



## CHOOSING THE RIGHT PEDESTRIAN AND VEHICLE ACCESS GATE BASED ON ITS TOTAL COST OF OWNERSHIP AND RETURN ON INVESTMENT

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*"I'm not rich enough to buy cheap things"*

The following paper highlights what aspects need to be considered when deciding which pedestrian and vehicle products to purchase, but to begin with it is important to highlight the fundamentals behind the decision-making process, looking primarily at Total Cost of Ownership and Return on Investment.

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## TOTAL COST OF OWNERSHIP “TCO” OR RETURN ON INVESTMENT “ROI”

When we speak of “TCO” we are referring to the purchase price of an asset plus the costs of operation. When making any purchasing decisions it is very important to look at both the initial investment and the cost to operate the asset over its lifetime. TCO is about looking at the bigger picture of a products intrinsic value, as well as its value over time.

In other words: **TCO= Short Term Purchase Cost + Long Term Cost of Operations**

While TCO complicates a buyer’s seemingly straightforward purchasing decision, understanding a products true value requires you to look at its ROI.

In other words: **ROI= Total Benefits – Total Costs / Total Costs**

### WHY ARE TCO AND ROI IMPORTANT?

Total Cost of Ownership (TCO) and Return on Investment (ROI) seem to be similar methods of proving cost effectiveness, but they perform best in totally different situations.

TCO is a measure of cost, including the capital cost to purchase the solution, make use of or integrate it within the business over a given period of time, i.e. the longer the timeframe the higher the TCO.

ROI goes beyond cost and is a measure of benefit from a capital investment and represented as a percentage. ROI looks at the total capital cost of an investment and calculated the value returned by the investment over a given time period.

In some cases a low initial purchase price can mistakenly incentivise buyers to favour one product over another, even though the item with a lower TCO and higher ROI offers better value for money in the long run. Most of the time, the item with a lower TCO or higher ROI is not the item with the lowest short term initial purchase price.

Ultimately buying a “cheaper” product based on price may mean less performance and more maintenance, a shorter life or a lower level of product acceptance, limiting your future options.



## WHAT TCO AND ROI ARE IN PRACTICE FOR PEDESTRIAN AND VEHICLE ACCESS GATES?

The table below highlights some important aspects to consider when making your purchasing decision on pedestrian or vehicle access gates:

SHORT-TERM CONSIDERATIONS	LONG-TERM CONSIDERATIONS	
	TCO	ROI
What is the purchase price of the gate?	How often does it require repairs? Higher Repair Rate = Higher Cost and Shorter Product Life	How many years or cycles will the gate work? A shorter product life with high maintenance requirements means spending more money in the end
Does the gate meet the current technical performance criteria in terms of power consumption, safety and security as well as through-put?	At any time will the gate provide trouble free performance? Can it be trusted during heavy use? Higher performance reliability grants reduced downtime, and a higher rate of operation for the gate	Will the gate meet future technical performance criteria? The ability to adapt in order to provide higher performance and new technologies will ensure a longer and more useful life for the gate
	What is the total repair cost over the product's lifespan? Less energy consumption means more savings during the lifespan of the product	How fast can the gate be repaired?
	What is the power consumption?	What is the cost to install and maintain an oversized electrical grid? More power required from electricity provider?
	What is the cost when the unit is "Out-of-Service"? Are more staff required while the gate is not in operation?	What Service and Help-Desk support can the manufacturer provide worldwide? Fast and efficient support means higher usage rate and less downtime
Does the gate have an iconic and long-lasting design that will remain aligned with architectural trends?	Will it blend into the environment? Is it made of recyclable materials therefore granting a durable life?	Will the design match with the location and avoid an outdated feel in the future?

There is a fundamental issue with only thinking of the short term and not looking into the bigger picture of TCO and ROI factors during the ownership calculation process.



## DIRECT BENEFIT TO THE PRODUCT OWNER

Reduction in repair rates = reduced repair cost = increased product life

## DIRECT BENEFITS TO THE END USER

Reduction in “out of service” time = improved product life = no product changes for long term projects = more efficient and effective performance

**Taking only into account the above points, without even considering improvements in performance from the safety and security aspect; these changes more than offset the small purchase price variant.**

Equally as important is the risk of selecting technologies that have been poorly designed and have not been fully vetted or validated in the field.

## HOW AUTOMATIC SYSTEMS CAN PROVIDE SUPERIOR PERFORMANCE ON TCO AND A HIGHER ROI?

- ▶ Superior, robust, heavy duty and reliable design
- ▶ In compliance with the most strictest and up to date standards as well as having the ability to adapt to future regulatory standards
- ▶ Superior MCBF (Mean Cycles Between Failure) – up to 10 million cycles
- ▶ Low MTTR (Mean Time to Recovery) – less than 30 minutes
- ▶ Superior IK9 resistance rating for majority of product line
- ▶ Superior IP water rating design
- ▶ Warranty up to 5 years
- ▶ Highly professional maintenance and service support
- ▶ Help desk and product training support
- ▶ Worldwide brand recognition and company presence
- ▶ Superior product build quality with iconic design in line with architectural trends (Red Dot Award Winning Design 2021)
- ▶ Professional design and production teams for “custom designed” finishes and materials ensuring a perfect and timeless fit
- ▶ Turn key solutions
- ▶ Traditional and digital I/O interface and ready to use XML-RPC and Modbus API over Ethernet

When selecting your product, whether it is vehicle or pedestrian, all the above points need to be addressed collectively. Taking a chance on performance and long-term

viability of the product in order to reduce the initial cost outlay may end up costing you more in the long run.

## TO SUMMARISE

1. TCO includes the purchase price of the particular asset plus maintenance over its lifespan.
2. ROI goes beyond cost by adding in the anticipated business benefit to calculate the actual returns of owning the product.
3. Using both TCO and ROI allows you to consider both cost-centric mandates as well as supporting an organisations long term pursuit of value and differentiation.
4. It is important to fully consider all aspects of a purchase to ensure you are making the right decision for your organisation.

## TO CONCLUDE

Automatic Systems understands that TCO and ROI calculations are not a straightforward process so have done the hard work for you. Our dedicated teams will guide you through each stage of the process, simplifying this procedure and ultimately ensuring you understand the purchase, running and maintenance costs of your pedestrian or vehicle access gate.



**For further information on any of the solutions mentioned above please contact us:**

### INTERNATIONAL DISTRIBUTION

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