

Associated *advantage*

PROVIDING INNOVATIVE SOLUTIONS WHICH CREATE SUSTAINABLE VALUE FOR
THE STORAGE AND RETRIEVAL OF INVENTORIES WITHIN THE
SUPPLY CHAIN

The Problem Could Suggest the Solution

“Form follows function” is a saying that has long been used in design. The origin of the phrase is traced back to the American sculptor Horatio Greenough, but it was American architectural giant Louis Sullivan who adopted it and made it famous. Sullivan developed the shape of the tall steel skyscraper in late 19th Century in Chicago at the very moment when technology, taste and economic forces converged and made it necessary to drop the established styles of the past. If the shape of the building wasn't going to be chosen out of the old pattern book something had to determine form, and according to Sullivan it was going to be the purpose of the building. It was “form follows function”, as opposed to “form follows precedent”.

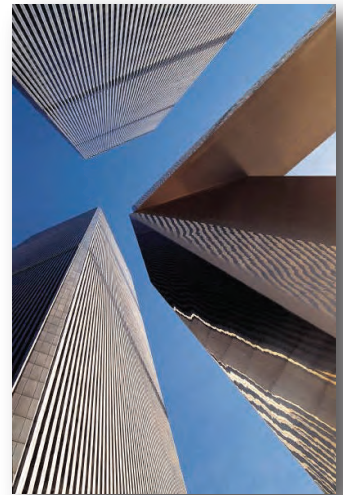
As Sullivan observed, every problem suggests a possible solution, the trick is to choose the right solution, to match form and function. For example, today many companies are faced with the necessity to optimize storage capacity and order fulfillment processes while reducing their overall operating costs. However, industry surveys confirm that 94% of companies do not monitor costs associated with their lift truck fleet, even though many times this can be the source of inflated costs and inefficiencies because there is little insight into the true drivers of maintenance and operational expenses.

This situation is further complicated as few companies have mechanisms to determine fleet replacement timing or equipment utilization. As a result, lift truck fleets increase in size with the addition of supplemental rather than replacement units. Cost increases in maintaining the inefficient older equipment are compounded by the price of supplemental equipment and certainly the required costs to operate and maintain those units.

Now to solve these problems many companies turn to conventional methods for minimizing these costs such as parts and labor discounts from their local supplier, scheduled maintenance programs and independent/in-house mechanics. However, many times these solutions do not provide long term or meaningful savings because they camouflage and ignore the systemic issues.

Instead of applying these conventional band aids to solve long term problems let's go back to Sullivan's basic design principle of “form follows function”. Many times the true problem lies in the utilization of the equipment and productivity constraints that result from inefficient dispatching, operator training, inventory slotting or order packaging. By appropriately addressing these areas to find the right fleet size and mix will ultimately help you to solve one of your most critical problems of optimizing your storage capacity and order fulfillment processes while reducing your overall operating costs.

Although every operating environment is different, the same principal that Sullivan coined in the 19th Century to construct skyscrapers can still be applied to companies today. “Form follows function” simply means that you must first understand what roll or function each truck in your fleet will need to fulfill in order to determine what type of equipment you need. In essence if you start with function everything else will fall into place.



Energy Efficient Warehouse Lighting

Hidden Opportunities for Cost Savings

The large, open spaces of a warehouse building or distribution center require proper lighting so items can be identified and workers can navigate through aisles easily, reducing the risk of accidents and damage. As a result lighting may account for 50%-80% of on site electric bills for warehousing facilities.

However, by installing a new energy efficient warehouse lighting system it is possible to make electricity savings up to 80% without compromising on the necessity for adequate lighting. This is due to a large amount of energy being wasted with some current warehouse lighting systems.

An older warehouse building lighting system will typically consist of several "high bay" or "low bay" lighting fixtures that use high intensity discharge bulbs rated at 250-400 watts. A warehouse lighting system that uses outdated lighting fixtures will be inefficient due to a combination of the following factors:

- **Hidden energy consumption** – Older light fixtures that use 400 Watt rated bulbs actually consume between 420-480 Watts due to the extra energy requirement for the magnetic control ballast. This means an extra 5%-20% of energy is consumed.
- **Using lights constantly at full power setting** – Older HID and fluorescent lighting fixtures cannot be dimmed or switched in response to area occupancy or the presence of daylight. This could mean that a large energy saving opportunity is being missed.
- **Using lighting when not required** – the lighting in a warehouse may have a default setting of full power in all areas and aisles during the working day or even a default 24 hour setting regardless of working shifts.
- **Light loss in older fixtures** – Older lighting fixtures may be very inefficient at directing light where it is needed and thus preventing large levels of illumination reaching working surfaces. This means there may be more fixtures than required to achieve the required lighting levels.

When the losses are added up, the annual energy wastage from an older warehouse lighting system can run into tens of thousands of pounds per year.

The latest warehouse lighting systems address the above issues and make it possible to achieve an 80% energy saving and provide other operational benefits.

For more information on energy savings and the tax benefits associated with them please visit, www.energytaxincentives.org



Single Sourcing Parts

Lower cost parts could cost more in the long run

Businesses today are looking for any opportunity to reduce operating costs and drive more profits to the bottom line. One area receiving attention is the cost of replacement parts associated with lift truck maintenance. Many businesses spend a significant amount of time and money searching for the lowest cost "will fit" part. But is that lower cost non OEM part providing the best value?

Original equipment manufacturer (OEM) parts carry the same engineering standards and quality as parts used at time of manufacture. OEM parts ensure that the vehicle will perform to the safety and reliability standards the factory engineers intended when designing the vehicle. Further, the availability of these parts from OEM authorized dealers insures maximum equipment uptime.

An alternative to OEM components are parts supplied by aftermarket suppliers. These suppliers provide mostly "wearable" or common parts only, and are often sold below OEM prices. The price differential can be attractive at first and some of the components truly seem identical to the OEM components. However, many aftermarket parts are not the same quality and may not perform to OEM specifications. As a result there are instances in which original cost savings will be offset by shorter useful life of the part.

Today, OEM authorized dealers have recognized what is required to be a single source parts supplier. These dealers have aligned themselves with quality aftermarket suppliers to provide efficient and economical options for the customer. Customers can therefore have a single source to provide all parts for their equipment. The resulting time and money savings together are greater than the costs of working with multiple suppliers.

Dealer single source programs will not only satisfy the business goal to reduce operating cost but also provide the peace of mind that the business goals relating to safety, performance and reliability can also be satisfied.



Safety Corner

OSHA Increases Safety Enforcement

According to the U.S. Department of Labor's Occupational Safety and Health Administration (OSHA) more than 4.6 million workers are seriously injured on the job annually. In an effort to address these urgent safety and health problems facing American workers today OSHA is implementing a new Severe Violator Enforcement Program and increasing civil penalty amounts.

This supplemental enforcement tool includes increased OSHA inspections at worksites, including mandatory OSHA follow up inspections, and inspections of other worksites of the same employer where similar hazards and deficiencies may be present.

There are many steps your company can take to make certain you comply with OSHA guidelines. One of the first steps is to ensure proper safety training for all employees. Improper training is at the core of many accidents and safety violations. For example, last year, Powered Industrial Trucks was one of the top 10 most penalized standards, with OSHA handing out 3,478 citations (1,200 of those for improper training). According to OSHA, the majority of these accidents are caused by operator error.

The OSHA standard for Powered Industrial Trucks is performance oriented, which allows you to tailor your operator training program to the specific characteristics of their workplace and the types of powered industrial trucks used.

OSHA 1910.178 Powered Industrial Trucks mandates three specific things from employers:

1. Operators must be trained on the type of truck, or trucks, they operate on the job.
2. Operators must be trained in the environment in which they work.
3. Operators must be evaluated and certified in both functions by a qualified trainer.

Properly training your powered industrial truck operators is not only required by the law, it will help your company reduce injuries and property damage that result from lift truck accidents. To find additional information on OSHA compliance regulations please visit their website at, www.osha.gov



Associated Partners with Northern Illinois University

Increasing Awareness about the Material Handling Industry

In an effort to increase awareness about the material handling industry, Associated Material Handling (Associated) has partnered with Northern Illinois University's (NIU) Executive MBA program (EMBA) as the real world company for the student's Project Consulting class. This course is designed to provide students with the ability to apply their first year EMBA education to a real-world project.

Over the course of this three week project, thirty-three students were asked to develop a comprehensive business strategy for two of Associated's operating divisions. To accomplish this task, students studied the material handling industry and worked with Associated's management team to learn about the industry and the company. At the culmination of this project they presented their findings and corresponding strategies to their fellow classmates, professors and a panel of Associated employees including, Michael B. Romano, President/CEO.

"We are grateful to Associated for allowing the students the opportunity to work with them" said Ann E. Carrel, NIU MBA Program Director. "NIU's relationship with Associated was an essential factor that made this EMBA course and these presentations a success."

For many years Associated has partnered with educational institutions to further educate emerging decision makers and future talent about the material handling industry. However, NIU's EMBA program offered a unique opportunity because of the team approach that is used to allow for the sharing of diverse ideas from various perspectives. This interaction resulted in a challenging and stimulating learning experience for both the students and Associated in that it provided an unique perspective on the material handling industry and the business.

"In addition to the great ideas and valuable insight these students provided us with, NIU's Project Consulting class served as a platform to create awareness and appreciation of our industry. Increasing exposure to the academic community will ultimately help ensure the availability of a continuing pool of people that will sustain the industry's growth and bring new, fresh ideas. The industry must also continue to focus on the academic community to educate future decision makers as to the value it brings to the buyers and users of our products and services," said Michael B. Romano, President/CEO, of Associated Material Handling. "We are grateful for the opportunity to work with NIU in this mutually beneficial endeavor"



About Associated Material Handling Industries, Inc.:



Founded in the Chicagoland area in 1960, Associated-Allied serves its customers from six locations covering six states in the upper Midwest. Its 300+ employees proudly represent Raymond Narrow Aisle Lift Trucks and related material handling storage and picking solutions. Associated-Allied's mission is to provide its customers with innovative logistics solutions that create sustainable value within their supply chain. They have become a leader in providing superior, cost effective material handling equipment, systems and support that optimize space, increase customer productivity, enhance safety and reduce costs. Featuring leading edge engineering and fleet management services to complement industry leading parts, sales, service and rentals, Associated-Allied has been the recipient of multiple awards in recognition of being a premier organization in the Material Handling Industry.



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How Can We...

Serve You Better?

Our goal at Associated is to provide you with innovative logistics solutions that create sustainable value within your supply chain. It is important to us that all of our customers receive prompt, efficient, courteous and professional attention. To help us determine how we can improve in these areas, at the beginning of August we will be sending you a Customer Satisfaction Survey. We ask that you take a few minutes to answer some questions about our service and how we can better serve you.