

2011 INDIVIDUAL BEST PRACTICE
CREATING BEST-IN-CLASS SNOW AND ICE MANAGEMENT

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Company: Divisions Maintenance Group

COMPANY OVERVIEW:

Divisions Maintenance Group is dedicated to providing professional, efficient and consistent high quality facility maintenance services to retail and property management companies throughout the United States. Our position as a leader in the marketplace is the direct result of our unwavering commitment to providing uninterrupted peace of mind to our customers for their facilities' maintenance needs.

SYNOPSIS:

Selection of the best Snow Service Provider and Snow Management Contract is achieved for any facility when your business objectives are aligned with the correct snow industry pricing model, a solid procurement strategy focused on value is implemented, and the scope of work is clearly defined.

The Request for Price ('RFP') process is a monumental undertaking for facility management. Snow and ice management is typically the largest budget line item under exterior maintenance services. There is also an inherent complexity to managing service levels and budgeting a constant price point at acceptable levels for your facilities' snow clearing. Facility maintenance managers are finding themselves under constant pressure to reduce costs of services. These issues, coupled with the fact that the snow management service industry is riddled with numerous Service Provider ('SP') pricing variables, are all problematic for facility management.

Snow service pricing is dependent upon many factors including the reliance on individual service providers, local market rates, anti-icing and de-icing material availability, the service providers' understanding of your facilities' needs, and your expectations for quality of service. Yet while the unpredictability of Mother Nature is one of the greatest factors impacting snow service price models, snowfall tracking and forecasting is barely understood in the industry. Due to the risks and liabilities associated with snow and ice, snowfall probabilities should be one of the most important discussions between your Facility Management team and the SP's. Snow Service Providers who understand weather probabilities and the potential revenue associated with contracts will be able to make

intelligent decisions with regard to equipment and materials. This allows them to execute a successful snow and ice management season that meets or exceeds the client's expectations. In addition, Facility Managers who are knowledgeable in snowfall probabilities stand a higher chance of selecting the right snow service pricing model and SP for their facilities' snow clearing.

Reducing some of the variation associated with snow clearing is the key in creating Best-In-Class Snow and Ice Management throughout your portfolio. Planning correctly and procuring properly will maximize your effectiveness and align your strategies and objectives.

This paper will discuss the types of snow service pricing models, their benefits and disadvantages, development of an effective procurement strategy, and best practices in the procurement process of a snow service provider. Since facility locations and strategies can be unique, the information presented may need to be adapted. Additional items may need to be considered for your facility's specific snow and ice management or some items discussed may not apply.



Figure 1. Planning Overview

WHY SHOULD YOU USE THIS BEST PRACTICE?

By aligning your objectives and resources for snow and ice management to the correct pricing model that is accepted in the industry, you will (1) level the playing field during the bid process by achieving apples to apples RFP responses from SPs; (2) reduce questions and misunderstandings during the RFP process that create large pricing variances; (3) increase accountability to the SP and reduce “surprise” invoices for snow services; (4) improve the quality and execution of snow services at your facilities; (5) gain a more consistent service level across your portfolio; (6) Reduce SP turnover.

A proper procurement process includes clearly defining your Scope of Work, calculating the market value of service, proper allocation of equipment and materials, and understanding your historic data to vet out costly or low quality service providers. Implementing responsible procurement practices allow you to reduce certain expenses and eliminate hidden costs in your snow and ice management including vendor turnover. This gives you the best chances for hiring the right SP to co-source with your facility’s team.

WHAT YOU CAN BE DOING DURING THE PLANNING STAGE:

- Identify your objectives and the resources available for your facilities.
- Understand the various types of industry-accepted snow service pricing models.
- Select an industry-accepted pricing model that is in alignment with your identified objectives and resources.
- Develop a responsible procurement strategy that will provide you with the best value Service Providers.

PRICING MODELS FOR SNOW SERVICES:

This paper identifies 6 industry-accepted pricing models for snow and ice management. It is important to note that the advantages and disadvantages of each model must be weighed against your overall objectives and resources for snow and ice management at your facilities.

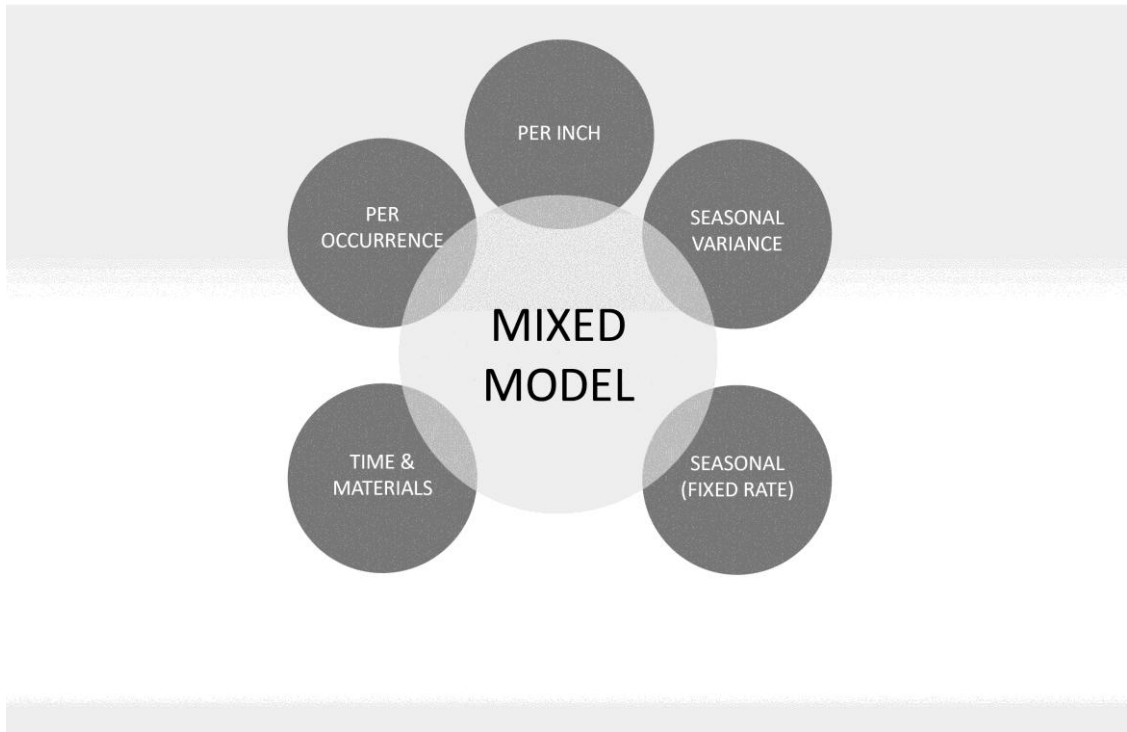


Figure 2: Contract Types

PRICING MODELS DEFINED:

- 1. Time & Materials** - Time and material is typically used when the store manager is actively managing the snow removal operation and its cost. This model provides Facility Management with the opportunity to increase or decrease the Scope of Work and manage cost control during the season depending on the time of year and store traffic.
- 2. Per Occurrence** – Per Occurrence usually includes four line items: Parking Lot Plowing, Sidewalk Shoveling, Parking Lot De-Icing, and Sidewalk De-Icing. Each of these holds its own agreed-upon charge amount. This model often increases efficiencies because it rewards the SP for using faster, more effective equipment. It also simplifies the invoice process as each of the four service categories are clearly defined with its own price attached. Note that Per Occurrence is NOT associated with Per Event pricing, which is

defined and discussed later in this paper.

3. **Seasonal** – In theory, the Seasonal pricing model transfers the risk associated with weather to the Snow Service Provider, giving the customer a fixed budget for their snow removal cost. **Seasonal Variance** – A Variance contract is a seasonal model with a low and high snowfall range associated with the contract price. For Example: If the snowfall covered in the contract is 12 to 22 inches, and it snows more than 22 inches during the season, the SP would bill extra (usually based on inches). If the snowfall were less than 12 inches during the season, a refund or credit would be issued to the Facility Owner. With this type of contract, retailers who have locations across the country may allocate money from an area with low snowfall season to a location that incurs heavy snowfall. The SP still will charge a premium for the risk, but it is minimized due to the overage clause unlike a fixed seasonal contract. This is a fairly new pricing model in the industry, which is viewed more as a partnership between the SP and Facility Management. One issue that may arise with this scenario is that not all locations have a weather station nearby. Thus, reporting on snowfall may be challenging and is dependent on the Provider’s willingness to use a weather station that is further away from the actual site.
4. **Per Inch** – This is another fairly new pricing model in the industry, but it is increasing in popularity. If and when snowfall data can be accurately reported at all site locations, this will likely become a very popular model. This model gives the customer the ability to hire SPs at fair market value with no risk associated with pricing because the reported quantity of snow is applied to the agreed upon price per inch. This type of model, however, has similar issues to Seasonal Variance (i.e. areas in which weather stations exist far away from the actual site).
5. **Mixed Model** –Simply put, a Mixed Model, or Hybrid Model, is the use of more than one pricing model for your snow and ice management portfolio. A hybrid-pricing model may be selected for the following reason: In southern locations where stores will experience low snowfall totals, you would not want to contract the SP for a Seasonal Pricing model because the price to transfer the risk to the Service Provider would be too high. In this scenario, you are better off contracting a Time and Materials or Per Occurrence contract for your low snowfall markets and selecting a Seasonal contract or Seasonal Variance for stores which are likely to incur a snowfall average in excess of fifteen inches. This would give you a Mixed Model for your entire portfolio.

OTHER PRICING MODELS:

1. **Per Event Pricing** – While this pricing model exists within the industry, we have not included it under the industry-accepted models for several reasons. Since its introduction to the marketplace, the Per Event pricing model has succeeded in creating a great deal of confusion.

“Compared to Seasonal, Per Occurrence, and Time and Materials pricing methods for snow and ice, the Per Event pricing model is fairly new to the industry. A large number of on-the-ground Service Providers may not have a strong understanding of the Per Event model and its impact on their businesses over a given season. Much work needs to be done to fully vet this pricing system as a sustainable, win-win scenario for Snow Service Providers and their customers. A great deal of care and attention to detail should be exercised when requesting bids based on this model to ensure that service providers fully understand the scope of the RFP and the per event methodology.” (Brian Birch, Assistant Executive Director of the international Snow and Ice Management Association (‘SIMA’))

Issues often occur with the Per Event model because of Facility Management’s misconception that the Per Event model operates the same as a Per Occurrence contract. SPs may also be confused by this model and bid the site based on Per Occurrence instead of Per Event causing a large pricing variance in the RFP responses. If the contracts are awarded to lowest bidder, the FM team will receive numerous invoices and expenses that are not in alignment with the original procurement process. Ultimately, this dilutes the RFP process for your organization and the ability to achieve the best results possible for your snow management.

WHAT ARE THE BENEFITS AND DISADVANTAGES OF EACH PRICING MODEL?

Figure 3: Pros & Cons of Pricing Models for Snow Management, outlines the major benefits of each pricing model and possible disadvantages:

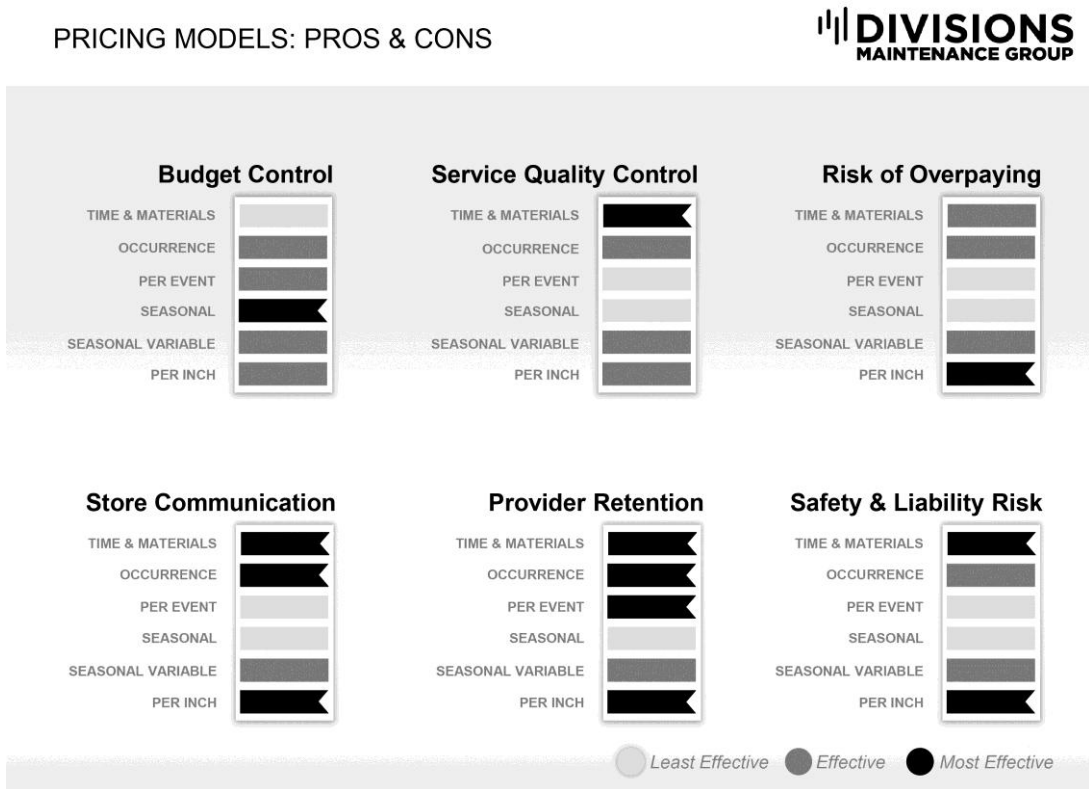


Figure 3: Pros & Cons of Pricing Models for Snow Management

DEVELOP A PROCUREMENT STRATEGY FOCUSED ON VALUE

1. Determine the Market Value of Service and implement a responsible procurement strategy. One of the most effective tools a Facility Manager can have is a clear understanding of the market value of the labor, equipment, and material required by the SP to perform the SOW throughout the season. In many cases the lowest price in an RFP comes at the highest cost overall, impacting the quality of service and creating large

unexpected expenses. A successful procurement process includes a solid understanding of what services should cost and selecting the best SP that submits pricing within your predetermined range.

2. Learn from History and Repeat Successes. Reliable snowfall data and historical spend by location or SP will provide clarity. (see Figure 4:Historical Pricing Data)

HISTORICAL PRICING DATA

Store Number	Parking Lot Sq Ft	2009 Fiscal Year			2008 Fiscal Year			2007 Fiscal Year			5 year cost per SF per inch	Median cost per SF per inch	PER INCH / SQUARE FOOT COST			
		Cost	Ann. Snow Fall	Price per inch per SF	Cost	Ann. Snow Fall	Price per inch per SF	Cost	Ann. Snow Fall	Price per inch per SF			Cost per inch	Cost Low Range	Fair Market Value	Cost High Range
#446	376,663	\$ 1,107.84	6.8	0.0003	\$ 233.23	0.9	0.0004	\$ 534.49	1.6	0.0000	0.0004	\$ 2,103.29	\$ -	\$ 12,619.76	\$ 26,291.17	\$ 19,455.47
#312	316,073	\$ 1,390.00	14	0.0003	\$ 210.00	0.8	0.0008	N/A	1.3	N/A	0.0006	\$ 1,152.83	\$ 3,458.49	\$ 13,287.54	\$ 23,096.60	\$ 18,187.07
#700	475,071	\$ 1,875.00	14	0.0003	\$ 525.00	0.8	0.0014	N/A	1.3	N/A	0.0008	\$ 1,732.75	\$ 5,198.26	\$ 19,926.65	\$ 34,655.04	\$ 27,290.84
#116	396,502	\$ 2,800.00	4	0.0018	\$ 500.00	1.4	0.0010	\$ 200.00	1	0.0007	0.0010	\$ 3,300.28	\$ -	\$ 1,661.30	\$ 12,382.14	\$ 9,182.02
#879	386,570	\$ 1,175.00	14	0.0003	\$ 420.00	0.8	0.0018	N/A	1.3	N/A	0.0011	\$ 1,045.22	\$ 3,135.67	\$ 12,020.05	\$ 20,904.44	\$ 16,462.25
#1045	950,000	\$19,375.33	11.1	0.0018	\$18,318.38	11.8	0.0010	\$ 5,005.14	4.6	0.0011	0.0011	\$ 3,664.99	\$ 22,522.41	\$ 45,044.81	\$ 67,567.22	\$ 56,308.02
#059	697,261	\$ 3,750.00	14	0.0004	\$ 1,260.00	0.8	0.0021	N/A	1.3	N/A	0.0012	\$ 2,397.28	\$ 7,191.79	\$ 27,668.53	\$ 47,942.26	\$ 37,766.89
#209	225,374	\$ 2,350.00	4	0.0026	\$ 500.00	1.4	0.0016	\$ 250.00	1	0.0011	0.0016	\$ 822.02	\$ -	\$ 3,899.08	\$ 7,808.18	\$ 5,754.13
#450	199,176	\$ 2,105.02	4	0.0026	\$ 447.68	1.4	0.0016	\$ 223.94	1	0.0011	0.0016	\$ 726.47	\$ -	\$ 3,269.09	\$ 6,901.42	\$ 5,088.26
#479	246,318	\$ 1,903.04	14	0.0016	N/A	0.8	N/A	N/A	1.3	N/A	0.0016	\$ 1,270.44	\$ 3,811.32	\$ 14,670.05	\$ 25,409.78	\$ 20,009.41
#1686	825,889	\$ 9,051.50	6.8	0.0014	\$ 1,728.00	0.9	0.0023	\$ 1,543.50	1.6	0.0009	0.0010	\$ 3,012.31	\$ -	\$ 18,093.86	\$ 37,663.86	\$ 29,866.86
#034	137,238	\$ 1,894.90	6.8	0.0020	N/A	0.9	N/A	N/A	1.6	N/A	0.0020	\$ 500.56	\$ -	\$ 3,003.33	\$ 6,256.94	\$ 4,630.14
#903	173,592	\$ 3,806.96	14	0.0024	N/A	0.8	N/A	N/A	1.3	N/A	0.0024	\$ 633.15	\$ 1,890.45	\$ 7,281.24	\$ 12,663.03	\$ 9,972.13
#763	362,112	\$ 4,920.50	6.8	0.0016	\$ 1,197.50	0.9	0.0035	\$ 958.00	1.6	0.0015	0.0027	\$ 3,360.79	\$ -	\$ 3,362.16	\$ 17,621.22	\$ 12,889.70
#551	151,300	\$ 2,300.00	4	0.0039	\$ 500.00	1.4	0.0024	\$ 250.00	1	0.0017	0.0021	\$ 551.84	\$ -	\$ 2,483.30	\$ 5,242.52	\$ 3,862.91
#229	176,396	\$ 3,120.20	6.8	0.0026	\$ 1,210.00	0.9	0.0016	\$ 884.50	1.6	0.0031	0.0031	\$ 643.38	\$ -	\$ 3,860.27	\$ 6,042.23	\$ 5,951.25
#783	350,000	\$39,385.00	12.3	0.0091	\$16,796.00	13.6	0.0035	\$12,438.00	7.1	0.0050	0.0035	\$ 1,276.57	\$ 8,936.02	\$ 16,956.46	\$ 24,254.90	\$ 20,425.18
#094	183,272	\$ 1,725.00	6.8	0.0014	N/A	0.9	N/A	N/A	1.6	N/A	0.0038	\$ 666.48	\$ -	\$ 4,070.76	\$ 8,305.72	\$ 6,188.23
#100	62,738	\$ 2,473.00	14	0.0028	\$ 245.00	0.8	0.0049	N/A	1.3	N/A	0.0038	\$ 228.83	\$ 688.48	\$ 2,631.52	\$ 4,576.55	\$ 3,604.04
#644	215,172	\$ 2,420.00	6.8	0.0014	N/A	0.9	N/A	N/A	1.6	N/A	0.0040	\$ 784.81	\$ -	\$ 4,708.86	\$ 9,810.10	\$ 7,290.48
#993	945,000	\$87,980.00	12.3	0.0101	\$21,900.00	13.6	0.0030	\$15,487.50	7.1	0.0040	0.0040	\$ 1,587.81	\$ 13,914.65	\$ 25,841.50	\$ 37,588.54	\$ 31,604.92
#248	340,244	\$ 1,792.00	6.8	0.0011	N/A	0.9	N/A	N/A	1.6	N/A	0.0043	\$ 876.25	\$ -	\$ 5,257.53	\$ 10,953.10	\$ 8,105.36
#842	57,546	\$ 905.00	14	0.0011	\$ 358.00	0.8	0.0016	N/A	1.3	N/A	0.0044	\$ 209.89	\$ 620.67	\$ 2,413.74	\$ 4,197.81	\$ 3,305.78
#801	343,057	\$ 4,090.00	6.8	0.0018	N/A	0.9	N/A	N/A	1.6	N/A	0.0045	\$ 1,251.25	\$ -	\$ 7,507.50	\$ 15,640.03	\$ 11,974.06
#124	172,277	\$ 6,076.50	6.8	0.0062	\$ 777.00	0.9	0.0060	\$ 700.00	1.6	0.0060	0.0060	\$ 648.36	\$ -	\$ 3,793.13	\$ 7,684.44	\$ 5,842.98
#888	169,004	\$ 3,542.50	6.8	0.0031	\$ 1,245.00	0.9	0.0062	\$ 713.00	1.6	0.0028	0.0062	\$ 618.42	\$ -	\$ 3,698.50	\$ 7,705.22	\$ 5,701.86
#164	172,942	\$ 8,772.00	6.8	0.0068	\$ 828.00	0.9	0.0053	\$ 620.00	1.6	0.0022	0.0063	\$ 630.78	\$ -	\$ 3,784.68	\$ 7,884.76	\$ 5,834.72
#753	214,868	\$ 4,789.00	6.8	0.0035	\$ 1,407.50	0.9	0.0077	\$ 780.00	1.6	0.0050	0.0065	\$ 783.78	\$ -	\$ 4,702.20	\$ 9,796.24	\$ 7,248.22
#307	237,201	\$ 5,272.50	6.8	0.0030	\$ 2,033.50	0.9	0.0068	\$ 729.50	1.6	0.0018	0.0068	\$ 938.47	\$ -	\$ 5,630.81	\$ 11,193.85	\$ 8,680.83
#643	131,516	\$ 2,285.00	6.8	0.0028	\$ 720.00	0.9	0.0061	N/A	1.6	N/A	0.0061	\$ 479.69	\$ -	\$ 2,878.11	\$ 5,988.07	\$ 4,437.00
#469	151,525	\$ 1,479.00	6.8	0.0073	\$ 862.25	0.9	0.0063	\$ 713.00	1.6	0.0029	0.0063	\$ 552.67	\$ -	\$ 3,315.99	\$ 6,908.32	\$ 5,112.15
#867	60,070	\$ 3,766.00	6.8	0.0028	\$ 550.75	0.9	0.0060	\$ 500.75	1.6	0.0048	0.0063	\$ 340.98	\$ -	\$ 1,445.88	\$ 3,012.26	\$ 2,229.07
#530	96,055	\$ 1,027.50	6.8	0.0108	\$ 898.00	0.9	0.0061	\$ 953.00	1.6	0.0062	0.0064	\$ 350.35	\$ -	\$ 2,702.08	\$ 4,379.23	\$ 3,240.71
#999	31,314	\$ 1,828.50	6.8	0.0081	\$ 578.00	0.9	0.0025	\$ 502.75	1.6	0.0100	0.0100	\$ 114.21	\$ -	\$ 685.28	\$ 1,427.87	\$ 1,056.47

Red text = unacceptable variance

Figure 4: Historical Pricing Data

WHAT YOU CAN BE DOING DURING THE PROCUREMENT PROCESS:

1. Perform preseason walk-throughs in which the Snow Service Provider’s field personnel and Store Manager document the Scope of Work. This will serve as a face-to-face introduction that provides Store Managers at each facility their specific on-the-ground SP contact. This gives Store Managers peace of mind that they have a local contact they can call upon. The walk-through also allows communication and documentation to occur on possible property damage, identification of where snow pile areas will be located and the overall plan, which the SP will execute for the store’s snow and ice management. This keeps Store Managers informed on what will take place. To achieve this communication

goal, Facility Management must hire a Snow Service Provider whose organizational structure includes personnel with “feet on the ground.”

2. Implement a Purchase Order System that will allow for efficient processing of invoices so that snow and ice management of store facilities are not hindered by delays in issuing purchase orders for service to SPs. A clear understanding of how billing and invoicing will occur should be defined in the contract. Issues usually occur with contracts that have trigger points (i.e. the contract calls for snow and ice clearing when snowfall reaches a certain accumulation). Because Store Managers often have high expectations that snow clearing will occur at a certain inch accumulation, especially during peak season, triggers can wreak havoc. The Corporate office may have locked down the issuing of purchase orders and SPs must wait for their issuance to perform work outside the Scope of Work.
3. Clearly define the Scope of Work and eliminate some costs. Ways in which Facility Management can reduce costs for snow and ice management include:
 - Hauling Snow - get an hourly rate up front or be clear on how proposals for hauling should be presented.
 - Remove Triggers - Keep the scope for actual work simple and clear, stating that the Service Provider will handle snow removal and transfer risk associated with snow removal operations. Different markets, however, have different expectations.
4. Eliminate Hidden Costs. This often occurs in the charges associated with hauling and stacking snow. Slowing this process down and obtaining a proposal and photos will result in spending less. Communication between the Store Manager and the Corporate Facilities Department will often identify service issues resulting from SP’s equipment allocations to pile/plow snow properly. You can often eliminate these hidden costs. Hidden costs may exist when the pricing model is unclear, and bill versus bid is different (such as a Per Event contract being billed erroneously as a Per Occurrence).

WHAT YOU CAN BE DOING TO SELECT THE RIGHT SNOW SERVICE PROVIDER:

How do you know what to look for in a SP during the procurement process? Here are some important tips to consider in making your selection:

1. Measure results and utilize historic data as a tool for identifying snow service providers who operate by using the correct co-sourcing model. By using data to flush out the providers that are not performing well or driving cost too high or low, you will be able to identify the correct candidates to consider in your RFP process. This will leave you with only proven providers that are considered for your snow and ice management.
2. Follow the Four Pillars of Excellence Mantra (see Figure 5: Committed to Core Values)

DIVISIONS
MAINTENANCE GROUP

Committed to our Core Values

When you hire Divisions, you're getting a company committed to standing head and shoulders above our competition. We hold ourselves and your property to a higher standard. That's why we're grounded in four pillars of excellence.

- Lower invoices. Higher expectations.
- Face to face. Store to store.
- Hand-picked talent for every task.
- Solve problems before they start.

Committed to our core values.
When you hire Divisions, you're getting a company committed to standing head and shoulders above our competition. We hold ourselves and your property to a higher standard. That's why we're grounded in four pillars of excellence.

Lower invoices. Higher expectations.
With Divisions, you can expect a snow service provider who will work with you to find the right solution for your property. We hold ourselves and your property to a higher standard. That's why we're grounded in four pillars of excellence.

Face to face. Store to store.
Divisions is a company that is committed to providing a high level of customer service. We hold ourselves and your property to a higher standard. That's why we're grounded in four pillars of excellence.

Hand-picked talent for every task.
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Figure 5: Committed to Core Values

3. Consider Snow Service Providers who are structured with onsite personnel who can catch issues before they become big problems. SPs that have a formal system for addressing and managing quality control will reduce time spent by Store Managers and Corporate Facilities Departments in identifying and resolving issues.

4. Utilize SPs who track weather and have a clear knowledge of weather probabilities. These SPs must be able to sustain the burden of an above average season of snowfall.
5. Consider only SPs who understand and have the experience to handle your facilities. SPs who manage to expectations while also managing cost control during snow clearing operations are more likely to achieve Best-In-Class Snow and Ice Management.
6. Hire SPs who provide transparency and real time reporting to your Corporate Office.
7. Obtain references from other top retailers.

CLOSING:

Substantial time and effort must be given to the planning and procurement stages to achieve Best-In-Class snow and Ice Management. By identifying and aligning your objectives with the correct snow industry price model, you will reduce some of the variation associated with snow clearing. This, along with a solid Communication Plan and clearly defined and concise Scope of Work, gives your entire team the chance to reach efficiencies and exceed expectations. By documenting and measuring your results each year, you build a strong tool to utilize for future RFPs to attract and select the right Snow Service Provider for your facilities.