



By: Jim Peduto

# The Right Data To Unlock Equipment ROI

Calculations to help operators get the most value out of their machines.

Buying equipment, especially when it comes to the “big ticket” items like floor-care machines and carpet extractors, is a significant decision that can pay big dividends.

This is why ISSA’s Cleaning Industry Management Standard (CIMS) requires that supply and equipment performance evaluations be part of the purchasing process (see Service Delivery, 2.2.1).

When evaluating equipment, there are four factors to consider:

- Initial purchase cost
- Productivity of the equipment
- Usable life of the equipment
- Operating cost.

Using the evaluation data and outcomes of the above factors, cleaning managers can then calculate the return on investment (ROI).

ROI measures the rate of return on the money invested to purchase equipment.

Think of it as finding out how much you will get “paid back” within a certain time for your purchase.

## Initial Purchase Cost

New technology brings innovative equipment options, but rarely without a higher price tag.

It is important to look across the leading equipment manufacturers and compare prices to get a general idea of the average cost of the type of equipment you are planning to purchase.

Look beyond the price tag — the equipment brings additional benefits, such as advanced technology, more features, increased productivity, a longer usable life and/or a reduced operating cost.

The point here is that the true cost of equipment is not based solely on its purchase price.

There is a big difference between price and cost.

## Productivity And Life

The biggest expense in any custodial operation is labor.

The purpose of investing in new equipment is to automate a process and produce labor savings.

Productivity is not just about going faster; to be truly productive, machines must perform well.

Therefore, managers must closely evaluate each machine’s ability to provide quality cleaning results in an efficient manner.

The average lifespan of cleaning equipment is usually between three years and five years although a well maintained unit can last even longer.

Preventative maintenance includes proper equipment use, cleaning machines after each use, regular inspections and basic repairs.

The longer the equipment lasts the greater the total return.

## Operating Cost

Another factor to consider when evaluating equipment is operating cost.

Newer, more efficient equipment is likely to use less water and energy, which not only saves utility costs, but also can contribute to a sustainable cleaning program.

Efficient machines also can help extend the time between stripping and refinishing, which saves on labor and operating costs.

## Calculate The ROI

To calculate whether or not there would be a savings if you purchased new equipment, it is a good idea to first identify the current state.

For each specific cleaning task, measure how long it takes to perform the task from start to finish using current equipment.

Then pinpoint how long it would take with a new machine — either find out from the manufacturer, look it up in ISSA’s *Clean-*

*ing Times* or use software that is available from the manufacturer and/or ISSA.

Subtract the number of labor hours required for using the new machine from the number of hours it takes with the current equipment to find the labor hours saved.

Here are the formulas:

### Return On Investment

Return on Investment (ROI) measures the equipment’s economic value over its useful life. The higher the better.

The formula for ROI is:

- Annual labor savings x equipment life
- Less: Annual maintenance cost x equipment life
- Less: Cost of the equipment.

### Pay Back Period

Pay Back Period is the number of months that it will take to recoup the investment in equipment. The lower the number the faster the pay back.

The Pay Back Formula is:

- Equipment Cost/(Annual Labor Savings/12).

## The Payoff

Fully assessing your current operation as well as potential machine purchases will help you not only make the right decision; it will help you make the case for the purchase to financial stakeholders.

With the right data, you can show that a higher upfront cost can improve efficiency so much that the equipment truly pays for itself in a short period of time. 🍀

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