

Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Well-managed lift truck fleets increase productivity, cut costs

By Joe LaFergola

Only 11 percent of the total cost associated with electric lift trucks comes from the cost of acquisition. The other 89 percent is related to lease interest, electricity for battery charging, maintenance, and operator costs. With a large percentage of cost dedicated to maintaining equipment, companies can't afford to ignore the importance of well-coordinated fleet management.

Fleet management involves looking at many aspects of the equipment and its operations to reduce costs and optimize productivity. These aspects include scheduled maintenance, equipment economic life, brand standardization, operator and technician training, and lift truck supplier transaction methods.

Prevent expensive breakdowns

When a lift truck is not properly maintained, unexpected downtime can result — along with operators standing idle while still on the clock.

Excessive downtime may drive companies to rent units for short-term use or to buy more equipment than is necessary. On average, companies operate 10 to 20 percent more lift trucks than are required. In addition, breakdowns are often the result of more serious problems that can involve costly repairs and parts.

The key to reducing breakdowns is scheduled maintenance. A scheduled maintenance program lets companies prepare for and work around brief downtimes while a unit is being serviced. Some

service providers can even loan out similar equipment during scheduled maintenance to prevent downtime. To further understand what drives your unique maintenance costs, keep ongoing records of scheduled and breakdown maintenance on each unit in the fleet.

Consider repair vs. replacement

It's critical to understand the point at which acquiring a new lift truck for a fleet is more cost-effective than continuing to repair the current equipment. Many companies keep lift trucks too long because it's easier to spend a couple thousand dollars on repairs than to justify the capital request to replace a truck.

Use simple graphing to calculate when a lift truck becomes too expensive to repair. Use cost per hour values on one axis and accumulated operating hours on the other axis. Graph a line using accumulated costs (ownership costs plus maintenance costs). The "break even" point is where the line is at its lowest point on the total cost curve. If a truck has passed that break even point, it generally costs more than it's worth. The average lift truck has an estimated economic life of 10,000 to 14,000 hours.

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Stick with one brand

The average lift truck user has multiple brands. While this may be cheaper in the short

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term, having multiple brands makes the fleet more costly to maintain. Mixed-brand fleets require increased parts inventories for service, increased supplier base management, and multi-brand technical and operator training. Standardizing on a single brand, or a few brands, of lift trucks can avoid those extra costs and time requirements.

Train employees to be more productive

Providing training to lift truck technicians and operators can boost productivity. A properly trained technician can reduce the cost of operation and improve uptime by quickly and accurately identifying and fixing problems, while a trained operator can be more effective and efficient. Plus, training programs can be documented for OSHA purposes.

Reduce the paper shuffle

Transaction costs, such as invoicing and issuing purchase orders for maintenance, are a hidden expense of owning lift trucks. For example, it can cost up to \$75 in administrative staff time to process a lift truck maintenance purchase order. One lift truck can have as many as 20 purchase orders issued per year, costing a total of \$1,500. Now multiply that by the number of lift trucks in a fleet.

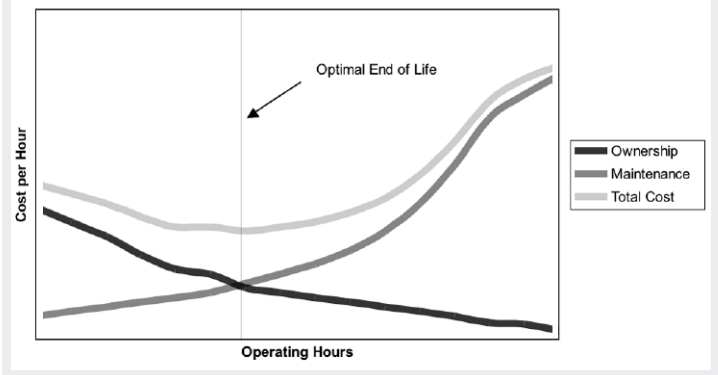
Cut transaction costs by leveraging e-commerce options, such as electronic purchase orders and work orders, invoice consolidations, and payment tracking. Then demand the same from your lift truck dealer and service provider. Outsourcing lift truck maintenance can also reduce these costs.

Follow the five steps of fleet management

Fleet management is not a one-time event, but a continuous process that provides continued cost savings over time. A well-designed fleet management program has five steps:

Assessment. Surprisingly, many companies fail to track their lift truck fleet data. The most important component of a successful fleet management program is creating and maintaining a baseline of fleet data. Start by gathering information on the existing fleet, such as the make/model, age/serial number,

Lift truck economic life



current/anticipated operating hours, required availability, special requirements, operating conditions, and maintenance history.

Examination. Next, compare the existing fleet to a potential replacement through maintenance history interpretation, utilization studies, projected maintenance, potential savings, and ROI analysis. This analysis can be provided by a lift truck dealer.

Recommendation. Get information from a local lift truck dealer regarding equipment recommendations for replacement units and configurations, financing alternatives (lease versus buy), maintenance options (such as contracting a maintenance program and parts inventory), and training for operators and maintenance managers.

Implementation. Finalize an action plan. This can include standardizing some or all of the proposed recommendations, developing a product supply plan, establishing a training schedule, making arrangements for maintenance, and determining an equipment disposal plan.

Monitoring. Conduct a regular review of the plan. Monitor the condition of the lift trucks, hours and utilization, maintenance costs, fleet size and replenishment, and management reporting.

These steps should be repeated on a regular basis.

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