



“Holy Hamburgler, I thought I was running a laboratory”

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As part of Med Water Systems’ *Pure Water Doesn’t Need to Be Difficult* series, this briefing explains why running a laboratory is more difficult than it has to be when it comes to your water filtration solution and how those difficulties can put pressure on your bottom line. This briefing addresses the importance of understanding a solution’s value proposition.

Introduction

At Med Water we continually evaluate our two-part value proposition. First, a well-constructed, properly maintained – and easily maintained – system to maximize up-time. Second, reliably providing best-of-breed services and supplies to keep our clients’ labs up and running.

I regularly compare our transparent and simple pricing model to the “give and take” pricing offered by other water system vendors. “*Give and take you ask?*” Yes. They give you low entry pricing and then charge – and collect – exorbitant fees for post-installation service and supplies.

My review of market pricing always leaves me with two simple questions. “*Where did ‘give and take’ pricing come from?*” and “*why does his model even exist?*” The answer to these questions is...McDonald’s. That’s right, you thought you were running a complex, mission critical laboratory but some water systems providers think you’re running a fast-food joint.

McDonald’s?

McDonald’s ice cream machines are like a Ferrari – complicated, fragile, and constantly broken. A Ferrari and a McDonald’s ice cream machine have another thing in common – the cost of repairs and maintenance are astronomically expensive.

The details behind the broken McDonald’s ice cream machine are very interesting and I recommend reading two articles¹ to better understand the “give and take” service model. Here are the relevant highlights which are, with the exception of equipment and services provided by Med Water, applicable to water filtration equipment and services :

- An equipment service issue that is “masked” by an error code means that only someone who knows the code can address the issue which results in spending more time and money to get equipment up and running.
- The manufacturers who use masked error codes have no motivation to build reliable equipment because doing so cannibalizes service revenues.
- An overall increase in a vendor’s broken equipment increases wait times if service resources are limited or the nature of the repairs are extensive.

¹ Treyton Devore, “This Is Why the McDonald’s Ice Cream Machine Is Always Broken,” *TreytonDevore* (Blog), February 19, 2022, October 27, 2022, <https://www.treytondevore.com/post/essay38>; Andy Greenberg, “They Hacked McDonald’s Ice Cream Machines and Started a Cold War,” *Wired.com*, *Wired*, April 20, 2021, October 27, 2022, <https://www.wired.com/story/they-hacked-mcdonalds-ice-cream-makers-started-cold-war/>.

- Reducing wait times by hiring more service employees increases direct and indirect costs which, in turn, increases repair and maintenance costs.

Drawing on other articles on this topic, and my professional experience, there are other issues. For example:

- Are service resources limited, resulting in allocating those resources to those customers who can pay the highest fee? Such a “pay-to-play” component of a service model can cause serious harm to your lab, your institution, and your patients.
- Other articles² on this issue report that the Federal Trade Commission reached out to McDonald’s franchises as part of an effort to crack down on right-to-repair concerns. One of the risks of such an investigation is a consent decree which generally results in distractions as well as higher consumer costs.
- What does this approach say about those engaging in this practice? At a minimum, it suggests that profits might be prioritized over patient care.

The Bottom Line

Here’s the bottom line:

“[w]hen McDonald’s doesn’t have ice cream, it’s because they don’t care about actually providing ice cream. They’ve gotten to the point where they care more about whatever...revenue...(that comes from) providing constant repair services”³.

The connection to the market for water filtration solution is simple:

Other water system vendors don’t care about the impact of their pricing models on customers. Those water system vendors undercharge for equipment and hold customers hostage with a wide range of service fees and expenses along with incredibly high supply costs.

Next Steps

We welcome the opportunity to speak with you and/or members of your finance and accounting team to confirm our valuation proposition.

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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 Anissa Gardizy, “What’s Going on with the McDonald’s Ice Cream Machines?,” TheBostonGlobe.com, The Boston Globe, September 4, 2021, October 27, 2022, <https://www.bostonglobe.com/2021/09/02/business/why-are-mcdonalds-mcflurry-machines-often-broken-ftc-wants-figure-it-out/>; Heather Haddon, “McDonald’s McFlurry Machine is Broken (Again). Now the FTC Is on It.” TheWallStreetJournal.com, The Wall Street Journal, September 1, 2021, October 27, 2022, <https://www.wsj.com/articles/mcdonalds-mcflurry-machine-is-broken-again-now-the-ftc-is-on-it-11630522266>.

³ Devore, *Ice Cream Machine Is Always Broken*