

ASSOCIATED *advantage*

PROVIDING INNOVATIVE SOLUTIONS WHICH OPTIMIZE STORAGE AND ORDER
FULFILLMENT WITHIN THE SUPPLY CHAIN

Recruiting, Retaining & Rewarding Your Supply Chain Workforce

In the last five years we have been bombarded with dramatic changes in our business and economic environment. Companies across all industries have faced the challenges of the recession, and the survivors have learned how to do more with less. But that approach has a downside as the economy moves toward recovery and as a labor deficit looms on the horizon.

As a business manager, you need to be aware of how shifts in the supply chain labor market will affect your business, and your workforce, in the next few years. To be successful in recruiting new employees, retaining top performers and improving overall labor performance levels, you must be able to respond to a new workplace reality:



- **Lower Quality in Available Labor Pool.** The quality of the available labor workforce has diminished as a result of companies releasing their unskilled or low producers during the economic crash in order to right-size their business.
- **Reduction in Total Labor Pool.** While the unemployment rate is higher than historic norms, there is a gap between the number of retiring baby boomers and the number of new talent entering the labor pool.
- **Rising Health Care Costs.** The impending changes to health care regulations will introduce a new economic strain on businesses of all sizes. 49% of manufacturers and distributors expect benefit costs to rise by 4% to 9% in just the next 12 months.
- **Decreased Employee Loyalty.** With wages being suppressed and two-income families becoming single income, the workforce will move at will for higher wages. Voluntary employee turnover rates continue to edge upward, and currently stand at over 14% for distribution/warehouse and manufacturing functions.

Since labor is typically the single largest line item on an operation's P&L, it can have the largest net effect on your overall cost to do business. Labor Management Programs have typically been utilized as a way to control or reduce this expense through the implementation of improved processes and engineered standards, and by giving management visibility to key performance indicators.

It seems clear that Labor Management Programs will increasingly become a necessity for companies in all industries, not only to address the workforce issues businesses are facing today but to forge ahead into the future. The name of the game is not just "How many people do I need?" or "How well are my people doing?" but also "How do I attract and retain top-level talent?" Employees are your number one asset and without them, little to nothing gets accomplished. But one-third of distributors do not consistently find the skilled employees they need. Therefore, attracting and retaining top-level employees will be vital to running a competitive and cost-effective supply chain in the years to come.

How can you leverage a Labor Management Program to address these issues and make your company more attractive to prospective employees, while creating a better place to work for your existing employees?

The competition for labor resources is heating up: 62% of manufacturers and distributors plan to increase employee levels in the next 12 months. As an employer faced with reduced labor quantity, rising benefit costs and decreased loyalty, you may have less and less ability to define the workplace; rather, your current and prospective employees may be calling the shots. If you aren't currently utilizing a Labor Management Program, it will be increasingly difficult to recruit, retain and reward the best supply chain talent. If you are using Labor Management today, you should expand how you're using it to enhance your value proposition for employees and offer the defined goals, training, incentives and recognition required by tomorrow's workforce.

For more information recruiting, retaining and rewarding employees please download our white paper at, www.associated-solutions.com/whitepapers

This article was brought to you by TZA, www.tza.com

Lift Truck Fleet Replacement Strategies

What You Are Not Doing Could Be Costing You Time and Money

Most car owners know to change the oil, replace the filters and get regular tune-ups to keep their vehicles running reliably. When an older car becomes too costly to repair, the owner needs to evaluate whether it's time to purchase a new one. The same is true for industrial lift trucks.

Why are fleet replacement strategies so important? First, they help to minimize unexpected downtime while working to maximize productivity. For example, an older truck may need more frequent and costly repairs which can result in more downtime than you can afford to have. Secondly, not having an effective fleet replacement strategy can result in increased equipment, labor, maintenance, energy and insurance expenses. Further, industry surveys have found that many companies without documented replacement strategies for their lift truck fleet tend to have 10%-20% more lift trucks than needed. For most companies, reducing just one lift truck from their fleet would conservatively save over \$30,000 a year in labor and other operational costs.

How do you properly determine when your lift truck has reached the end of its economic, not functional, life span, otherwise known as the economic point of replacement? Some companies use age and operating hours to determine when to replace lift trucks because this is the easiest information to collect. However, many times this does not give an accurate depiction of the fleet or corresponding costs.

Over the past few years, more robust methods have been developed to accurately understand your fleet costs and allow the creation of an effective fleet replacement strategy. Examples include:

- Ownership vs. Maintenance Costs Analysis
- Age / Technology Obsolescence
- Total Hours
- Costs (Lifetime or YTD)
- Utilization
- Weighted Factor Models

Many companies do not have an effective fleet replacement strategy simply because not everyone has the tools, time and/or expertise to collect and analyze this information. Luckily, there are fleet management programs and software in the market today specifically designed to help companies measure and analyze this information to save both time and money.



Write Off Your Capital Equipment Purchases

2013 Fiscal Cliff Deal

The 2013 Fiscal Cliff Deal has key tax saving provisions for U.S. businesses that could save you money on capital expenditures.

50% Bonus Depreciation Extended

- For 2013, 50% bonus depreciation on new equipment purchases is allowed. Unlike Section 179, there is no cap on the amount of equipment that can be depreciated.

Section 179 "Small Business" Expensing Increased

- The Section 179 expensing allowance is boosted to \$500,000 for new and used equipment purchases ordered and placed in service between January 1, 2013 and December 31, 2013.

What does this mean for your business? This is translated to positive cash flow by reducing federal income taxes for 2013! Qualified capital expenditures include but are not limited to lift trucks, warehouse systems and inventory storage equipment. The capital asset must be placed in service before December 31, 2013 to qualify for either tax treatment.

Here is how the new provisions could work for you:

Let's assume that ABC Company purchased new equipment and systems totaling \$800,000. Under the new law, ABC can write off \$671,000 or 84% of the assets in the first year by combining Section 179 expensing, 50% bonus depreciation and regular depreciation.

Section 179 Deduction	= \$500,000
PLUS 50% Bonus Depreciation on remaining basis	= \$150,000
PLUS 14% on 1st year basis (\$150,000)	= \$21,000
TOTAL First Year Deduction	= \$671,000

* Example assumes a 7 year asset depreciation class



Changes to Industrial Truck Standards

New Guidelines for Personal Fall Protection Systems

According to OSHA, falls are among the most common causes of serious work related injuries and deaths.

To help avoid accidents, employers must set up the work place to prevent employees from falling off of overhead platforms, elevated work stations or into holes in the floor and walls. OSHA requires that fall protection be provided at elevations of four feet in general industry workplaces.

In addition to OSHA current guidelines, recently the American National Standards Institute (ANSI), in partnership with the Industrial Truck Standards Development Foundation (ITSDF), made some modifications to its Standard for Low and High Lift Trucks as it relates to the requirements for Personal Fall Protection Systems.

The new ANSI / ITSDF B56.1 – 2012 Safety Standard for Low and High Lift Trucks contains provisions that apply to high lift trucks designed to lift personnel such as the Order Picker and Swing Reach Trucks. These models require a fall restraint means such as a guard rail system or a personal fall protection system.

This new standard, which will go into effect 2/23/13, defines the appropriate personal fall protection system based on the operator's weight. Under this new standard, fixed length tethers are no longer allowed as under prior versions of the standard. It also states the truck's capacity shall be reduced by the operator's weight in excess of 220 lbs.

The complete ANSI / ITSDF B56.1-2012 Standard is available for free at www.itsdf.org. For your convenience, a modified excerpt from the Standard is set forth below:

Fall Protection / Prevention Device	Operator Weight					
	<200 lbs.	220-310 lbs. (1)	311-400 lbs. (1)	>400 lbs. (1)		
Body Belt	X				Contact your local Lift Truck Distributor	Contact your local Lift Truck Distributor
Full Body Harness		X	X	X		
Energy Absorber - max total length (6ft)			X	X		
Self-Retracting Lanyard	X	X		X		
Maximum Arresting Force Permitted (lbs.)	900	1800	1800	1800	1800	
<i>(1) Truck capacity shall be reduced by the operator(s) weight of 220 lb.</i>						

Remember, one mistake when working at heights can result in a fatal accident. Always wear the appropriate fall protection.

Associated University Presents...

Fleet Optimization: Turn Data into Actionable Reports that will Save You Money

Wednesday, April 10, 2013, 12:00 PM - 1:00 PM CDT

It is the problem of every operations manager today; how to do more with less. Many companies are under pressure to cut costs but still maintain output. One area that has significant cost saving opportunities is through optimizing existing material handling systems and equipment.

The first step to realizing these cost benefits is to understand your lift truck fleet "Risk Factor" by obtaining seven key pieces of information. Once the information has been collected, the next step is to understand how to use it in a way that will provide you with the metrics that are associated with cost drivers in your fleet. If done correctly, companies can effectively reduce down time and maintenance costs. This information can also extend product life cycle, and decrease capital expenditures.

If you would like to learn more about how to identify cost drivers in your lift truck fleet, then join us for this FREE educational webinar.

This webinar will provide you with additional insight into industry metrics, including:

- How to create an equipment list that will provide you with the appropriate data to manage your lift truck fleet costs.
- Metrics that will help you determine cost drivers, including Cost Per Run Hour
- How to identify and segment cost drivers into truly actionable reports.

From the real world perspective of an experienced industry expert you will gain insight into the latest fleet management trends that can impact your bottom line.

To register for this event, please visit: www.associated-solutions.com/register



ABOUT ASSOCIATED:

Celebrating over 50 years of providing customers with innovative solutions that optimize storage and order fulfillment operations within their supply chain, Associated understands that handling materials in the supply chain should be more than material handling. By utilizing their unparalleled experience and industry best practices they are able to evaluate current methods and processes for storage, order fulfillment, labor and equipment utilization and recommend practical strategies to enhance its effectiveness and reduce overall cost.

Featuring leading edge engineering, fleet management and labor optimization services to complement industry leading sales, service, rentals and parts, Associated has been the recipient of multiple awards in recognition of being a premier organization in the material handling industry.



Innovation • Sustainability • Reliability



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Want More Edge?

ALL of our Past Associated University Webinars are Posted to our Website!

Associated University was designed to provide supply chain management professionals with access to information on practical solutions concerning the industry's current hot topics.

With live, frequently-held educational sessions hosted by supply chain thought leaders, this resource creates an interactive community that enables professionals to gain access to information covering today's most relevant supply chain management challenges and technologies. In addition to these sessions Associated University offers tools, articles and discussions aimed at providing you with a vast library of resources to utilize.

Visit our web page at www.associated-solutions.com/au to view past webinars such as:

- Improving Warehouse & Distribution Labor Productivity
- Understanding OSHA Regulations & Required Training for Powered industrial Truck Operators
- Impact Your Bottom Line by Reducing Energy Costs

