

Client Reference

Facilities Management

Retail



Client Background

Our client is a major player in the retail sector with a well-established footprint in the South African market. They have a proud record of business success and are expanding on a continuous basis. With a South African retail market that is becoming saturated from a supply and demand point of view, they have reconfirmed the need to optimise all areas of the business and reduce costs. The focus on business going forward is to be customer centric and to manage profitability through detailed article costing and cost reduction.



Key Challenges

Looking at the different cost elements that our contractors charge for maintenance work, the cost of travelling is the element that poses the highest potential for cost saving.

Travel expenses contribute a significant portion to the maintenance bill (19%) due the geographical spread of their branches.

Travelling also:

- adds the least amount of “value”;
- has the highest number of different costing models applied by contractors;
- is difficult to evaluate and manage.

Until recently, there was not enough data available to evaluate the existing cost models used to determine call-out rates. Therefore no data simulations could be done to determine the effect of any proposed changes to implement a standard costing model for all contractors.



One costing model, applied across our 200+ contractors enables us to thoroughly manage/verify invoices.

Pragma Intervention

As data was added to On Key, it could be extracted and analysed. 250 000 line entries of actual maintenance activities across the geographical spread of branches, that included information on the distances travelled, the travel time and the cost associated when the contractors apply their “individual” call-out fee models was taken into account to do the analysis.

Simulations were developed to calculate standard costing models based on actual scenarios of more than 100 000 call-outs jobs. A realistic and fair costing model could be developed and applied as the standard for all contractors.

Value Add

- A standard travel costing model.
- Better control and improved invoice verification measures.
- Reduced number of input to travel costing model.
- Significant reduction in travel cost
- Optimal use of contractors.

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Tools and Technology

- On Key
- Google Maps to verify travel distances
- AA Tariff
- Stats SA (annual CPI)
- Automated invoice verification reports that cross reference travel distances, invoiced amounts.

The official South African AA tariffs are used for the travel expense portion of travel the model.