

Decoding the mysteries of fleet management

Lift truck owners want it and are ready to spend money on it—but they're not sure exactly what it means. These guidelines will help take the mystery out of implementing a comprehensive fleet management program from start to finish.

By Josh Bond, Editor at Large

“**V**isibility” is the buzzword these days among supply chain circles, while inside the four walls the concept of “lift truck fleet management” has quickly become the Holy Grail for savvy managers looking to get a better handle on costs. Amid the scramble for both, traditions are being challenged, business relationships are becoming more nuanced, and new products, services, and technologies are emerging at a rapid rate.

And while establishing a comprehensive lift truck fleet management program can seem like a surefire source of savings and transparency, fleet managers have encountered a few misconceptions and miscommunications along the way. To help overcome the early missteps, industry experts and manufacturers are now working to ensure that fleet managers are aware of the opportunities and pitfalls associated with a more structured—or more flexible—approach to fleet management.

According to Scott McLeod, president of independent lift truck fleet management company Fleetman Consulting, the heart of fleet management is identifying and managing each lift truck's operating cost per hour. McLeod says that there are more than 40 separate costs associated with a lift truck, including fuel, depreciation,

operator costs, and even the impact of aisle design and warehouse layout on a lift truck's operation.

“Once you figure out those costs you can determine if there are better options available,” says McLeod. “Customers might feel that there's only so much time in a day, and lift trucks are at the bottom of their to-do list. But if they have to do it, they just might find that there are thousands—if not hundreds of thousands—of dollars to save.”

But where do you start? Who should be involved? How should it be implemented? “It's about peeling back the onion,” says McLeod. “If you do the basics well then you're ahead of 80 percent of the companies out there.”

To help *Logistics Management* readers gain some ground, we've created a set of guidelines for navigating the adoption of an effective fleet management program with the help of a panel of consultants, suppliers, and users. No off-the-shelf solution will work for everyone, but these practices will help fleet managers avoid wasting time and money as they reconnect to their fleet's true costs.

1) Understand what it is

According to Nick Adams, business development manager for the MCFA fleet services group, fleet managers



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should not fixate on assuming fleet management has a single definition. “A lot of people will tell you that fleet management means a full maintenance contract. That’s not necessarily true. They also say fleet management will always produce cost savings. That’s also not true. Like any product, it’s a set of tools that you have to use correctly to get savings.”

Michael McKean, fleet management sales and marketing manager for Toyota Material Handling, says it’s imperative that fleet management not be confused with other capital expenses. “The company might have five projects on the agenda, like a new roof or a new dock,” says McKean. “But those are just projects. Material handling equipment is not a project, it’s an essential part of a well-run business.”

2) Know your needs

A well-run business will pay attention both to its customers and to its status as a customer, according to Adams. “You have to understand your requirements relative to your assets,” he says. “Two people may order different things from the same menu based on budget and tastes, and both are good meals.”

Before pursuing a third-party maintenance agreement or new equipment, McLeod advises customers take stock of what they have and what it’s costing them. “I’ve seen

operations with 15-year-old trucks so well maintained that it makes sense not to upgrade,” he says. “Other places have trucks that are three years old and are a disaster.”

Jason Bratton is vice president of business development for BEB Industrial Asset Management, a third party forklift fleet management company. Bratton says that each customer might have its own preferences for how to do business. “Third-party invoice consolidation works for some but not for others,” says Bratton. “End users either find they need that service or would rather keep control over it for other reasons.”

According to Patrick DeSutter, director of fleet management for NAACO Materials Handling Group, Inc., customers need to understand their asset mix, especially short-term rentals that have overstayed their welcome. “You need an enterprise-wide mindset,” said DeSutter. “A series of separate programs might not be working toward the common good.”

3) Communicate, communicate, communicate

Communication is often the single best way to ensure progress toward the common good. And it’s important to communicate not just with your fleet management partner, says Bratton, but also within your organization. “It’s critical for the success of a rollout,” he says. “If we’re calling a site to begin a preliminary fleet assessment and the first time

they've heard about us is from us, that's a problem."

Effective communication is about more than memos. A discussion of motives and objectives with a fleet management partner will help a customer later evaluate the service. And communication within a company generates enterprise-wide buy-in that can be essential for the success of the program. A new fleet management program is unlikely to succeed if it's as fractured and disconnected as the problem.

4) Don't change too quickly

Initial communications can brace an organization for change. But as fleet managers work to identify costs, it's essential to collect data at a manageable pace and to react to the data with incremental steps, not sweeping change.

"In fact, some clients should not change anything in the first three months," says Bratton. "It allows your fleet management partner to establish a baseline. Let's not go in guns blazing, saying we need to change this, fire them, buy these trucks."



After moving into a bigger location, this Owens and Minor Facility reduced lift truck fleet spend.

Owens and Minor finds partner for relocation

Chris Wroblewski, the general manager of the Dallas division of medical products giant Owens & Minor, says the stressful moments of early 2010 are now just a fading memory. The transition of a new customer required a completely new 238,000 square-foot distribution center by May 2010.

"And we were informed of the transition in January of 2010," says Wroblewski. "Put yourself in my shoes and you can imagine I was concerned."

After a 48-hour-move requiring 190 people, 300 truckloads of material, and a double-sized fleet of 80 lift trucks, the facility went live in May of 2010—just 78 days from concept to completion. "We finished operations on Friday and moved the entire building over the weekend," says Wroblewski. "We were operational on Monday."

After the move, Owens & Minor wanted to take the opportunity to

improve its lift truck fleet. With the help of Malin, an integrator of materials handling equipment, systems, and services, Owens & Minor improved visibility by installing a fleet optimization solution for its lift equipment. Among other efficiencies, the new technology helped right-size their Raymond fleet for a reduction of \$12,000 per year in lift truck optimization.

Wroblewski says the solution is working remarkably well, especially considering the initial concerns of some of his internal teammates. "They were skeptical of disrupting operations or including costs that aren't needed," says Wroblewski, who adds that a pilot program helped allay those concerns. "Suddenly they had hard data that showed that there were gaps of idle time in our operations. What was perceived to be a painful process was seamless and painless and has helped us improve our productivity."

Depending on how well-capitalized a customer is, rapid change might not be a problem, says McLeod. A customer might instead plan to evolve over five or more years if it doesn't have the capital to swap an entire or partial fleet. "Take things in bites, with a methodical approach and frequent pauses to review goals and progress," says DeSutter.

Once a customer has established a baseline it can then address things like avoidable damage caused by either the operator or the facility design. "These can be significant costs," says DeSutter, "as high as 25 percent to 35 percent of the lift truck maintenance spend."

5) Put a maintenance program in place

Toyota's McKean says that he understands why lift truck retirements, replacements, and rotations often get

shuffled to the bottom of the priority list. “For facility managers, their priority is not managing lift trucks...it’s moving product,” he says. “So, as long as the lift trucks are getting that done, that’s good enough for many people.”

However, this can lead to a reactive instead of proactive approach to things like maintenance costs. “The problem is that many people only recognize a downtime problem if they happen to have a half dozen lift trucks in the shop at one time,” says Jim Gaskell, director of Global Insite products for Crown. “All trucks need maintenance, all of which must be managed, not just when it becomes a big enough problem to be visible.”

By that time, the negative impact will become visible elsewhere as well, as productivity and throughput suffer. “Any improvement in maintenance efficiency will also improve the main goal of product movement,” says McKean. “Fleet management should be employed at all locations, but it’s not. More customers need to rely upon a fleet management tool to manage their fleet.”

6) Control costs

To budget effectively you need to look at maintenance costs and lock them in, says McLeod. “The worst situation any lift truck user can get into is a pay-as-you-go maintenance program. As soon as you do, you can be held hostage by the dealer.”

McLeod also recommends that customers negotiate fuel contracts and lock in those costs as well, either at a fixed rate or by tying costs to a commodity. “So many customers seem happy enough to get charged by the batch, and three or four out of five will say that they don’t even know what they pay per pound or liter of fuel,” says McLeod. “Get three or four propane suppliers bidding on your business and you’d be amazed at the savings.”



7) Take out the emotion

Emotion-based decision-making can take many forms, says BEB’s Bratton. When a customer buys a lift truck because that’s what their predecessors did in the past, he adds, that’s an emotional decision.

“An employee’s under-performance might be about data and it might have measurable solutions,” says Bratton. “But firing that person is an emotional decision. You might be able to use the data and fix, not fire.”

Making decisions with data rather than emotions can mitigate the apprehension many facility managers may feel

at the idea of involving a third party, adds McLeod. “The people tasked with fleet management are usually the ones who least want to do it,” he adds. “They think a third party will prove they’ve been wasting resources, or that they had no real grasp on their costs to begin with.”

Facility managers often worry about an outside company finding something they should have found, says Bratton. A good fleet management partner, adds Bratton, is not a whistle-blower, but a team member who can shine a light on problems and best practices for all to see.

8) Lift trucks can’t be maintained forever

Whether by design or by accident, too many facilities maintain old lift trucks until they no longer provide any value. “Set realistic life cycle goals for your fleet, like seven years instead of 20,” says Gaskell. “Draw a line in the sand. Anything over 10 years will get replaced.”

Otherwise, says Gaskell, companies can get stuck pumping lots of money into aging equipment. “A 10-year-old truck might not have cost much up to that point, but if it should suddenly need \$3,000 in repairs, then the customer says, ‘Well, I just put all this money into it. Maybe I should keep it.’”

Gaskell refers to a program Crown created for a specific customer called “No Truck Left Behind.” The program requires that when a delivery driver



MBM seeks an inch, finds a mile

The quest for efficiencies turns up huge savings and increased productivity for food distributor.

Eight years ago, MBM Corporation, a leader in food distribution, partnered with Crown Equipment and set out to find some answers. There was no crisis, simply a notion that some efficiencies could be squeezed from a fleet that MBM thought it was already handling rather well. Today, at the company's 34 distribution centers across the country, fleets are as much as 22 percent smaller, and the company has cut equipment and maintenance costs by 10 percent.

Sean Bennett, director of financial operations for MBM, says, "The most surprising element of fleet management implementation was learning all the things we didn't know we needed to know."

Before implementing a suite of fleet tracking software, Bennett says lift truck usage, cost, and quantity was unclear, with inconsistent or nonexistent inventory listings from one DC to another.

"Our idea of fleet management was simply looking at the general ledger for

maintenance costs," says Bennett, who said MBM once processed 15,000 fleet maintenance invoices annually.

"Today we have just one invoice per month," says Bennett. "We know so much more about what we spend, by DC, by truck type, by make and model, by parts and labor. We track each piece of equipment at the serial number level."

By taking a holistic approach, Bennett says MBM has lengthened the life cycle of its equipment by two to three times, while enjoying less cost, more productivity and more compliance. For instance, when lift truck inspections required pens and paper, the form had to be legible, hand-delivered, photocopied, and filed.

"That's kind of exhausting," says Bennett. "Now, you log in, the form is stored electronically, and if the inspection reveals that the lift isn't safe, it automatically locks out and pings both management and maintenance. I would say the system easily cuts our time in half."

drops off a new lift truck at one of the customer's facilities he must pick up the old truck before he can leave.

"Fleet managers used to say that they'll keep it as a spare," says Gaskell. "Then they'd have a change of heart when a report showed that they were paying maintenance costs for the new one on top of the old one."

9) Not one-size-fits-all

On the small scale, this tip is best exemplified by what Adams calls a "captive application," when a lift truck is required only for periodic tasks, but is absolutely essential when its time comes. Utilization will be down by definition, and a fixed maintenance program would clearly be excessive for such a lift truck.

On the larger scale, decentralized companies can get into trouble when they assume that there are quick fixes to a fleet's needs. One-size-fits-all might work for some centralized companies, says Adams. Lift truck usage in a retail chain store in Kansas, for instance, is going to look much the same as one in Minnesota. A similar business might bundle its locations and negotiate directly for an initial equipment purchase.

"The fallacy is that decentralized customers can round up volume and negotiate, so they must be able to do that on the aftermarket as well," says Adams. "It's understandable. They've got a lot to do and they want an easy win so they can move on."

The problem is that maintenance program templates can be disastrous when forced onto facilities with vastly different usage and applications. But a fleet management partner can help a decentralized company get some leverage with local service providers. In fact, according to DeSutter, one of the most valuable things a fleet management partner can provide is a third party audit of service provider work orders.

10) Know when enough is enough

Avoid a hunt for efficiencies for its own sake. Every company can benefit from a better-run fleet, however, says McLeod, "There's a point when it doesn't make sense to go further down the path of fleet cost control." That point will become clear to anyone paying attention, he says. "If you understand your entire business's costs, then when you stop the bleeding in your fleet you might find that your postage costs, for instance, are where your attention can produce the best returns."

By opening windows into the tiniest corners of a facility's expenses, technology often encourages over-complication or excessive detail, says McLeod. "You don't need to be comparing light bulbs to save a fraction of a kilowatt hour," he says. "Nobody needs that kind of detail to run their business. You just need the lift truck's cost per hour and to ask whether there are better options."

The chances are good that there are alternatives to the status quo that can improve productivity, increase visibility, and save money now and later. With clearly defined objectives and a deliberate approach, any organization can tackle its fleet with confidence.

"At the end of the day," adds Adams, "fleet management shouldn't interfere with what a facility is trying to get done. But, if designed well, it can be a valuable tool in creating cost savings."

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