

THE OVERRIDING BENEFITS OF OUTSOURCING COMPRESSED AIR

By Nash Bakhit, Sullair Australia



There's nothing like a low confidence business environment to force a reassessment of priorities. Thanks to the unpredictable nature of the COVID-19 pandemic and its subsequent restrictions, that's the environment we're now in and many have found themselves in untenable positions as a result.

Businesses have had to make tough decisions and consider how immediate actions might impact the viability of operations in the longer term. Marketplace uncertainty has resulted in an increased wariness, especially where significant Capital Expenditure (CapEx) investments are concerned. Sullair Australia's managing director, Fred Funnell, advises that stringent management of operational costs has become critical. "COVID has magnified the need for strong cash management and placed greater pressure on profit margins. It's now more essential than ever to ensure there's no exposure to unplanned costs."

In times of major crisis, CapEx purchases are usually the first to be shelved. Industry reaction in the time of COVID-19 has been to drill down on the bottom line and secure a sustainable cash management strategy. By mapping out base line operational needs, the status quo of production could be maintained, risk assessments could be made around existing equipment and any notion of proceeding with high risk CapEx purchases swiftly dismissed.

So, then what? When CapEx plans around replacing end of life equipment or investing in new projects are shelved, back-up solutions must be found. Repairing rather than replacing equipment pressures machinery to work longer and harder than is optimal. It also places the business in an increasingly unreliable and costly loop, in terms of ongoing operation, maintenance and energy usage. Funnell explains, "When you're operating with reduced margins, perhaps because end user demand has declined

or competitive pressures have reduced margins, you can't afford to have an unplanned outage on your production line. Even a shift or two offline may be your profit for the month gone."

The practical decisions around these issues are challenging in a low confidence environment. The questions raised about repairing, reconditioning, or proceeding with replacement of equipment have different answers across industry, as no two businesses are alike.

This is where the compelling benefit to outsourcing comes in. The ability to make the necessary decisions around the business's needs, while avoiding capital outlay for new equipment altogether makes it an extremely attractive solution.

Across industry you're seeing stubbornly high energy prices, so it's important you have the most efficient compressed air solution, correctly sized to your business needs and maintained in line with OEM recommendations. Recognizing the pain points of its customers during this time has been crucial for Sullair and they responded quickly by developing MAP – a Managed Air Power option that enables compressed air solutions to be completely outsourced. "COVID-19 has allowed us to experiment with different ways of running a business, in a very accelerated form," says Funnell. "What it's shown us, is how flexible businesses can be and how doing things differently can yield real benefits. MAP is one more way you can operate differently and achieve a better outcome."

MAP provides a mechanism to ensure a customer's compressed air needs are addressed, without a significant upfront capital outlay. Continuity of supply is improved and operations resume, knowing down time and costs are minimized. This is achieved by delivering an integrated new equipment and maintenance package over an agreed upon time frame.

In an outsourced solution, the supplier also provides the expertise needed to manage the business's compressed air supply. Outright equipment purchases often put the responsibility for a deep understanding of the machinery, on the customer. In a time of fear and uncertainty, the built-in level of additional support, of a product like MAP becomes so much more than an added bonus. The technical expertise of the support also adds a deeper layer to the value proposition of the investment.

"As excellent and well credentialed as your staff can be, they're not professional compressor technicians, says Funnell. "They don't spend their whole day diagnosing the faults with the machines and they haven't been factory trained. Many companies have implemented cost cutting programs, and though the drivers for replacement remain the same, the capacity of companies to fund that replacement has decayed through the COVID event. What an offering like MAP provides is great certainty in terms of forward monthly payments, as well as removing that significant cash draw down on commissioning. It fundamentally means customers can smooth out their cash flow over the 5-year contract period."