



Approximate Document Reading Time: **15 minutes**

## A Cost Guide To Refrigeration Contract Services

All you need to know about maintenance and repair contracts for your business's refrigeration

### Why Refrigeration Is Important

The food service business and a vast amount of other industries rely heavily on refrigeration equipment. That's why refrigeration service contracts are so profitable to you, to keep your equipment in peak shape and prevent breakdowns that would otherwise disrupt your business and as a result you would encounter loss of revenue and profit.

Nevertheless, when you look around for a refrigeration service contract you understand quickly that the task of understanding each and every pricing structure isn't easy. An offer provided to you is difficult to pinpoint. Will you be getting value and reassurance? Which one should you choose?

We believe that maintenance contracts should be transparent, easy to understand and give value for money by providing you with what you need and enabling us to deliver a service without falling short of what it costs us to achieve your requirements. That's why we have created this guide to support your understanding of the different refrigeration service contract

types and how the pricing should work if the contract is put together properly. With this guide in your inventory you'll be able to decide the level of coverage you require, what's important to you and your business and be equipped to select a contract and at best cost.

## Refrigeration service contract types

The purpose of a refrigeration service contract is to provide commercial refrigeration maintenance, and sometimes repairs, for all the items of equipment that you have across the scope of your business.

**Here are the various categories:**

**PREVENTATIVE MAINTENANCE CONTACTS:** Also referred to as PM; this is the least expensive refrigeration service contract. This will provide cover for a number of scheduled maintenance visits each year. The number of maintenance visits will depend on your operation, the usage of the equipment and the location and age of the equipment. Taking a restaurant as an example, this will most likely need at least a quarterly maintenance visit to keep equipment in good condition. During these visits, an engineer will inspect and clean your equipment thoroughly, and test the parts to make sure they are operating properly and therefore your refrigeration equipment is at less of a risk of letting you down when you need the equipment to perform at maximum. When needed, worn parts are replaced.

**FULL LABOUR CONTACTS:** Bolted together to include the PM contract, a full labour refrigeration service contract covers all the maintenance and labour needed for repairs. This does not cover the cost of parts. You can assume that this type of contract will cost more than one that only covers maintenance and may be subject to a set number of repair visits.

**FULL COVERAGE CONTACT:** A full and complete contract including PM, repair labour, emergency callout. This refrigeration service is the elite of contracts and provides complete insurance, because it covers all parts and labour, emergency service and preventative maintenance. This level of coverage costs more than Full Labour Contracts, but can save you a lot of money if you need expensive repairs. A full coverage contract also gives you peace of mind and allows you to budget for your refrigeration service expenses with no surprises.

## HOW TO CALCULATE THE COST

### What are the factors required to calculate the cost?

**1. NUMBER OF EQUIPMENT ITEMS.** For example, if you have a large commercial kitchen or several locations with lots of refrigeration equipment, you're going to find that your refrigeration service contract will be more expensive than one that only covers a couple of items. Knowing what equipment you have and where it's located and the historical issues that the equipment has presented will help you with the cost factor calculation.

**2. TYPE OF EQUIPMENT.** If you have many large pieces of refrigeration equipment like walk-in freezers, walk-in fridges and display chillers, your contract will inevitably cost more than one covering a smaller single door under-counter fridge.

**3. AVAILABLE HOURS FOR SERVICE.** In many commercial companies, it's impossible to perform maintenance work during normal business hours. Your staff need to use the refrigeration equipment and there's little or no space for an engineer to work. In this type of scenario you will be looking for maintenance work to be completed outside of the hours when the refrigeration equipment is in use. This is going to up the cost of your refrigeration service contract compared to one that will allow service during the 9-5 hours. The question you need to ask yourself when deciding when is it best to have the maintenance work completed is; which is

the least costly of the two; either closing the area to have the work completed, or having the work completed at a time that would be more costly for the maintenance work.

**4. DISTANCE.** If a smaller refrigeration service company has to travel a long distance to get to you, then you may have to pay for this depending on how the company has structured and organised your contract. On the other hand, a company that's nearby or is large enough to have service vehicles in your area most days, isn't going to have to factor in the travel time costs. It's not always the case that this can immensely alter the cost but you should ask for this to be shown clearly in the factoring cost of the refrigeration company's contract proposal if the company is a considerable distance away.

**5. INCLUDED MAINTENANCE TASKS.** There's no, one-fits-all, in the ultimate list of maintenance tasks that should be carried out. Some refrigeration companies are more thorough than others. Some might just clean and do a quick check before calling it done. Others will check refrigerant levels, electrical connections, clean coils and replace worn parts before they cause breakdowns. If the maintenance tasks are not listed in the refrigeration service contract, ask for that list so you can compare with others that are tendering for your maintenance work.

**6. NUMBER OF MAINTENANCE VISITS.** For many businesses within the food industry and a wider field; a quarterly or bi-annual service call is good to keep your equipment in top working order and prevent problems. Nevertheless, the conditions of the environment surrounding the equipment and the usage of the refrigeration equipment can increase problems with the equipment and therefore may require additional visits. A good refrigeration company will be able to calculate what schedule is required for your refrigeration assets and adjust the cost accordingly. It goes hand in hand that more regular maintenance visits means greater cost but with lower risk of breakdown and peak times. Getting something for nothing is a false economy and will eventually impact on your business.

RECOMMENDATION: Don't be tempted to cut down the visits to reduce the cost. Preventing repairs saves you much more in the end!

## FULL LABOUR & FULL COVERAGE CONTACTS

Other factors that change the cost of refrigeration maintenance.

**7. AGE AND CONDITION OF EQUIPMENT.** As an example, we compare a life insurance policy. The cost is going to be higher if the person is older and in poor health. A full labour or full coverage refrigeration service contract costs more if your equipment is older and/or in poor condition as it is more likely to breakdown, therefore if this is factored correctly by the refrigeration company, then you will see the difference in cost to that of contract proposals that have not considered age as a costing factor.

**8. ASSET REPLACEMENT VERSUS REPAIR & MAINTENANCE.** Generally at some point if it hasn't already, you can expect your equipment to cost you up to 35% of the total cost it would be if you bought it new again. Where possible you should compare historical repair and maintenance costs for each individual piece of equipment with the asset replacement value to understand when the refrigeration equipment servicing cost goes over the 35% threshold. When the equipment does reach this threshold then this is an indication that it's time to replace the equipment. Replacing the equipment is also an opportunity to think about upgrading, possibly to equipment known for its greater reliability. The subject of how to choose replacement refrigeration equipment is outside the scope of this guide. Depending on the contract company you employ to maintain your equipment there may be finance available to help spread the cost of new equipment purchases.

## How to know if the cost is too good to be true

When you boil down all the contract factors and equipment variables, the price of a refrigeration service contract for preventive maintenance is going to be arrived at from the amount of time it takes to do the maintenance tasks, and then multiply this with the company's hourly labour rate. This will provide greater accuracy and a benchmark, rather than licking your finger and sticking it in the air.

If you receive costs that seem too good to be true, then do the calculation and see what you're really getting for your money, remember it's false budgeting if the contract is low cost and then it doesn't fulfil your refrigeration maintenance needs and you end up paying more for repairs that could have been avoided.

To see how much time will be spent on each piece of equipment let's start with the cost of the refrigeration service contract in total and divide that by the company's hourly rate for service and callout fee. That's how many hours of service you'll be getting.

Now divide this figure by the number of visits. That's how much time you'll get for each maintenance service call.

Divide the service visit time by the number of equipment items covered. That gives you the amount of time the company is planning to spend on each piece of refrigeration equipment. You may be disappointed to find that low bidding companies are planning on

spending an unrealistic 4 minutes and 32 seconds on maintaining a piece of equipment. Not a good recipe for reliable equipment and business sustainability.

## Why the condition of refrigeration equipment is crucial to the health of your business

During this guide we explained about the importance of healthy refrigeration equipment and how this affects the cost of your refrigeration service contract. It is very clear once you know how the costing of maintenance contracts work to know that well-maintained equipment lasts longer and works more reliably, with fewer breakdowns. Most expensive repairs on refrigeration equipment are caused by inexpensive problems to fix in the first instance and that could have been avoided by completing the repair during the maintenance visit. So the money you're spending on preventive maintenance means you'll spend less on high cost repairs. In addition to this you will be lengthening the lifespan of the refrigeration equipment and in turn, reducing your total cost of ownership.

The bottom line here is that you're going to prevent business disruptions, like a broken blast chiller, display fridge, prep counter or walk in freezer. This means you won't have lost profits due to disappointed customers and a downgrade in reputation, which then further stops the effects of the bottom line, especially in the age of online customer reviews and forums where a bad reputation could spell big trouble. What could be even worse is badly maintained refrigeration equipment that has the devastating effect of causing you to fail your health inspection.

Looking at all the factors that play a part in factoring a worthwhile and realistic refrigeration service contract, it's clear to understand that there is no one-size-fits-all. Your contract should be customised to your coverage needs, your equipment and your space.

What many refrigeration equipment owners overlook is realistic budgeting for repair and maintenance. Refrigeration services have larger overheads than other trade companies such as electricians. Overheads such as liability insurance, vehicle insurance and the maintenance of specialist tools and machinery are contributing factors. Therefore, comparison of refrigeration costs should only be compared like for like and not cross-trade.

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