

The Path To Cost Containment

The cost of doing business for field services companies has increased due to rising regulatory oversight - so what can they do to find new efficiencies?

by Michael Greenbaum

As the housing bubble burst, field services companies were tasked with meeting the avalanche of demand from their clients, while banks and servicers worked to manage the growing inventory of default properties. When the crisis continued to spin out of control, more and more companies got into the field services arena as the demand for services continued to escalate. Now that the market is moving back to normal, or the "new normal," field services companies are seeing their workloads flatten or even decline, causing some to decide to get out of the business altogether. The companies that remain have made the business decision to continue to invest in quality processes and manage the costs associated with new and tighter regulations.

While these regulations were designed to afford greater protections for consumers and homeowners, and address large volumes of vacant, defaulted and foreclosed properties, they also have created enormous and costly administrative burdens.

Similarly, technology advances, the sophistication and proliferation of mobile communications devices, business intelligence and the increased level of security that come with these advances have forced companies to dedicate larger portions of their budget to technology. Field services companies must look at

all paths that will lead to sustainable cost containment results without negatively impacting critical business outcomes.

Driving down costs with technology

Supporting vendors in the field with technology, systems and processes that help them do their jobs more efficiently and that provide timely and accurate property data is critical. Mobile technology has changed the way the field services industry manages its day-to-day core functions - protecting and preserving neighborhoods. With smart devices, property preservation processes that

could take days and were once done using a pen, note pad and camera can now be completed using a single device and in a matter of hours.

By providing vendors with the systems to securely access current property information, such as occupancy status, roof and siding color, number of out-buildings, etc., the risk of costly errors can be minimized, as can multiple trips to a property. These systems also are robust enough to allow vendors to assign, track and manage the work of their crews for greater efficiency.

One cost benefit of mobile technology is that it changes the vendor work order submission process from a back-end process to a front-end process. Because vendors are able to upload results and photos from the field to their back-office in real time, the back-office is able



to spend more time focusing on quality and less time on data entry and other less-profitable tasks.

Operational cost containment can come in many forms, but in the field services industry, much of it comes down to providing vendors with the resources to run a more efficient operation in the field. There are several ways this can be accomplished, and much of it centers on good old communication.

Sharing best practices is one way field services companies can add value to what they bring to the table. By studying good vendor behavior - what they are doing right - the field services company can share their observations and foster dialogue by providing opportunities to engage. This can be accomplished through video resource libraries, daily updates, educational opportunities and vendor advisory councils, for example.

One example of how the sharing of best practices can improve cost savings and efficiency is with activity-based cost analysis on services, such as real estate owned maid services. By studying and analyzing the best practices of the most efficient vendor - including cleaning chemicals, crew composition and structure, and detailed time studies - a process map of the optimal workflow can be developed. This analysis can help create best practices, like starting the cleaning activity at the highest point in a room and pushing dirt down to the floor; completing detailed pre-soak chemical processes by room; and tracking total time at a property to optimize labor usage. Vendors can improve the quality of work, completeness of work and crew utilization by implementing the best practices determined by trends identified in the data collected.

Long-term cost containment

Many times, it is easier to take a reactive approach to cost containment when looking internally. Picking off the low-hanging fruit, such as hiring freezes and expenditure deferrals, yields short-term results that can be difficult to sustain. A more thoughtful approach, on the other hand, can help a company maintain long-term cost control.

Field services companies can analyze

the data collected from each field visit to identify trends and make better business decisions - ultimately, streamlining internal costs. For example, when a property is being conveyed to the U.S. Department of Housing and Urban Development, it must meet certain guidelines. Field services companies can evaluate a property up front based on trends they identified using data that they already collected: Is the property in a state with a high re-convey rate? Are there known or reported damages? What is the age of the inventory? What is the quality of the vendor performing the work? With these weighted risk factors, a field services company can isolate properties that need a high-risk review.

Finding network efficiencies

For the field services industry, the vendor network is the critical element to completing work efficiently. Daily, tens of thousands of contractors are in our communities inspecting, maintaining and repairing properties. Efficiencies can be realized by analyzing how they spend their day. A majority of their time is spent getting from one property to another - or "windshield" time. UPS pioneered cost containment through route efficiency by finding a creative way to decrease windshield time. It found that it could save money on gas and time by optimizing delivery routes so that drivers don't have to make as many left turns. It seems silly, but when you scale it to the tens of thousands of UPS trucks on the road, sitting in the left turn lane and waiting for the turn arrow or traffic to clear is a big waste of time and gas.

Field services companies, including ours, have taken notice and developed mobile applications that will, among other things, create a route schedule based on the addresses of the vendors' work orders. As the largest field services company in the nation, we have found that we can service more properties more effectively by using predetermined route schedules to decrease time spent in transit.

One thing the field services industry has a lot of is data. Data from inspections, grass cuts, lock changes, debris removal, vandalism, secured pools and

leaky roofs, for starters. But data is only as good as what you do with it. By looking at the billions of points of information, field services companies are able to slice and dice the information a thousand different ways. Many are using this information as insight into their vendor network performance.

Once analyzed, data can be used to create a "heat map," identifying with designated colors the areas or regions in which the contractors are meeting the requirements and standards or where additional focus is needed. Heat maps also can be used to determine where to issue work orders and to which vendors.

When overlaid with vendor quality results, the distribution process can be further optimized. Data analytics and heat maps can reduce time loss, leading to faster response times, improved compliance and higher-quality work. They also can pinpoint areas where there is inconsistent or incomplete work, as identified through specific performance measures, allowing for additional resource focus.

Ultimately, the goal is to predict trends and patterns to reduce costs. For clients, this efficiency also translates into a higher return on their investment in the form of lower field service costs.

Like the mortgage industry, the field services industry will forever be changed by the housing crisis. The industry as a whole has been challenged to improve the quality and delivery of services, while, at the same time, looking at ways to contain costs. By performing all aspects of inspections and field services to the highest possible standards, while looking at operational costs, field service companies can improve their top and bottom lines and assist their vendor networks in successfully managing cost containment. **SM**



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