



The Cost (and Value) of High-Quality H₂O

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As part of Med Water Systems' *Pure Water Doesn't Need to Be Difficult* series, this briefing provides a key metric – **Unit of Measure Cost (or "UMC")** – to measure the cost and better evaluate the value of your water filtration solution. This is a topic that everyone – not just the Chief Financial Officer – should understand and incorporate into efforts to enhance lab profitability.

Introduction

Nothing is more transparent than pure water and we believe the cost of providing our customers with high quality pure water should be equally transparent. To that end, this briefing addresses the UMC metric and provides an example of this metric for one of our most popular filtration systems, the MW90.

This briefing is good news for current Med Water Customers. If you are not currently a Med Water customer, this briefing might prompt you to learn more about Med Water's products and services and overall value proposition. If so, we invite you to give us a call. Better yet, we invite you to speak with one of our customers.

UMC Model Components

There are three cost drivers of a water filtration system – the cost of equipment, the cost of operating supplies, and the cost of service. Equipment costs include the direct costs of components, manufacturing labor, quality control measures, and overhead. Operating supplies are comprised of consumables such as resins and filters. Service Costs include the cost of installation, preventative maintenance, and unplanned maintenance costs¹. Also, the model does not incorporate the cost of water as this cost is unique to each customer or prospective customer.

UMC Model Overview

Med Water's UMC model calculates the monthly UMC for three representative Use Cases with costs report on the basis gallons or liters. The Standard Case is based on a lab operating for 8 hours per day, five days a week for four weeks a month. The Extended Case is based on a lab operating for 16 hours per day, five days a week for four weeks a month. The User Defined Case allows us to calculate the UMC based on a user-defined fixed number of hours per month.

Our UMC model allocates the cost of equipment over a useful life of 5 years, or sixty months, which is very conservative in light of Med Water's unmatched warranty program and comprehensive annual preventative maintenance program, both of which maximize the useful life of our equipment.

The UMC model incorporates the cost of monthly supplies based on empirical consumption factors associated with each Use Case. Service costs are based on the standard annual preventative maintenance fee.

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¹ Due to the variable nature associated with unplanned maintenance, the UMC model does not incorporate such costs. Unplanned maintenance costs are addressed in another briefing that is well worth the read!

MW90 UMC Model Results

Our UMC model dynamically generates results across a number of products and use cases. In the interest of getting to point of this briefing, here are the UMC metrics for an MW90:

Use Case	Cost per Gallon	Cost per Liter
Standard	\$0.244	\$0.065
Extended	\$0.179	\$0.048
User Defined (Theoretical ²)	\$0.145	\$0.038

Here's the point: in a standard lab environment, the water filtration costs associated with an MW90 are \$0.244 per gallon or \$0.065 per liter. Based on our market research, including input from customers who recently moved from other solutions to Med Water, other filtration solutions are comparatively as much as 400% (if not) more costly than Med Water filtration systems.

Does a reduction of approximately 80% in the cost of your water filtration solution sound too good to be true? We don't think so but we do want to point out that our UMC model assumes standard water quality and the timely and accurate performance of user maintenance. If these assumptions have a material adverse effect on the UMC metrics, Med Water has a number of efficient and cost-effective solutions to take care of the underlying issue.

Costs are Important but Value is Essential

The UMC metric for Med Water equipment is actually more compelling than an 80% reduction in cost when the following (and other) distinctive elements of the Med Water value proposition are considered:

- 24/7/365 user support with accompanying warranty obligations that keep your equipment up and running without delay, ensuring that you aren't waiting on Med Water for weeks and months to service your equipment;
- Clear and precise business terms and conditions covering both Med Water and customer obligations which limit supplemental charges for supplies, travel, and other charges.
- Insurance coverages that cover the full scope of Med Water products and services due to the fact that Med Water doesn't use contractors to manufacture equipment or provide professional services;

We refer you to briefings on these, and other, components of our value proposition.

Next Steps

Visit medwatersystems.com\UMC to calculate the UMC for your non-Med Water equipment. If the results indicate you're overpaying for water filtration services, a Med Water Specialist will contact you about getting more high-quality H₂O for your buck!

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Have questions about this briefing? Speak with your Med Water Specialist or contact David Moffat with specific questions about our cost models. David can be reached on his mobile at 610.787.2455 or via email at david.moffat@medwatersystems.com.

² This use case assumes that the lab is running 23 hours each day during the month (i.e., 23x7x365)