

Case Study- For Hire Reefer Core Process Assessment and Cost Analysis

Issue

This 500 tractor/trailer refrigerated fleet operates nationwide but primarily functions in the Midwest to west coast. It is a successful family owned business managed by the third generation. Over time it has allowed substandard procedures and performance to undermine its core competencies. As a result several significant cost categories had evolved into higher than expected ranges.

Scope

The objective of this assessment was to identify and focus our attention on critical processes, procedures, compliances, metrics and opportunities for Lean that have the potential to move the business toward excellence and World-Class performance.

Approach

A "Fleet Assessment" was conducted by identifying ALL transportation costs and translating them into benchmarks that were compared to credible national statistics. A procedural review was conducted within each key function to verify and broaden the issues identified in the initial assessment process.

Results

Significant opportunities were found in each of the eight core categories analyzed.

- Accountability was established. KPI's were assigned to each job function.
- Communications were recommended for real time data tracking.
- Equipment trade cycle smoothing will normalize the demand for maintenance. Create vendor partners en-route.
- Accident performance was analyzed during a follow-up compliance review. Initial hiring standards were enhanced and daily management control was established.

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PROJECT PROCESS

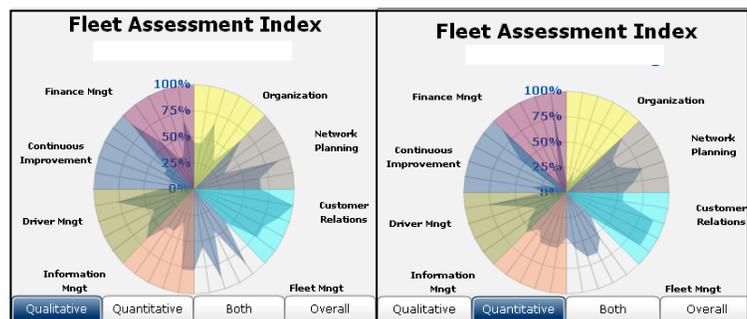
Assessment:

Using results of a *Fleet Assessment*, a variance from benchmark review was used to identify cost categories outside of typical industry ranges. The last phase them analyzed these major cost categories for practical action plans.

Major initiatives recommended:

- A strategy plan with general expectations must be formulated by Henderson's owners and management team. It will also reflect the 3 "Must Do / Can't Fail" business imperatives of Growth, Productivity and Safety.
- Available systems must be leveraged to present the data in usable informational formats, at exactly the right time, to exactly the right people.
- Create and nurture a culture of continuous improvement. Optimization of resources is encouraged by daily continuous improvement mentality in all employees. Identify non-value activity and significantly reduce or eliminate all forms of waste and variability.
 - Focus on people and process
 - Fix the Lease/Purchase program
 - Miles per truck is low and downtime is HIGH. Find out why and eliminate the root-cause problems.
 - Create a trade cycle for all equipment (trucks and trailers) that more evenly distributes cash flow and the ability to maintain the equipment properly.
 - Create a departmental budgeting process that requires participation from all department heads

Fleet Assessment Index*



The *Fleet Assessment* was used to define and to begin to measure the score of the project. Eight core "pillars" representing 40 attributes of world class transportation were scored quantitatively and qualitatively.

National benchmarks for private fleets were embedded into the applicable quantitative attributes. During the interactive scoring process these benchmarks were compared to actual business unit costs.