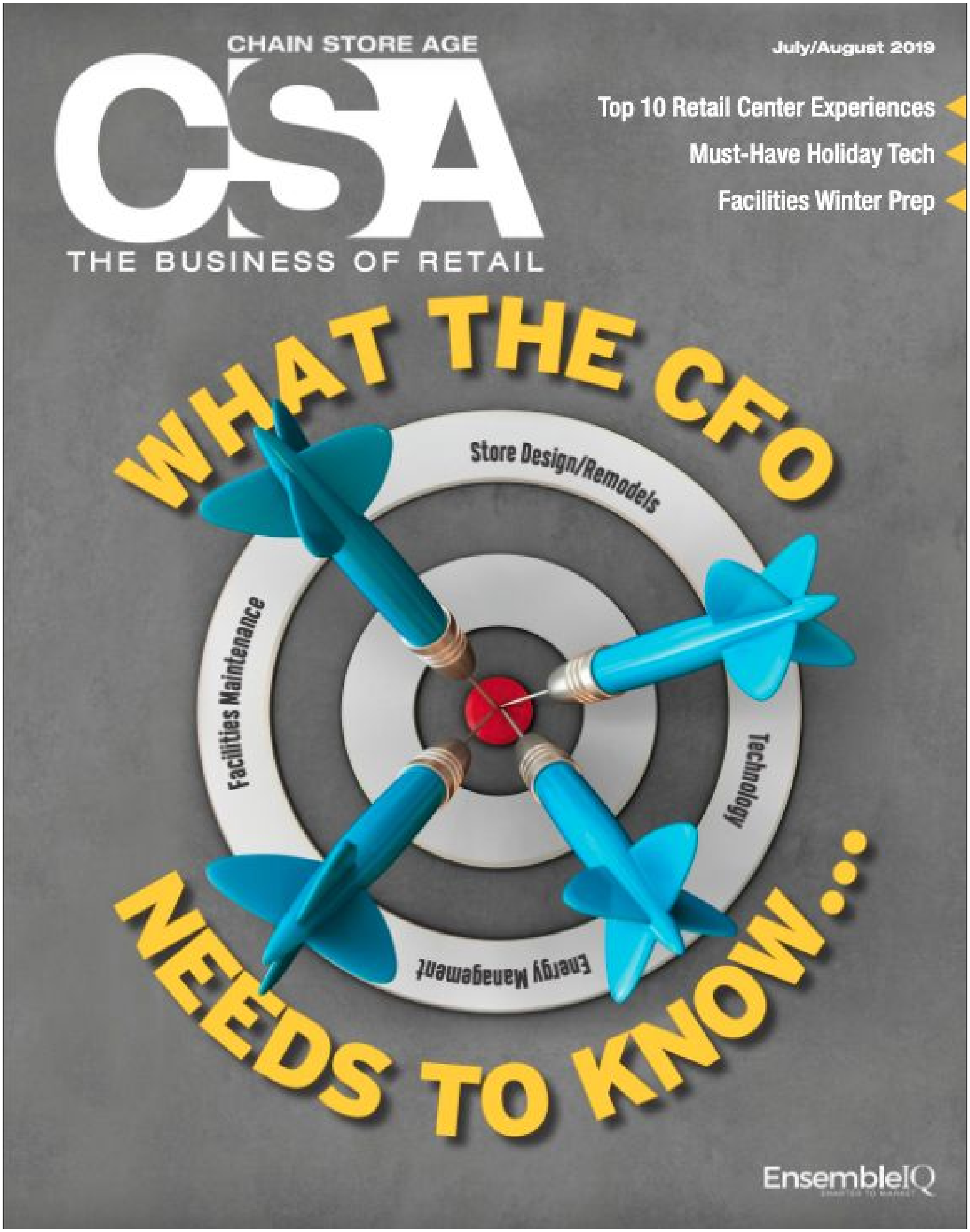
CHAIN STORE AGE
CSA
THE BUSINESS OF RETAIL
July/August 2019
Top 10 Retail Center Experiences
Must-Have Holiday Tech
Facilities Winter Prep
WHAT THE CFO NEEDS TO KNOW...
Store Design/Remodels
Technology
Energy Management
Facilities Maintenance
EnsembleIQ

COVER STORY

FACILITIES MAINTENANCE

Poorly maintained stores are a customer turnoff

By Debby Garbato

The crucial role that facilities maintenance plays in retail is easily summed up: A store — be it a small in-line boutique or a large freestanding building — is the face of the brand. Ambiance stretches far beyond décor, fancy tech gadgets, products and displays — if stores feel too hot, too cold, shabby or unclean, customers may not return. The negative impressions they leave with can dilute brand image and customer loyalty, erode sales and eat into the bottom line. “When you don’t hear about facilities maintenance, it’s a good thing,” said Jason Cesare, CFO at Nest. “When you hear about it, it’s not. The importance of perception is dramatic. If I have a bad shopping experience, I may never return.”

Facilities executives have long argued that not allotting the funds required to keep stores clean and in top condition can cause customers to shop elsewhere. The sentiment is borne out in a recent study by ServiceChannel, “The State of Brick and Mortar Retail Report,” which found that 64% of shoppers have left stores due to poor physical appearance or disorganization.

Just as revealing, 67% of shoppers said retailers are too focused on making stores overly tech-forward and not focused enough on the basic customer experience. Restrooms are a key touchpoint, with 20% saying they would not return to stores with dirty bathrooms. Expectations are higher among consumers earning $100K plus.

Today’s competitive, omnichannel environment and the rise of e-commerce with its myriad of shopping choices has raised consumers’ expectations of physical stores. Via social media, shoppers are quick to spread the word about disappointing encounters.

“There’s almost zero tolerance for bad experiences,” said Brent Pearson, ServiceChannel’s executive director and CFO. “The bar has been raised on real estate and maintenance. People share bad experiences more than good ones. Social media magnifies everything. One person can say, `Can you believe how bad the bathroom is?’ and show a picture. Consequences have never been bigger.”

Facilities maintenance is one significant area of every company’s budget that, by its nature, is somewhat variable. Certain areas of the facilities budget are known, including fixed costs such as contracted services, preventive maintenance and planned capital improvements. But other areas, including emergency repairs due to storms and other natural disasters, are unknown. And oftentimes, companies may not know about a problem until something breaks.

Facilities managers typically forecast off known and fixed costs and historical trending minus one-time hits, planning a budget to cover what is essentially a “best guess” scenario. The bottom line: Expect changes. No More Spread Sheets: Technology is having a profound impact on facilities management.

During the past five years, artificial intelligence-driven (AI) facilities service platforms have been alleviating uncertainties in facilities management. Fueled by growth of cloud computing, big data, the IoT and smart phones, these backend systems monitor equipment, ambient conditions, maintenance schedules, service calls and other variables. They can even project maintenance spending. Store managers and headquarters access information via smart phone apps. “

Technology has helped save retailers millions of dollars on their facilities and operational spend, and given them access and insight into facilities programs that they never had before.” said Michael Toth, CIO, Nest. “The CFO now has full transparency into the program and how it is affecting the bottom line.”

ServiceChannel’s AI-driven service platforms replace paper records and spread sheets by aggregating all relevant data and information. Systems warn retailers about potential problems. If a repair is needed, the AI technology uses algorithms to analyze more than 100 million past repair scenarios to find the right price and contractor for that type market. “We capture all the data,” said Buiocchi. “It recommends a course of action based on data and past performance of a similar scope. In five minutes, people can save $50,000 on a roofing job.”

Technology drives Nest’s integrated facilities management solution. The company gives clients full transparency into their program, including the spend and operations activities on demand and in real time. The corporate office has access, and individual locations can enter service requests on demand and monitor their status. CFOs have full visibility to tickets and can prioritize jobs for over budget locations, only addressing problems impacting health or safety.

Technology platforms allow CFOs to project and manage costs. By analyzing multiple units’ history over time, they can forecast a month’s maintenance spend by the third of that month, said Nest’s Cesare. “I can tell what the run rate is in budget and whether I’ll be on or above budget,” he added. Any available tax or utility rebates can be factored in for single or multiple stores. Since platforms amass weather data, additional funds can automatically be allocated to stores in natural disaster-prone areas. Regularly scheduled maintenance — such as replacing HVAC filters quarterly — helps maximize equipment investments. “Maintenance costs are a small portion of preventive maintenance,” said Barry Wood, senior VP and director of operations, JLL.

“Deferring maintenance can provide shortterm savings. But it decreases operating efficiencies that raise operating costs and increases equipment replacement frequency.” Combined with technology, routine maintenance can also help determine the actual lifecycle of equipment, alleviating replacement costs based largely on a unit’s age. “Ten years ago, using a spreadsheet, we would take a guess of when we had to replace an HVAC system based on how often we did repairs and how old it was,” said Cesare. “Now, we can load all the data into the system, take pictures as we make repairs, track warranties and predict if the system will go down shortly.”

While technology services are raising the bar in facilities management, they are only as effective as their users. If retailers fail to acknowledge and implement data and recommendations, they may not realize a ROI. “Used properly, technology can create operating efficiencies,” said Jll’s Wood. “Used improperly, it can do the reverse.

Technology has a premium installation cost and an ongoing cost to insure built-in parameters are followed. That’s where efficiencies are created. If retailers don’t maintain parameters, operating costs increase.”