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A Software and Database Company, Asset Performance Technologies, Inc. Helps Heavy Industry Companies Maintain Equipment Assets and Improve the Bottom Line of Performance through the Revolutionary PRO-M Maintenance Solution

Business Services
Asset Strategies for Industrial Equipment

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Mark S. Benak
CEO

BIO: Mark Benak, CEO of Asset Performance Technologies, is a technologist, entrepreneur, and angel investor with over 25 years experience in engineering, business development, and company building. In addition to his current duties at APT, he also serves as Board Treasurer for the Los Poblanos Historic Inn and Organic Farm and is an early investor in Incitor, Inc., a novel developer of synthetic enzymes for algal and biofuels. Previously, Mark completed consulting projects through his own company Southwest Solutions House LLC in the areas of economic development in New Mexico, business management, recruiting and retention, and market validation for new medical technologies. Prior to Southwest, Mark was part of a team that founded and operated InLight Solutions, Inc., an Albuquerque based medical technology startup whose mission is to provide optical solutions for life sciences applications. Before InLight, Mark was a staff scientist with the institute for fluid mechanics (LSTM) at the University of Erlangen-Nuernberg. Prior to LSTM, Mark was a research engineer with Daimler-Benz AG in Germany. Mark received his B.S. and M.S. degrees from Stanford University in Mechanical Engineering.

About Asset Performance Technologies, Inc.

Asset Performance Technologies, Inc. (APT) produces the revolutionary PRO-M maintenance solution that combines unique optimization software with the APT Asset Strategy Library (ASL), the world's largest library of asset strategies for industrial equipment, to rapidly optimize any PM program. PM Template Reports from the ASL are also available at www.pmtemplates.com. PRO-M and the ASL set the standard for PM Optimization by dynamically adjusting to changing operating conditions, plant requirements, and market economics. They can be used either as standalone solutions or to support corporate PM improvement efforts.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Mr. Benak, what is Asset Performance Technologies, Inc.?

Mr. Benak: We are a startup software and database company that helps companies in heavy industries do a better job of maintaining their equipment assets to improve their bottom line performance.

CEOCFO: Would you give us a concrete example of what you are doing?
Mr. Benak: I am talking about heavy industries such as the energy industry which includes power generation, and oil and gas refining. Those types of customers have relatively expensive equipment assets that they need to keep up and running reliably so that they can do what they do - whether that is make widgets, generate electricity or refine oil into gasoline - those types of things. We have a database of expert maintenance recommendations based on the operating context of the equipment which are also tied directly to how equipment can fail. We offer a very strong technical basis for the maintenance. It actually has its origins at the Electrical Power Research Institute (EPRI), so it comes out of the power industry and it has been under development for about 20 years now. It represents the industry's best thinking on how to maintain equipment assets. My company has a license to that intellectual property, and we have built some software tools on top of that to take that technical basis for the maintenance and then financially optimize it for any customer. Ultimately, what you are trying to do is the right maintenance on the equipment at the right times for your business.

CEOCFO: Do you find, in general, that most companies pay enough attention to the problem?

Mr. Benak: There is an entire continuum of companies and industries that pay more attention than others do. Even within certain industries, depending on to whom you are talking, some pay more attention than others do. Generally, companies that have high downtime costs - meaning if the plant happens to shut down or be shut down because a piece of equipment failed - when that cost is very high to the owner of the plant, they tend to pay more attention to their maintenance programs.

CEOCFO: Why is following the manufacturer's recommendations not enough?

Mr. Benak: Typically, there are manufacturer's recommendations that are part of a warranty period for new equipment. We often have the OEMs at the table during our data collection workshops when we are developing the data that goes into this database. More importantly, we also have the industry experts for a particular type of equipment sitting around the table. The manufacturers are often there; however, it is an interesting conundrum. The people who design and build the equipment do not necessarily have the most experience on how to maintain it (like the operators and maintainers do). It is also not always in their best interest to do that because they can make money on selling spare parts and other ancillary services. In our experience, we have not found that the OEMs are necessarily the best equipped to provide expert maintenance recommendations. In that regard, when equipment is off warranty, you certainly do not want to just follow the manufacturer's recommendations.

CEOCFO: How customized are you able to get with a company about their usage and the cost?

Mr. Benak: We try to avoid making product changes as a customization for a particular customer, unless we think that it is a generally needed new feature or something like that, for which more than one customer is eventually willing to pay. When it comes to using the software and the database, the maintenance recommendations are organized by the operating context of the equipment- criticality, duty cycle, and service conditions. More importantly, when you go to do the financial optimization, there are a few parameter inputs that the customer would need to type into the software to essentially customize the results for their plant. These include things like what is the cost of the lost hour of production and what is the cost of a maintenance man-hour. There is more detail behind that, of course, but once that kind of information is in there, the software can then run through and figure out what would be the financially optimized maintenance plan for the plant and provide much guidance to the company on the decisions that they need to make about their maintenance program.

CEOCFO: Given that there are many possible scenarios for equipment and business in general, how are you able to come up with a formula that is going to get it right? What were some the challenges?

"Ultimately, what you are trying to do is the right maintenance on the equipment at the right times for your business."- Mark S. Benak

Mr. Benak: The product itself in terms of the customer's usage is limited to equipment types for which we already have collected the data in one of our workshops, which is generally not all of the equipment in a plant. It tends to be more infrastructure equipment types, which is commonly referred to as Balance of Plant (BOP). Every plant has this, but it is generally the equipment that goes around the manufacturing area. I am talking about compressors, motors, HVAC systems, and power supply systems, etc. It really depends on the industry. The power industry, for example, has a lot of that information, and oil and gas refineries are really a collection of pumps, motors, valves and the like. If you go talk to say a food and beverage company, their product manufacturing might be cooking food and putting it into cans. We do not necessarily have those equipment types in the database already. Part of the service we provide is a cost-effective way to add those equipment types, but it is hard to have all of the possible equipment in the database. That is a bit of a challenge for us.

CEOCFO: How do you reach potential customers?

Mr. Benak: That is something we are continually. The best way for us is a combination of email marketing, having a web presence, and direct sales follow-ups. We are a B2B company, so we are selling to other businesses, and we hire sales people to call on potential customers. Occasionally, you get lucky and somebody finds you either via the web or referrals from other customers, but generally we have to go out and find customers in that fashion.

CEOCFO: Are there many or any companies that are similar to Asset Performance?

Mr. Benak: It is a relatively new concept. There are companies that we compete with indirectly but sometimes directly. It is fairly new and as far as we can tell, we have the world's largest library of how equipment fails and what to do about it. That is our database offering, and on top of that, the cost optimization software is relatively new, even in the power industry. It is not available to members of the Electric Power Research Institute (EPRI) at this time. It is fairly sophisticated stuff, which presents a bit of a sales challenge, but I think that since the global financial crisis of 2008, companies are much more cost conscious than they were previously. They are showing much more interest in having the types of tools that we can offer to gain more intelligence about what their maintenance programs cost and what their ultimate benefit might be.

CEOCFO: Have you done any follow up to know if people pay attention to what they find when they use the program?

Mr. Benak: Definitely, it is very important that we do that so we can understand why they bought it, how they use it, and what value they are getting out of it. That is part of our marketing plan- to develop those types of case studies that we can then use to attract more customers.

CEOCFO: What is your geographic reach?
Mr. Benak: We are relatively small, so we are predominantly focused on North America. We do have opportunities to sell outside of the US, in Europe in particular, and globally through some of our licensing channels. We have several software vendors that resell the database portion of our product in their software tools, and they are much bigger companies with much more of a global reach.

CEOCFO: Going back to reaching potential customers, it seems to me that there is a wide range of people you could be approaching. How do you decide whom, when, and where?
Mr. Benak: You are absolutely right - the potential market is, in principle, huge. Any industrial organization could find value in using our tools, but you need to identify who might have a receptive ear. Again, that goes back to what I mentioned earlier. Generally, companies that have high downtime costs are going to have a receptive ear to learning more about our tools and how to optimize their maintenance plans. They are seeing and feeling the effects of poor maintenance on a daily basis when problems happen and there are reliability issues with their equipment. Early on in our company formation, we went through a bit of a strategy process where we developed a relatively simple matrix with several different criteria for the rank order of which industries we would want to tackle first. The energy industry floated to the top of that list.

CEOCFO: Would you tend to be working with a company across all of their facilities or facility by facility?
Mr. Benak: Both, really. We are starting to settle into a model where a large organization that might have several plants, if not a global presence, will license our software and database for a particular site to test it for a while. Then they will buy licenses to additional sites in other locations.

CEOCFO: Do you have a strong retention rate?
Mr. Benak: Yes, so far I think that it is 100% but we are still in the early stages of building this business. I say 100% but I have to think about how we structure our licenses and they generally have an upfront fee and an ongoing maintenance and support annual renewal fee. The upfront fee is going to be significantly higher than the ongoing annual renewal, which is usually 20% of the license fee. As far as I can recall, we have not had any companies who are our direct customers decide not to continue paying for maintenance and support. We did have one licensing partner choose not to do that, but that is because the company took a totally different direction and was no longer involved with asset management services. We have retained 100% of direct customers but we lost, in effect, one partner.

CEOCFO: What has surprised you as the business has grown?
Mr. Benak: Nothing sells itself. I think what surprised me most was the pain and agony associated with enterprise sales. You can identify a customer who is very excited about licensing your product and wants to get started quickly, and it will take a year before the license comes to fruition. That is a hard thing for a startup organization, and it is part of the reason why we are changing our product strategy. Although this is not on our website, we are moving to a web-based model. We have developers working on it as we speak. Right now we have a standalone PC application, but in the near future, which should be by the end of Q1 2014, we will launch a web-based version of our product. It runs in the cloud, so it does not need to be installed locally and it is much easier for the IT department in any company. The barrier to entry or barrier to purchase for a customer will be much lower because instead of paying an upfront license fee, they would be looking at a monthly or yearly subscription for some number of users. We can spread those costs over time rather than frontloading the equation, which tends to drag out the purchasing decisions anywhere from 12-18 months.

CEOCFO: Why should people in the business and investment community pay attention to Asset Performance Technologies, Inc.?
Mr. Benak: For any company, particular those in North America, to compete globally you have to be very focused on managing your costs and your bottom-line performance. Companies do that, in general. However, maintenance spending has always been the black hole of the organization. Generally, executives understand that you have to spend money to take care of the equipment, but they often don’t understand why it costs that much money. It is still a bit of a fuzzy area. Our company can help these companies gain intelligence and certainty about what the cost of their maintenance program is and what the benefit is going to be in the future. That is going to be important for improving the bottom line and their Return on Assets (ROA).

CEOCFO: Final thoughts?
Mr. Benak: We are seeing a trend in the number of industries - mostly power but it applies to some of the other oil and gas industries as well. It used to be that a company is hired to build the plant and then they turn the keys over to the owner/operators. Now, we are seeing the owner and operator separate. Owners are approaching the big equipment manufacturers and saying that they will buy their large combustion turbines to make electricity but they want them to run the plant too. They are developing these long-term service agreements and the key to making those profitable for the companies that have to execute them is going to be the reliability of the equipment. Ensuring proper levels of asset reliability and not overspending on your maintenance is something that my company has to offer.

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