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Paying the right price - by Gamble Wiseman

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Gamble Wiseman

Have you ever turned a vendor down based solely on price?

I had a conversation recently with a prospective customer about the cost of our maintenance program. "We're not even considering you; your quotes aren't competitive." This facility has 80 tons of cooling equipment, five-unit heaters and four furnaces. Annually, maintenance on their equipment would take roughly 50 hours, which would include two chemical cleanings of their coils. We landed right around \$9,000, or \$2,250 quarterly, or \$750 per month. All things considered, a reasonable cost for all that equipment. The problem is, they've become accustomed to paying \$2,000 annually from the competing vendor. Let's do the math: at 31 hours of maintenance (not including the coil cleanings), and \$2,000 annually, the vendor is only making \$65 per hour. Factor in fuel, travel time, insurance, hourly pay for the technician, etc., and you may not be breaking even. What level of quality are you getting from a company that like that?

Let's give them the benefit of the doubt. Maybe they're undercutting the cost of the maintenance knowing they'll make it up on the service and replacement work. It is older equipment and will have breakdowns and may need to be replaced sooner rather than later. After all, these units are 20-30 years old, and the average expected useful life of package units is only 15 years, according to ASHRAE. The vendor would be first in line to be called for a quote. If that is the case, however, their pricing would have to be much higher to make up for the loss of revenue during the maintenance hours. They'd likely be more expensive than other quotes because of this. If not, however, and they are in line with the pricing of other companies, then where are they making up for it? Worst case, where are they cutting corners? Again, what kind of work would come from a profitless or net negative company?

On the other hand, no one wants to pay too much. It doesn't necessarily ensure quality or consistency; other than how efficiently funds leave your account. Paying too much only reduces your own margins, ultimately making it more difficult to run the business. How, then, do you find the happy medium? The answer is right at your fingertips: Do an Internet search. What does the company's website look like? Do they have many positive reviews? How do they respond to the negative reviews? Lastly, give them a call. If the person who answers can empathize with your needs and demonstrate some expertise, then you'll know they will be easy to work with. If not, can you really trust them to take care of your investment? Peace of mind is worth more than constantly dealing with a piece of equipment that isn't at the front of your mind until it breaks down. HVAC technology is constantly evolving, knowing you work with a company that keeps up with training and education will save you a lot in the long run. Dealing with the opposite, ends up costing you more, in both time and money. Cheap isn't cheap most of the time.

The way we price our services is pretty much the same across the board. We quote the same way on every job and negotiate when we need to. The quality of work stays the same on every visit and can give our customers the care they deserve. Consistent maintenance, reliable service. Every time. Can you see the difference?

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