aramark
FACILITIES MANAGEMENT

MANAGING FM COSTS IN MANUFACTURING:

Achieving Spend Transparency

Navigate and optimize facility management spending across a geographically distributed portfolio.

Managing facilities and operations in a manufacturing environment comes with unique challenges often overshadowed by the focus on production. While manufacturers typically track production costs meticulously down to the penny, the true cost to maintain those production facilities is often much more difficult to measure.

For one, facility maintenance is often blended with production maintenance, complicating the ability to distinguish between the two and fully understand facility management costs. Additionally, the complexity of production processes makes it more difficult to benchmark those costs. **Poorly managed, non-production maintenance expenses can negatively impact production and erode budgets with unnecessary spending.**

Understanding the true cost of facilities management and achieving spend transparency should be a priority for all manufacturing organizations, particularly geographically distributed facilities. Aramark Facilities Management provides actionable insight into these costs and areas of savings opportunity with ***Spend Analytics***, allowing manufacturing organizations to truly understand how much they are spending to maintain production space.

WHY IS IT SO DIFFICULT TO UNDERSTAND FACILITIES MANAGEMENT (FM) SPEND?

Controlling costs and optimizing spending starts with an in-depth understanding of expenses. Without these insights, it's impossible to follow a data-driven spend management strategy that lowers your total cost of ownership. Spend transparency is a foundational basis for future facilities management savings.

In a manufacturing setting, entire teams are dedicated to improving production costs and accounting for every penny spent. **Yet few manufacturing organizations truly understand how much they are spending to maintain their production space**. There are a few reasons why understanding FM spend is so challenging.

MISALLOCATION OF STAFF

The allocation of production staff to maintenance duties without proper tracking poses a significant challenge in accurately measuring FM spending. Often, the time these employees spend on building maintenance tasks rather than production duties is usually not tracked.

Additionally, the misallocation of staff can inflate the cost of maintenance by appointing an overskilled employee to do a task outside their scope of expertise. For example, a senior production employee working on sophisticated production equipment may not be the most cost-effective choice to spend time on simpler tasks, such as changing an electrical ballast or outlet.

This not only obscures the true cost of FM, but also results in inefficiencies as highly-paid, highly-experienced production personnel engage in tasks better suited for less experienced employees with lower hourly rates.

LOCATION INDEPENDENCE

The decentralized nature of manufacturing operations, often spanning multiple locations, can lead to a lack of standardization and accountability in facilities management.

When each site operates autonomously — or works with a different outsourced vendor — leadership is challenged to determine whether the most cost-effective solutions are being implemented across the organization. Likewise, it can be difficult to gain visibility into other production-disrupting exposures that may exist. This leads to independent, site-based spending decisions that tend to lack accountability.

LACK OF BENCHMARKING

Few industry benchmarks exist within the manufacturing sector to evaluate the efficiency and effectiveness of facility management practices.

For example, a 500,000 square foot facility may only contain 30,000 square feet of space outside the yellow line. This makes it difficult to benchmark and apply common FM metrics to evaluate spending quality and quantity. In addition, building infrastructure can vary greatly, depending on production processes at the site.

LACK OF STANDARDIZED SYSTEMS

The aftermath of mergers and acquisitions can leave manufacturing organizations grappling with a multitude of differing, even competing, financial systems.

This lack of integration and disparate performance measurement systems hampers management's ability to gain transparency into FM spending, further complicating the ability to make future investment decisions .

THE COST OF NOT HAVING ACCURATE SPEND TRANSPARENCY

A lack of manufacturing FM spend transparency is detrimental to optimizing resources and streamlining operations. The implications and risks go beyond that, though, impacting everything from safety compliance to unnecessary expenses.

LIMITATIONS OF A SINGLE-SOURCE APPROACH

Absent true transparency, manufacturers often resort to addressing FM challenges piecemeal rather than holistically. For instance, bidding on individual services (plumbing or electrical) often focuses primarily on labor rates rather than the comprehensive scope of work required. It also means that rather than a streamlined billing process with one vendor, administrative costs increase by paying multiple suppliers.

This single-source approach ultimately results in greater costs, both monetarily and in terms of procurement time and effort. Procuring single services instead of adopting a holistic perspective complicates the definition of FM scope of work, particularly in smaller manufacturing spaces.

BEWARE OF HIGHER EXPENSES

A number of issues resulting from a lack of spend transparency can lead to higher costs.

- **POORLY DEFINED SERVICE CONTRACTS:** Local leadership's focus on manufacturing processes and production maintenance may inadvertently agree to contracts that are disadvantageous to the individual site, leading to additional expenses, higher trip charges and other unfavorable terms.
- **REDUNDANT SUPPLIERS:** Manufacturers often unknowingly engage multiple contractors for similar services, resulting in higher service costs, increased administration costs and missed opportunities for negotiating more favorable terms.
- **NON-COMPLIANCE WITH PREFERRED SUPPLIERS:** Despite having preferred suppliers with more favorable terms, the lack of transparency into spending makes it difficult for management to ensure individual locations comply with procurement practices, hindering effective enforcement.

RISK, COMPLIANCE AND ENFORCEMENT

In an attempt to reduce production costs, manufacturing sites may opt to reduce maintenance staff and rely on third-party contractors to backfill these positions when needed. However, this often results in increased costs as outsourcing maintenance services in this way can incur a premium. Despite having preferred suppliers, compliance and enforcement become challenging.

Safety compliance is of particular concern. Contractors are usually required to provide documentation verifying their compliance, but manufacturers often lack the means to track and manage safety compliance among their outside vendors. This lack of oversight raises critical questions regarding vendor compliance with safety standards, especially among sites that act independently and hire their own contractors.

Aramark Facilities Management has a robust comprehensive platform that addresses this challenge, ensuring outside vendors' safety compliance and documentation.

GAIN TRANSPARENCY AND INSIGHTS WITH ARAMARK SPEND ANALYTICS

The Aramark Spend Analytics program offers a comprehensive solution to understand and optimize spending within manufacturing facilities management. Capture all spend data to analyze, benchmark and monitor performance for better control over your costs while protecting against risks. Understand where opportunity exists to generate savings and improve service within facilities operation.

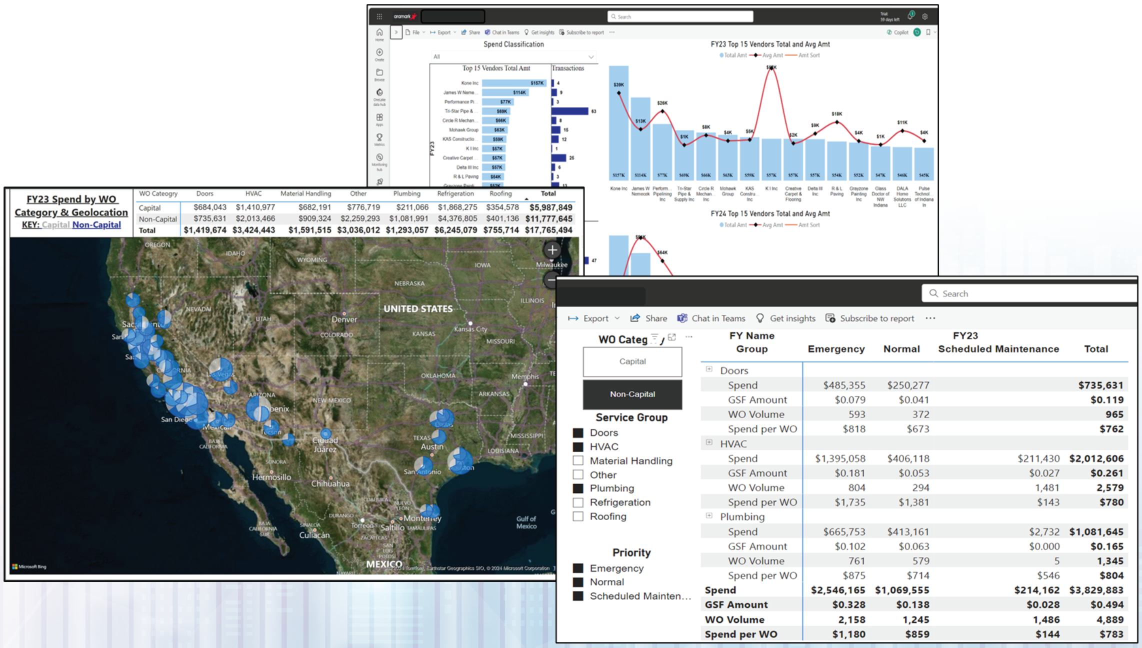
Here's how Spend Analytics works.

1. **Spending insights are captured** through AP data, purchase orders and other key information. Spending is organized across major categories, facilitating better insight and benchmarking. Whether with or without work order data, Spend Analytics aligns total spending with work order activity, providing insight into spending levels and identifying areas for potential savings.

2. **Spending is aggregated** across various FM categories, including labor costs, vendor management expenses and internal expenditures. This categorization allows for a detailed analysis of spending patterns and facilitates better decision-making regarding resource allocation.

3. **The program seamlessly integrates** with disparate financial systems, providing a holistic view of FM spending across geographically distributed locations. This integration ensures all relevant data is considered, regardless of the system in which it originated.

By offering a holistic view of FM spending across the entire portfolio, **Spend Analytics enables organizations to identify trends, discrepancies, and areas for improvement. It is foundational information to implement an enterprise-wide facilities management program.**



SPEND ANALYTICS IN ACTION: CASE STUDIES

A LEADING CONSUMER PRODUCTS MANUFACTURER engaged a consultant to consolidate facilities expense data for an upcoming procurement process. The consultant's analysis revealed an operating spend of $54M without capital.

Aramark Spend Analytics identified, **over $19M in capital inadvertently included in the original estimate**. Moreover, the analysis uncovered an additional 200 production employees involved in facilities services, along with instances of missing purchase card spend and improper work coding. The final assessment unveiled a true facilities spend exceeding $70M.

Aramark Facilities Management is collaborating with the manufacturer to implement a savings strategy, prioritizing outcome standardization over maintenance frequency.

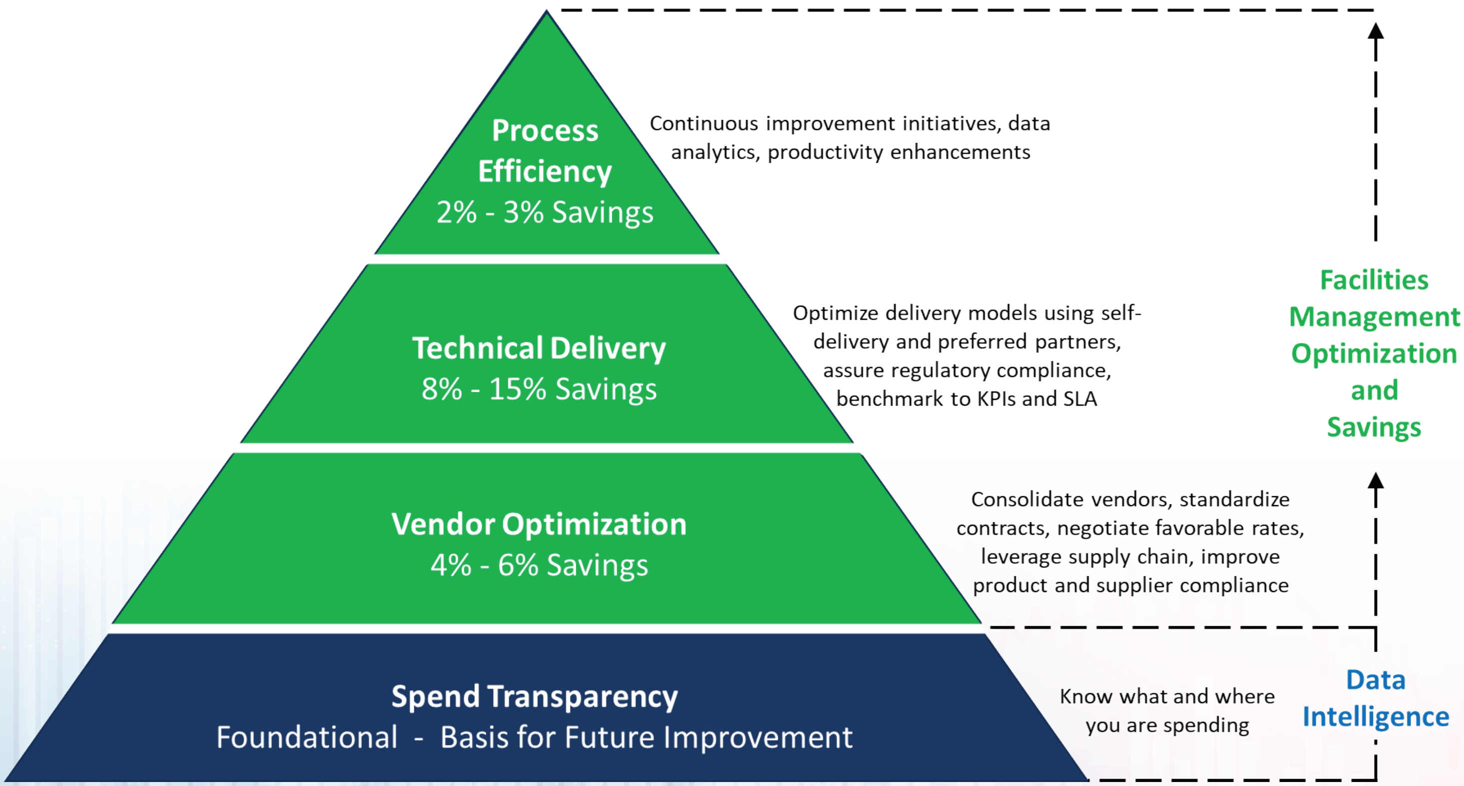
A NATIONAL RETAIL CHAIN initiated a procurement process for facilities services, providing background spend data totaling $20M.

Aramark Spend Analytics and benchmarking determined that such a level of an expenditure was unlikely given the retail portfolio's scale and complexity. Further analysis pinpointed specific areas where expenses were likely missing.

Subsequent investigation by the retail chain discovered **an additional $12M in spend, 60% higher than the original estimate.**

A FOOD MANUFACTURER with over 100 locations faced limited visibility into its true spend. Utilizing Spend Analytics, spending was aggregated to provide management added transparency.

Aramark Facilities Management has since implemented a savings strategy, **achieving double-digit savings while combating inflation.**



WHY SPEND TRANSPARENCY MATTERS

Achieving cost transparency in FM is a challenge for many manufacturers AND many consultants. Yet, it is the foundational basis for all future facilities efficiency and productivity decisions. Spend transparency not only drives savings and innovation but also empowers focus on core production activities, ensuring equipment uptime and product delivery.

Unsure where to begin? Let us provide an initial review of your spend and projections of the magnitude of savings in your operation. Allow production site staff to focus on their core role, while Aramark handles all facilities management intricacies.

Let us enable greater efficiency through spend transparency.

CONTACT US

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