FORKLIFT TRUCK COSTS

It's Time To Stop The Bleeding

As 2010 draws to a close, many of us will be in the middle of budgets as we look forward into next year.

For all businesses, the objective of any new budget is to lay out a plan for improved profitability and growth. Occasionally, the objective is about finding a way to lessen the losses and protect the flag.

Either way, 2011 should be looked at as an opportunity to improve the bottom line by making strategic moves that are different from those of 2010.

When market conditions make it difficult to grow sales, cutting operating costs will almost always generate profit more efficiently when compared with efforts made to increase market share.

As an example, let's look at forklift trucks for a moment. Many businesses have them and most of these businesses wish they could eliminate them.

Why?

Because every dollar spent on forklift costs equates to one less dollar available for profit. Profit is hard to come by these days.

For whatever reason, forklifts are one of those products that many people don't really understand or care to relate to and so their costs often fly under the radar. They are often looked at as the "necessary evil".

Ask 10 managers what they've spent so far in 2010 and I would be willing to bet that most wouldn't know. Even fewer managers would know how much their forklift fleet is costing them per operating hour. Furthermore, they would likely have little in the way of statistics to illustrate whether they had too few, too many or just the right number of trucks to suit current business conditions.

The following list may help make expose you to some of the areas that make up the total cost of forklift ownership.

A List of the 15 Most Common Forklift Costs

- Depreciation or lease payment
- Interest or lease payment
- Planned maintenance
- Repair maintenance
- Operator damage maintenance
- Tire replacement maintenance
- Operator wages, benefits & WorkSafeBC fees
- Fuel
- Productivity losses from excessive downtime
- Return on asset losses as a result of low asset utilization or an incorrectly configured fleet
- Insurance & related liability exposure
- Management time to scrutinize & approve invoices, resolve disputes, decide when to upgrade, shop vendors & negotiate new acquisitions
- Emissions and their potential negative effect on employee health and productivity
- Clerical time to issue PO's, match PO's with the vendor invoice, issue vendor cheque, mail cheque & file documents
- Operator training

If these areas have been neglected in the past and if corrective action is taken today, many of the cost items listed above can potentially yield significant future savings.

Now might be the perfect time to stop and take stock of the company's forklift assets to see whether they are contributing in a positive or negative way and whether they are well positioned to help achieve the company's profit goals of 2011 and beyond. Regardless of whether you operate (1) truck or (1,000) trucks, the same principles of fleet management apply where the effort to make changes will be worth the reward.

It all starts with an on-site fleet assessment by an experienced professional that specializes in forklift fleet management. In a highly technical and application driven business, forklift industry experience can be directly related to the quality of the analysis and recommendations proposed, so make sure you find the right person for the task at hand.

Want to know more? Contact Scott McLeod, President of Fleetman Consulting Inc.. Scott is the owner of an Independent Forklift Asset Management Company based in South Surrey, BC. You can reach Scott by calling him at (604)614-3530 or by email at smcleod@fleetmanconsulting.com. Client testimonials can be viewed on their website at www.fleetmanconsulting.com.

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