

# Logistics MANAGEMENT<sup>®</sup>

## **Corralling the fleet; Facilities with large fleets are increasingly looking into fleet management programs to streamline repairs and billing and to improve overall day-to-day lift truck operations.**

By Bob Trebilcock, Editor at Large

Lift trucks are the workhorses of the materials handling world: They do the heavy lifting, but they need care and feeding to do it reliably. As the cost of vehicles, drivers, and maintenance continues to rise, the goal of any fleet manager is to minimize down time, make the most efficient use of every driver and vehicle, and to reduce the total cost of operation. That's where fleet management programs come into play.

### **Just the facts**

Today, fleet management programs can be implemented in a couple different ways. While they all fall under the fleet management umbrella, one set of services is offered by lift truck manufacturers and is targeted at keeping the trucks up and running, while the other is offered by software providers who focus on the performance of the trucks and drivers as they perform their tasks.

The first, and often most logical, is through fleet leasing and maintenance programs offered by lift truck manufacturers with service provided by their network of dealers. These programs allow fleet managers to put together a program from a menu of services that best meet their fleet needs.

Those services may range from a variety of approaches to finance and pay for leased vehicles to a complete maintenance program that can be added at any time for companies that don't want the headache, or expense, of managing an inventory of spare parts and finding skilled mechanics. OEM programs also include extensive reporting on how each vehicle is being used—information that can be used to determine the right size of a fleet.

“When you talk about fleet management, you're talking about an all-encompassing program that deals with the total cost of operation of a customer's leased or owned vehicles as well as their rental fleet,” says Joseph LaFergola, manager of fleet operations for Raymond. “It's also looking at the root cause of expenses and at ways to right-size the fleet; and provides the tools to manage administrative costs.”

While the fleet management programs offered by OEMs are focused on maintenance, a second approach is offered through best-of-breed software solutions that are designed to increase the productivity of the fleet by monitoring day-to-day operations. Think of these solutions as a warehouse management system for your lift trucks: They allow you to measure how much of a driver's shift is spent moving a load versus

traveling or sitting idle between tasks. They also look at how each vehicle is used during a shift.

With that type of information, a fleet manager can identify bottlenecks in an operation or re-assign vehicles to different work areas to better utilize the fleet at hand without adding trucks and drivers. They can also identify drivers who can be more productive with further training.

Regardless of the path you choose, the savings from a fleet management program can be significant. Lift truck providers say that the implementation of a comprehensive program can save customers 15 percent or more on their lift truck expenses at the outset of the program, with incremental improvements coming over time. Likewise, providers of fleet management software say they can deliver a 10 to 15 percent improvement in productivity and a 10 to 20 percent reduction in the size of the fleet through better management of operators.

Those savings may be why facilities with large fleets are increasingly including fleet management in their requests for quotations. “Ten years ago, a fleet management program was an afterthought for many OEMs,” says Van Clarkson, director of fleet management for Hyster. “Today, it’s part of the price of admission because many of our major accounts are demanding it.”

## Increasing demand

Fleet leasing and maintenance programs are not new. What’s changing is the demand for these programs, especially from large companies that are also outsourcing other areas of their operations to third parties.

**“Our fleet management customers want to manage at a high level, but don’t want to be bogged down in the day-to-day details of maintaining their fleet,” explains Krista Rose,**

**director of Yale Fleet Management for Yale Materials Handling. “As the market expands, the standard of service we’re being required to provide is getting higher and higher.”**

Today, fleet management programs often begin with financing options. At Raymond, for instance, nearly half the lift truck fleets sold in the United States today are leased, more than double the number of leased vehicles 10 years ago. The trend is away from a straight monthly or annual fee, although those options are still available. Instead, users want a lease based on the hours of usage plus a maintenance agreement, sometimes called “power by the hour.”

“The goal is to use technology to allow the customer to pay for exactly what they’re using,” says Bob Sattler, vice president of Hyster Capital. The key to a successful leasing and maintenance program, adds Sattler, is to have the right sized fleet for your operations, and to make sure each vehicle is running optimally. That’s where the other components of a fleet management program come in. While each OEM tailors their program differently, most include some variation of the following services:

Fleet analysis . This involves a survey of the make, model, age, and hours of service for each vehicle in a fleet, along with the intended use for each vehicle. That information is used to determine the right size of the fleet, and whether existing equipment should be retained, retired, redeployed within a facility, or replaced. “Fleet analysis provides the baseline for fleet management,” says Hugh Quinnell, national manager, major accounts, parts and service operations for Toyota Material Handling USA, Inc. “Without it, you can’t do a good job of fleet management.”

Call center management . Users with multiple locations or multiple shifts want one 800-number that all of their fleet managers can call for service, regardless of where they are located.

Consolidated billing . With this service, the OEM examines the repair orders from all of the dealers maintaining a fleet, verifies that the pricing is correct, and then presents one bill to the customer. “We had one large customer that had been processing 12,000 invoices a year related to parts and service at an average cost of \$86 per invoice,” says Van Clarkson, Hyster’s director of fleet management. “Today, that same customer gets just one invoice a month that covers all of its locations. The savings in administrative costs is \$1 million a year.”

Tracking and reporting . In addition to providing consolidated billing, fleet management programs also include usage reports like the cost per hour, inventory reports, repair history reports, and avoidable damage reports.

Fleet rental and fleet disposal . Many fleet managers will also take care of the rental of additional vehicles during peak usage periods, and handle the sale or disposition of owned vehicles when it’s time to retire or replace the fleet.

Like ordering from a menu, fleet managers can sign on for some or all of these services, whether they own or lease their fleet.

### **Tools to manage and monitor**

While fleet management programs from suppliers provide management at a high level, fleet management software programs, usually offered by third-party technology providers, offer tools to manage and monitor fleets in real time during a shift, much as a warehouse management system monitors and manages associates on the floor. That information can provide a window into the productivity of

operators and equipment during a shift.

“On average, an operator being paid for an eight-hour day is only logged into a fork truck for about four hours, and is actually moving a load for about one hour per shift,” says Peter Fausel, executive vice president of sales, marketing, and customer support for I.D. Systems, a provider of wireless fleet management systems. “Using software to increase the amount of time each driver is moving loads by just 20 minutes a day goes right to the bottom line.”

Typically, these solutions use sensors tied into the electrical system to capture operational information, combined with tracking technology, like RFID or GPS.

The combination allows a warehouse manager or a fleet manager with vehicles in several locations to monitor the mechanical condition of individual mobile assets; how and where those trucks are being used in a facility, often in real time; and to monitor and manage the performance of individual operators.

The systems, for instance, can limit access to authorized drivers whose training is up to date by requiring drivers to log in, and to perform an electronic OSHA checklist, before they can operate the vehicle.

Because the systems are tied into a vehicle’s electrical system, maintenance personnel are “getting information that’s closest to the vehicle in real time,” says Larry Bihn, director of sales for RM Michaelides. “So, if you see that a hydraulic pump’s duty cycle has increased over its baseline that may tell you that you have a leaky valve. That allows you to address the issue before you get a

failure that puts the vehicle out of service.”

Facility managers, meanwhile, can track the location of every vehicle in a facility in real time. That information can be used to dispatch work or to identify patterns of congestion that might limit productivity. “Through a historical review of lift truck traffic, you can redesign or reslot your systems to improve productivity,” says Larry Mahan, president and COO of Sky-Trax.

Finally, the systems provide corporate managers with aggregated data about how well individual vehicles are being used. “It’s very common to go into a facility and see some vehicles that are at 80 percent utilization, and other vehicles that are at 20 percent utilization,” says Dennis Beame, president of Intellefleet. “That’s information that managers would not typically have without a fleet management system, but it can lead to overtime charges for the one machine and surrendering the other prematurely.”

At the end of the day, fleet management can provide the tools that lift truck users need to streamline operations. “These systems can provide a level of information and insight that you don’t get just from another system,” says Sky-Trax’s Mahan. “If you believe in managing by information or Six Sigma, you need this kind of data to manage in the 21st century.”