302	-\$22,876	▼ 91%
Site 5	\$3,069	-\$33,415	▼ 92%

being maintained properly or standard operating procedures are not being followed. Either way, **lack of training is often a direct factor leading to excess R&M costs.** When reviewing location outliers by spend, it's also prudent to review the assets at the outlier versus other locations as this can help identify particular equipment that is leading to higher than normal repair or maintenance costs.

What It Tells You... One of the key insights from understanding your actual spend as well as spending trends and variances by location is identifying outlier locations. If there's a particular location or two within a group of similar locations where spend is not in sync with the others, it's a red flag to investigate. Does a facility's **higher traffic flow warrant more maintenance costs?** Or is a particular store or cluster of stores using a higher priced vendor relative to its peers?

An outlier location can also indicate a particular site's staff is not trained properly, which can mean either equipment's not



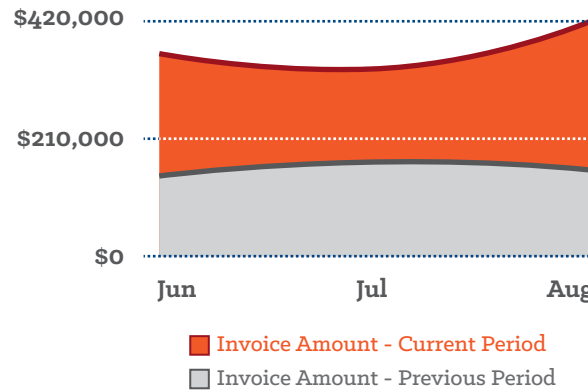
“Reviewing our R&M costs at each of our locations has become a regular part of our weekly recap. It helps us quickly zero in on our local issues that we can solve without incurring excessive costs over and over.” - *Regional Facilities Manager, National Apparel Retail Chain*

#4 | Month-to-Month Invoice Spend

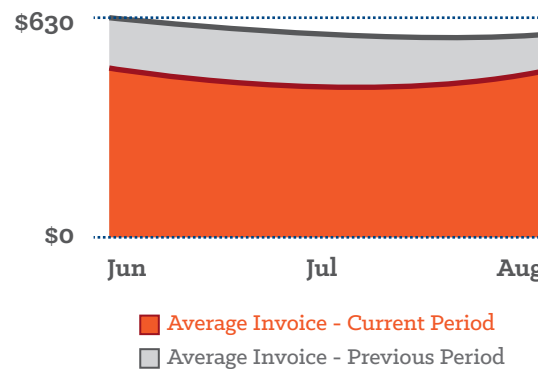
What It Is...

Do you know what your facilities spend is each month, how it compares to the prior month and how it compares to the year earlier month? Monitoring total invoice spend and average month-to-month spend shows trends and potential areas for improvement.

Invoice Amount Comparison



Average Invoice Amount Comparison



What It Tells You...

As customer traffic grows or more locations are supported, it usually makes sense for your total invoice cost to grow. But what about your average invoice cost? If you're opening new stores or locations, it may make sense for average R&M costs to go down as new equipment's in place and requires less servicing. But a **trend in the other direction can indicate a problem relative to previous openings**. Are there different types of equipment more prone to maintenance issues? Are there different customer expectations or behaviors?

Costs increasing over time can be another indicator of staffing issues or training shortfalls. Over-reliance on vendors can mean that **new staff don't know how to resolve issues themselves or are using equipment improperly**. Being able to identify potential issues quickly can enable you and your colleagues to address them quickly, rather than having to respond to quarterly or annual inquiries about excessive facilities spend.

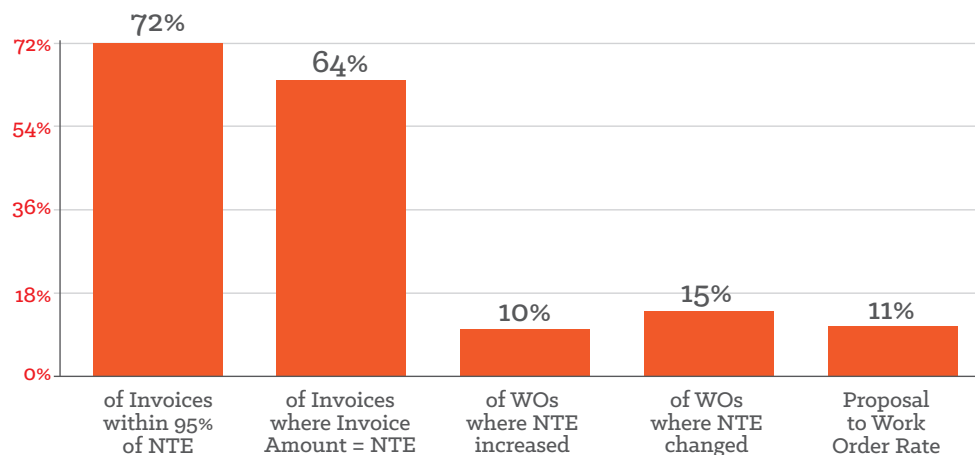
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Not to Exceed (NTE) Limits and Variances

What It Is...

To ensure that costs are kept in line and competitive, many companies have some form of 'not to exceed' (NTE) limits to help guide contractor proposals for different types of work. But often, these NTEs are subjective and/or best guesses and may in fact have little bearing on true costs. It's important to have ready access to these and be able to monitor them by trade as even with such limits, there are opportunities for savings that can be missed.

Some of the specific metrics you should be tracking are how your NTEs compare to average invoices, what % of your work orders are resolved within the original NTE and what trades drive the most exceptions.



What It Tells You...

Optimizing your NTEs ensures that you control the percentage of service requests that need escalation or manual intervention, while keeping the risk of being overcharged at a minimum. Once you know how your actual invoices compare to NTEs for each trade, you can understand exactly which trades are exceeding NTEs and require your attention, and **which NTEs can be lowered based on actual costs.**

Lowering your NTEs once you know how they compare to actual invoices can have **significant impact on costs for each trade.** With a data-driven approach to NTEs, you can work with the finance department to drive savings to the bottom line and real value from the facilities management group.

6 Categories

by Spend Variance

What It Is...

This metric shows how you're spending across categories, broken down by location, region, etc. It enables you to understand how major cost categories like repair & maintenance, warranty, capital expenditures and parts compare to each other. Ideally, you should also be capturing and segregating the R&M work identified from preventive maintenance activities and other scheduled services.

Top 5 Categories by Spend Variance

Category	Avg Invoice	Avg Invoice - \$Δ	Avg Invoice -Δ%
Capital Expenditure	\$9,311	-\$788	▼ 8%
Found on PM	\$1,389	+\$642	▲ 86%
Maintenance	\$177	-\$680	▼ 79%
Parts Order	\$648	+\$340	▲ 110%
Warranty	\$876	+\$245	▲ 39%

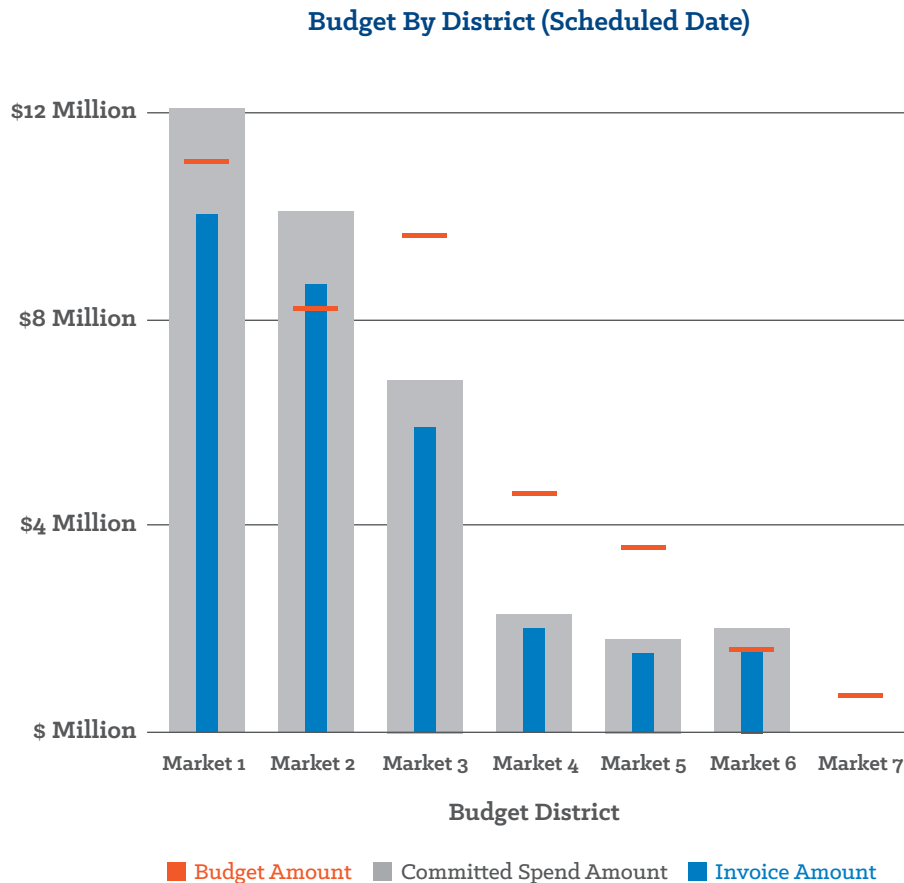
What It Tells You...

Given your company and operating structure, there are likely certain level of costs expected in each category, along with how they should trend against each other. For example, with new locations and equipment, you're likely to see increases in capex with lower maintenance needed on this new equipment. However, **being able to analyze this data can alert you to potential problems** (e.g. higher than expected maintenance costs with new equipment).

Differentiating between work found via your preventive maintenance activity and other more reactive maintenance activity is also an important piece of ensuring cost control. Identifying **significant variances from your historical norms could signify preventive maintenance that's not occurring on schedule**, or alternatively, even highlight particular locations' best practices with highly effective preventive maintenance processes that should be shared across the company. Being more proactive in your R&M work not only will improve the customer experience but lead to lower costs as well.

#7 Actual Costs vs Budget

What It Is... This type of data shows how your costs compare to budgeted amounts. You should be able to track this on a monthly basis as well as by trade, region, category, location, etc. The more granular you can be with your costs, the more actionable the data will be in your analysis.



What It Tells You...

This is one of your most crucial metrics with respect to your financial controls and planning. With this information, you can stay on top of your costs and **know exactly where you stand**. It will let you know if your department's spending is as planned or under/over budget.

Importantly, only with this type of data can you be in a position to proactively alert management and your finance colleagues that there may be a need for additional funds or even newly found funds available for other priorities. You can also **determine what regions or trades are under/over budget**, identify problems and manage accordingly. Only with this type of data can you properly discuss with your CFO how best to plan and budget for the next period.

“We used to set budgets once a year, and then wait months after the year's close to see how our expenses matched up. After we started tracking costs across our different trades and locations, we could quickly see where the problems were before things got out of control. Tracking this data and getting ahead of what was happening really eliminated a lot of painful year-end discussions!” - Area Facilities Operation Manager, National Consumer Electronics Company

8 | Costs Per Sq Foot

What It Is... Another valuable metric to track is how your repair & maintenance and capital expenditure costs vary across your locations. You can track it by individual locations, similar sized stores, regions, etc.

Costs / Sq Ft (\$)

Location Size	< 1,000 Sq Ft				
	Q1	Q2	Q3	Q4	Annual
Repair & Maintenance	1.89	1.78	2.11	2.02	1.95
Cap Ex	3.11	2.78	2.14	3.45	2.87

Location Size	1,000-2,000 Sq Ft				
	Q1	Q2	Q3	Q4	Annual
Repair & Maintenance	1.45	1.67	1.21	1.56	1.47
Cap Ex	3.01	2.95	2.54	2.76	2.82

Location Size	> 2,000 Sq Ft				
	Q1	Q2	Q3	Q4	Annual
Repair & Maintenance	1.35	1.54	1.17	1.34	1.35
Cap Ex	3.25	2.56	2.34	2.22	2.59

What It Tells You...

Understanding this data is helpful to establish internal benchmarks on how and where you're spending across similar environments. From that, you can **identify potential outlier locations where spend is diverging from the norm**. This can lead to uncovering potential issues such as overspending on repairs based on problem equipment.

Understanding your facilities costs and being able to proactively solve problems and share actionable data is an important way to **partner effectively with your CFO**. As more facilities management groups become more data-driven, they're being smarter about costs and budgeting, and uncovering savings opportunities.

Key Indicators for FM Financial Visibility

If you're a facilities manager responsible for several locations or hundreds of locations, it's critical to **maintain visibility into all aspects of your operations, particularly from the financial perspective.**

All the metrics discussed here are **key indicators many facilities managers use** to stay on top of their game and increase the value of the FM group to the rest of the company.

As is often said, you can't manage what you don't measure. Having the systems in place that enable you to **consistently and comprehensively watch what's happening** is the only way to truly understand what's occurring and lead your team to continual improvement.

About ServiceChannel

ServiceChannel provides facilities managers with a single platform to source, procure, manage and pay for facilities maintenance services from external commercial contractors. By providing a real time, web-based view of service data across all trades, locations and contractors, facilities managers drive significant ROI for their organizations without outsourcing or investing in new infrastructure. More than 220 brands use ServiceChannel every day to manage performance and costs at over 100,000 locations in over 63 countries.

ServiceChannel was named a GAP Inc. Strategic Partner in 2013, awarded two Nike Vendor Excellence Awards in 2010 and 2012, and named Vendor of the Year in 2011 by The Professional Retail Store Maintenance Association (PRSM).



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