

How One BSC Spiked Operating Costs and How They Fixed It



NSS Enterprises, Inc.

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THE STRATEGIC IMPORTANCE OF CHOOSING THE RIGHT CLEANING MACHINES

The Story

It seemed like a good idea at the time to switch from NSS to a different cleaning machine company. The new company checked all the right boxes; a national network of service centers, a full line of products to choose from, and an attractive price.

"We started with this other manufacturer, I'm not going to tell you who they are, in 2008. We used a couple of different brands company wide. It was divided across the country", recalled Larry McAlpin, Senior Vice President of Strategic Projects for Diversified Maintenance.

The transition went well at first. The manufacturer kept their delivery promises and they got underway quickly. What Diversified Maintenance didn't anticipate was the impact that this decision was going to have on their daily operations and costs. "We had more equipment failures after periods of eight to sixteen months than we had ever had. By the time we were 24

months into the thing, we knew we had to go back to the world of NSS."

Diversified's machine maintenance cost had spiked over the course of about twenty-four months.

Larry also recounted, "The other equipment was failing and had to be replaced before it's depreciation life cycle. The industry standard of the depreciation life cycle is about three years. Some companies push it out five years. But we were having so many failures before we got to the three-year mark."

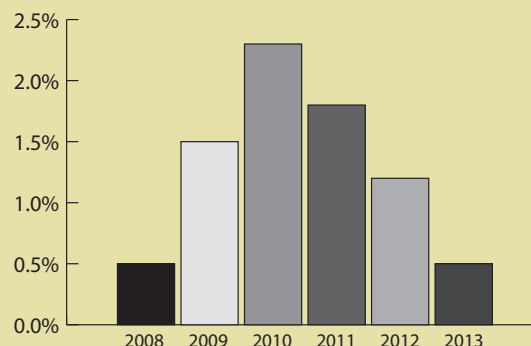
Diversified ultimately reversed their decision from a couple of years earlier. "And when we changed back to NSS, it took about two to three years to phase out all of the non-NSS equipment. So, it took a two to three-year span to get back to where we were, but we made progress every single one of those years. By 2013, we were back to normal cost."

The Financial Results

When they were using mostly NSS products, Diversified Maintenance's expense for machine maintenance ran at about 0.5% of revenue. In the 16-months that they were exclusively buying from a different manufacturer, their machine maintenance expense spiked to over 2% of revenue.

For a company of Diversified's size, that totaled a couple of million dollars of additional expense. Once they switched back to NSS, their machine maintenance expense eventually returned to the previous rate.

Maintenance Expense as a Percent of Revenue by Year

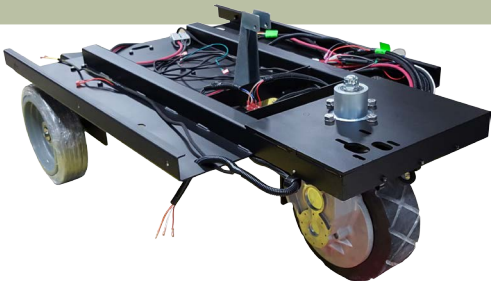


Why the Difference?

Larry McAlpin has been involved in professional cleaning for his entire career. In that time, Larry has worked with many different brands of cleaning machines. When asked what makes NSS different, Larry had this to say:

“NSS equipment does not require a lot of maintenance. It doesn’t have a lot of “break points.” In my opinion, the more bells and whistles you put into a piece of equipment, the more “break points” you just gave it to fail. To give you an example of what I have found about NSS equipment, it’s kind of like the old Kenmore washers from the 70s. You bought a washer and it lasted 25 years. Washers today are built to fail after so-many years. NSS doesn’t build equipment like that. And I’ve never known NSS, in my view, to have cut corners.”

“Another reason, one of the best things over the durability and longevity of NSS equipment has been the field support for training, all the way down to the service worker level. And the support that has been given from the corporate team to the field. Whatever they need to get the job done. And the corporate commitment to help resolve last minute things, including delivery.”



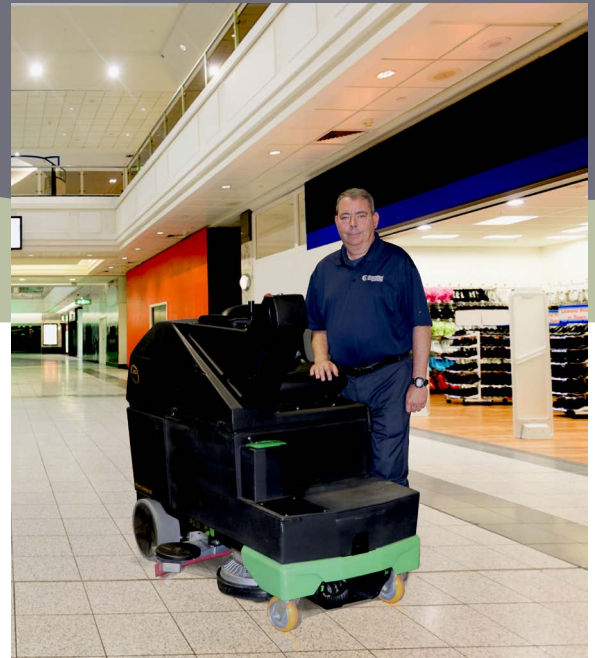
The frame of the Champ Rider Scrubber

Our Reaction

When Larry approached us to tell us his story, we were surprised by his specific conclusion. We’ve always been on a mission to make durable, problem-free equipment and take care of customers, but we hadn’t had one tell us exactly what that meant to his bottom line. In a business like commercial cleaning, or any business for that matter, a couple of points to the bottom line is a big deal.

Would you benefit from a similar result?

Undoubtedly. Please give us a try and find out what Larry experienced. The brand of cleaning machines you choose is a strategic decision that can directly lower your machine maintenance expenses and improve your bottom line. NSS has proven this to Larry and we would like to prove it to you.



Larry McAlpin with the eForce Scrubber

About Larry McAlpin

Larry McAlpin has been working in the cleaning industry since he was 13 years old. Since that time, he has owned his own cleaning business, worked for ISS for twelve years and has been with Diversified Maintenance for the last eighteen years. Larry is the Senior Vice President of Strategic Projects. He is responsible for heading up the pricing committee, operational safety and procurement. Larry resides in Birmingham, Alabama, has three adult children and recently celebrated his 25th wedding anniversary.

About Diversified Maintenance

Founded in 1973, Diversified Maintenance is a facility maintenance solutions provider with operations in all 50 states and a workforce of over 10,000. The company serves customers in both the Retail and Commercial/Industrial markets and is headquartered in Tampa, FL with regional offices across the US. Diversified Maintenance specializes in customer-focused operations that live up to their tagline, “Details Matter”.

