

MAKING THE CASE



MAKING THE CASE FOR TOTAL MATERIAL HANDLING FLEET OPTIMIZATION

Achieve up to 20% savings from greater uptime, better asset productivity, and smarter asset lifecycle decisions

Information as lever for optimizing material handling equipment fleets

While cost reductions will vary by site and fleet health, the first step is to develop a fleet management data foundation to support decision-making.

NO ONE OPERATING A LIFT TRUCK or other material handling vehicle would operate the equipment with unnecessary obstructions blocking their view of the routes to take down aisles or when moving into a dock area.

Visibility for safe navigation — when it comes to the actual operation of material handling equipment — is paramount. Yet when it comes to an enterprise's understanding of the costs and asset lifecycle planning issues surrounding material handling fleets, there is often a lack of visibility into the full range of issues and costs involved. That lack of information is the main hinderance to optimal fleet operations, explains Allen Polk, vice president of sales for Kenco Material Handling Solutions.

"The primary challenge today is that many companies simply don't have a complete idea of what their fleet costs are, how they use their fleet, and the lifecycle decisions they should be making about specific equipment," Polk says.

"They just know these assets are essential to operations and need to be repaired, maintained, and available for use."

Material handling equipment (MHE) such as lift trucks, order pickers, aerial lifts, and light transport vehicles are essential assets for moving goods and people in industrial settings. With the economy humming the last several years, equipment sales and use trends are up. According to the Industrial Truck Association (ITA), 2017 marked the third consecutive year of North American forklift truck sales exceeding a quarter of a million units sold and experiencing a growth rate of just under 10% over the previous year.

Growth in industrial vehicle sales is a good indicator of a growing economy, and while that's good news, down at the individual enterprise level, the pressure to keep operations and goods moving means many enterprises don't stop to build an information foundation for fleet management.

"Many companies just aren't able to or don't collect

the data needed to run a meaningful fleet management program," says Polk. "They don't collect or have access to the data they need to make fleet decisions. They just focus on their service providers or dealers to fix equipment as quickly as possible and keep their equipment running."

While uptime is essential to MHE fleets, much can get overlooked when the focus is on patching up existing assets to keep them running, with only a rough, rear-view mirror idea of costs. Detailed insights

WITH THE ECONOMY HUMMING EQUIPMENT SALES AND USE TRENDS ARE UP



just under
10%
GROWTH RATE
over the
previous year

Source: Industrial Truck Association (ITA)

often lacking include:

- What equipment does the enterprise have by site, and what is the age and repair histories for all these assets?
- Cost per hour data and trends on specific vehicle assets or asset types/models.
- Total cost of ownership data, especially when it comes to the costs of continuing to repair aging assets versus replacing them.
- Types of repairs, asset downtime trends, and technician labor and work order trends.
- Leasing and asset depreciation issues which play into replacement decisions.
- Insights into whether the types of equipment the organization has matches the material handling needs of specific sites (i.e., does each site have the ideal equipment for its processes). Site requirements may change, for example, as SKUs and inventory change, or rack configurations, pallet types, and aisle widths evolve.
- Can a fleet be rightsized or updated with some newer or different equipment in a way that both reduces fleet costs while aligning with productivity needs?

This range of information involved in supporting comprehensive fleet management decisions can seem daunting, and it can be, without centralized access to information collected by experts, points out Jeff Burns, president, Kenco Material Handling Solutions.

“Lack of data is the number one challenge to making the best fleet management decisions,” says Burns.

KENCO'S FLEET SERVICES (average savings)



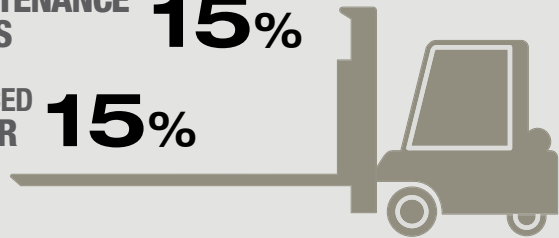
**REDUCED
FLEET COSTS 20%**



**REDUCED
MAINTENANCE
COSTS 15%**



**REDUCED
LABOR 15%**



Source: Kenco

“What is needed is enterprise-wide access to comprehensive information, rather than each facility having only a part of the data. The goal should be that managers can easily see and understand where and how money is being spent on all key aspects of the fleet.”

The data quality, accuracy and level of detail available about MHE fleets matters. While some companies may eventually see a roll-up of fleet-related costs, many can't break down the trends by specific assets, by types of repairs, or look at fleet assets in terms of cost per hour to operate. Kenco Material Handling Solutions offers comprehensive fleet management services supported by an information repository fed by data gathered by expert service technicians that delivers the necessary data.

Additionally, Kenco is itself a third-party logistics provider that operates material handling equipment at its facilities, while Kenco Material Handling Solutions has a long and successful track record as an equipment dealer

and service provider. That gives Kenco the right blend of industry knowledge, vehicle knowledge, and front-line technician expertise to ensure the data foundation for MHE fleet management and asset lifecycle is in place.

Kenco's fleet services have in some cases cut fleet costs by 20%, reduced maintenance cost by 15%, and has ushered in a 15% reduction in labor. Cost reductions will vary by site and fleet health, but the first step, say the experts at Kenco, is that companies have a fleet management data foundation to support decision-making.

“What's lacking in many operations today is access to data to provide the insights needed to manage a fleet optimally, and the tools and expertise needed for decision support on when to replace equipment,” says Polk. “But with the right fleet services partner and information access, these challenges can be addressed, with the result being a fairly sizeable reduction in fleet costs.”



Partnering to improve fleet management on all fronts

Combining technician and maintenance experts on-site along with the software data repository yields an in-depth, continuous improvement program for your fleet.

There are multiple factors driving optimal management of material handling equipment (MHE) fleets, from ensuring vehicle uptime through proper maintenance, to long-range asset planning and fleet right-sizing concerns. A host of other issues, like making sure you have the right equipment for specific applications, to managing safety/abuse incidents, to building knowledge through online repair history are also part of maximizing fleet performance.

In fact, the sticky issue with fleet management is that there are so many concerns involved that there isn't one single issue that's the key to fleet management success. But there is a single step that will ensure comprehensive fleet management: find a partner who can provide a total solution of services and online fleet management information.

"One of the biggest things to keep in mind with fleet services is that you want it to be outsourced to a material handling expert—one who approaches fleet issues comprehensively, rather than just one aspect," says Allen Polk, vice president of sales for Kenco Material Handling Solutions. "By choosing the right partner, you can focus on shipping orders out the door and on other operational

priorities, while still having access to fleet information and being advised regularly by experts."

Kenco's Material Handling division benefits from its history as both a third-party logistics provider (3PL) with its own warehouse sites and fleets, and the company's successful track record as an MHE equipment dealer with a large network of technicians certified to service multiple brands and types of vehicles.

Using software developed by Kenco for maintenance and fleet management information, Kenco's technicians classify and gather all pertinent repair and maintenance workflow data. This software, in turn, feeds cloud-based reports and analytics that Kenco's clients use to gain insights on their fleets and drill down into useful data.

“The information repository for our services is essentially born from the data uploaded by our technicians as they perform their work processes,” says Polk.

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“Everything cost related is born on the ground level by our experts in the field. They are mission critical to our services and to the data repository we provide.”

Technicians track repair details and parts used, which, over time, builds up a knowledge base on common vehicle repair problems and parts reliability. The detailed as-serviced records and time spent on repairs and parts give Kenco and its client organizations in-depth knowledge on costs and insights into vehicle reliability trends. What’s more, the technicians are typically assigned to specific customer sites, so they get to know the site’s vehicles, operators, and material handling processes in depth.

Kenco marries this site-specific and vehicle-specific data with its knowledge of material handling vehicles, information from OEMs, and market knowledge of issues like leasing options and vehicle depreciation, to advise clients on issues including vehicle replacement, fleet rightsizing, and buy versus lease options. Via quarterly meetings with clients, decisions can be made that consider the cost per hour to operate specific vehicles, as well as the total cost of ownership for replacing older vehicles with new ones.

“When we sit down with a client to advise their team, we’re looking at all the factors including total cost of ownership and the type of vehicles that meet their productivity and operational needs,” says Polk.

For clients of Kenco’s MHE fleet services, cloud-based access to fleet and asset lifecycle information is provided. Users can leverage a dashboard view or summary reports, and via the dashboard, managers can drill down into detailed data. Additionally, the software provides comprehensive information on costs down to the unit level, and other lifecycle analysis tools. The software also tracks vehicle utilization, as well as abuse incidents and trends.

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“The data repository underneath is infinitely drillable,” says Polk. “You can go down to as much detail as you would like, all the way to the individual serial number or asset level or stay at a more summary level and network-wide view. The data is constantly being refreshed, so you can understand your costs at any point in time.”

By contrast, most companies with MHE fleets only have a rough, “rear view” mirror understanding of costs. If they have fleet management software, it might be limited in scope, perhaps giving repair history and costs, but lacking in lifecycle analysis tools, or insights on how and where

particular assets are being utilized.

“We are creating a realistic, in-depth view of how your trucks are being used, when they are being used, and how those trends match up with seasonal activities and capacity needs, to help make decisions on how and when to possibly downsize the fleet, or conversely, when it might make sense to reduce the fleet but have some extra vehicles available for busy periods of time,” says Polk. “So, rather than just looking at one subset of data, we’re providing all the maintenance, operational, asset lifecycle analytics needed to optimally manage your fleet.”

When combined with Kenco’s experts who regularly advise clients, the technician and maintenance experts on site, and the software data repository, partnering with Kenco for MHE fleet services amounts to a continuous improvement program for your fleet, notes Jeff Burns, president of Kenco Material Handling Solutions.

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— Allen Polk, vice president of sales for Kenco Material Handling Solutions

“Our services do deliver on continuous improvement for the fleet because you are getting a realistic, in-depth view of how your assets are being serviced, repaired and used,” says Burns. “Through the information we provide, and regular meetings to advise on asset lifecycle decisions, you can be confident in having a total approach to fleet management.”

CHOOSING A FLEET SERVICES PROVIDER:

FOUR ESSENTIAL QUESTIONS TO CONSIDER

Much like most consumers have professional repair shops maintain their cars, many industrial companies outsource servicing of lift trucks and industrial vehicles to a dealer or third-party fleet services firm. In fact, according to *Modern Materials Handling's* "2017 Lift Truck Acquisition & Usage Study" conducted by Peerless Research Group, most respondents either outsource lift truck services to a dealer or a fleet services contractor.

But when making that outsourcing choice, what are the key capabilities an enterprise needs from the material handling equipment (MHE) fleet service provider? Here are some key questions to consider:

- 1** *Is the fleet services provider able to assign onsite or closely located technicians—the feet on the street experts that keep the fleet running reliably with minimal response time?*
- 2** *Can the services partner provide comprehensive online visibility into fleet costs and maintenance trends, with drill downs into useful data such as cost per hour by asset? And, can they do it without a complex software implementation?*
- 3** *Can the partner provide a total package of services spanning from repair and upkeep of existing assets, to reports and information visibility on fleet costs, to asset lifecycle analysis, planning, and consultation?*
- 4** *Are the services brand agnostic with technician vehicle expertise across multiple brands and types of vehicles?*

Kenco Material Handling Solutions fleet services offering spans all the capabilities needed in a total solution. It's not just fleet management software, or technicians with expertise in one brand, or consultation around when to replace assets, but a total package of services, lifecycle consultation, and information access.

CASE STUDY: Sealed Air

Kenco's MHE fleet management solution saves customer \$1.2 million in first year

OVERVIEW: Kenco Fleet Services developed an integrated fleet management solution, resulting in overall savings and improvements to the fleet and maintenance programs. Kenco has been a trusted partner to Sealed Air since 2014, providing value-added warehousing services at two of their distribution facilities. That same year, Kenco extended its partnership with Sealed Air through a complete MHE fleet management solution across their manufacturing network.

CHALLENGE: As a major packaging supplies manufacturer in the US, the client was spending \$4.5 million annually for maintenance on an aging forklift fleet. They had decentralized fleet management, with minimal corporate visibility and reporting. Kenco stepped in to reduce equipment and maintenance costs by using a combination of in-house and shared technicians, as well as the introduction of equipment leasing in place of purchase.

SOLUTION: Kenco initiated the process by centralizing the MHE management to increase overall spend visibility. Expanded data tracking also helped identify aging high-cost equipment to phase out and replace with newer units, lowering maintenance costs. Kenco accomplished this by visiting the customer's facilities and performing inspections on all the existing material handling equipment. They then provided a detailed list of service items to be addressed to bring the equipment up to standards. Kenco proposed a variable technician labor solution to encompass the customer's diversified location profile.

Kenco's in-house service includes the following for each customer:

- Dedicated, certified, trained technicians per shift with additional backup technicians as needed
- 24-hour call list for emergency situations
- Material Safety Data Sheet (MSDS) documentation of all hazardous materials used on site
- Adherence to OSHA guidelines

Kenco currently handles equipment and maintenance for 28 sites in the customer's network across the U.S. The dedicated team for this network consists of 15 quality technicians that provide maintenance for roughly 750 pieces of equipment.

RESULTS: Within the first year alone of fleet management with this customer, Kenco decreased MHE spend by \$1.2 million, or 26%. The combination of Kenco's industry expertise, replacement of the fleet, and a standardized maintenance program continue to provide tangible value for the customer.

Total fleet management insights from Kenco's Jeff Burns

Fleet management is a multifaceted challenge that hinges on better information visibility. Jeff Burns, president of Kenco Material Handling Solutions, explains which fleet-related data companies typically lack visibility into and shares Kenco's approach to providing a total solution.



Q: Most warehouses rely heavily on a fleet of material handling vehicles to get orders out the door and keep inventory moving and in the right locations. Do most warehouses have a good handle on the productivity and cost of their fleets?

A: No. Since 2010 we've only encountered one Fortune 500 company that had a good handle on the productivity and cost of their fleet. During that time, we have asked the same question to over 25 Fortune 500 companies, and each of them say 'we have no idea or we have limited knowledge of the productivity and cost of our fleet.'

Q: If there is a lack of visibility into fleet effectiveness and cost, what are the most prevalent areas operations lack visibility into?

A: The total number and location of the units they own, lease and rent; the actual expenses required to maintain their fleet; the utilization of their fleet; and the financial impact of end-of-lease penalties based on over usage of their units.

Q: From the decision-maker perspective, why bring in a third party for fleet services when you already have internal maintenance people, dealers and vehicle OEMs to rely on for various aspects of fleet operations?

A: Visibility is the key for fleet services. It's true each of the mentioned means for overseeing a fleet can get the job done; however, the customer lacks visibility

because they have no means to collect the data. OEM dealer networks create blind spots for the customer because the networks are usually segmented into protected territories through independent dealers.

These independent dealers have no incentive to share data with the customer when their goal is to invoice the maximum amount possible. If the customer is managed via the OEM's National Account Department, then again there's no incentive for the OEM to share data because their goal is to sell units. In the end, the customer is left unaware of the health and cost of their fleet.

Q: What are the key characteristics or types of expertise an enterprise should look for in a fleet services partner?

A: Fleet management software; industry expertise; scale or the capabilities to service nationally; demonstrated brand neutrality; and transparency.

Q: How do you respond to IT executives who say: 'I don't want another IT system to install, maintain, or generate custom reports for.'

A: The answer is simple: Our system is maintained by Kenco's IT staff, data is collected through our technicians and it's web-based. Customers can elect to have their reports sent to them or we can provide a login so they can access the reports as they need them.

A technician with a beard and a Kenco cap is working on a piece of material handling equipment. The technician is wearing a dark grey t-shirt with the Kenco logo and a black cap with the Kenco logo. The background shows a workshop setting with various tools and equipment.

MAKING THE CASE: Top outcomes from total fleet management

Material handling equipment (MHE) such as lift trucks and order pickers are so essential to operational throughput that the default attitude toward MHE fleet assets is to fix them as quickly as possible and deal with costs later. That may keep operations going, but it can lead to spiraling MHE fleet costs.

The opposite approach would be to make wholesale cuts in the MHE fleet and retire assets based on rules of thumb, like year of a vehicle. But that too can be a faulty strategy, since some similarly aged vehicles may see many more hours of use per year than others, while some newer models may be exhibiting unusual rates or breakdown for certain parts.

Better information is the answer for optimal MHE fleet management. With the right information and insights on MHE fleet assets and utilization, much better outcomes are available. A comprehensive approach to fleet services and information management keeps all stakeholders happy, from a CFO looking at costs, to maintenance and

safety directors, to the supervisors and operators on site who rely on the equipment to meet throughput goals.

“Most fleet services clients are after three main objectives: reduce costs; improve operational efficiencies; and drive safety,” explains Allen Polk, vice president of sales for Kenco Material Handling Solutions. “All three of these goals require better data and information insights regarding MHE fleets and equipment lifecycles, and experts to make decisions on the data. Our clients understand their productivity needs, but they often lack insight into maintenance cycles, repair frequencies, and other asset lifecycle issues so that they can quantify the cost impact and see the effects of fleet health on productivity,” says Polk.

With this interplay of asset health, fleet costs and operational needs in mind, here is how comprehensive MHE fleet services and information management can benefit an enterprise:

A comprehensive approach to fleet services and information management keeps all stakeholders happy, from a CFO looking at costs, to maintenance and safety directors, to the supervisors and operators on site who rely on the equipment to meet throughput goals.

Cost savings via visibility into maintenance and asset lifecycle trends. Because Kenco gathers all maintenance data and provides insights into trends, companies can make informed decisions about fleet rightsizing, replacement cycles and new types of equipment to bring in that match up with changing material handling requirements. Information allows clients to optimize the size and makeup of the fleet and bring in new equipment based on total cost of ownership (TCO) insights for specific types of vehicles.

Greater awareness and control over abuse and safety incidents. Kenco's data repository underpinning its fleet service constantly gathers data on abuse incidents which cause any damage to vehicles, with summary trends on abuse and safety provided to clients. This allows supervisors or safety directors to take appropriate actions to reduce incidents.

Operational efficiencies: Comprehensive fleet services can aid operational performance in multiple ways. Kenco's on-site or very close by maintenance technicians ensure repairs happen quickly, which minimizes downtime. Advice and insight on the proper size of the fleet and the type of vehicles needed for existing and emerging material handling tasks ensures a lean, cost-efficient fleet that can meet all operational needs. Perhaps most important, data-driven insights into downtime trends helps pinpoint when aging assets should be replaced so that frequent repairs do not threaten operational performance. Kenco's software for its technicians also ensure technician dispatching and workflows are done efficiently, saving labor on fleet maintenance versus paper-driven maintenance processes.

For procurement executives and C-level executives, outsourcing MHE fleet management and information visibility to material handling experts drives savings and operational stability, while also ensuring that best practices around maintenance are shared enterprise wide, concludes Polk.

"When fleet processes are being handled locally or by multiple partners, it makes it difficult for best practices to be shared from facility to facility," says Polk. "We're able to bring all those best practices and information trends together for our clients. As a result, our clients can concentrate on their business objectives, knowing that the material handling vehicle fleet is in the hands of experts, and that they have the visibility they need into ongoing costs."

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TO FIND OUT MORE ABOUT WHAT KENCO CAN DO,
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