



AMERIFLEET WHITE PAPER SERIES:

Seven Ways that Working with
Safety Minded Partners Can Impact
Your Business and Bottom Line





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Safety

Without question, it's the most important aspect of operating in the fleet space — period.

No matter who you are — or what kind of business you operate — safety is the cornerstone of success. Not just for big fleet management companies, but for the suppliers, vendors and partners who work with them on a regular basis. After all, if a fleet is going to be completely safety-focused, then it has to choose partners and vendors that operate with the same emphasis on safety as well.

But, have you ever thought about the ramifications of operating without a complete focus on safety and compliance?

And more important, have you ever considered the true costs of choosing partners or vendors without longstanding safety protocols, comprehensive training and strict adherence to compliance? Or about the many ways — both obvious and not — that your fleet can be impacted by a supplier that isn't completely safety focused?



Your Vendors, an Extension of Your Business

Like it or not, it's a fact that — in most cases — your vendors and suppliers are seen as an extension of your fleet. That's because in most states, companies are directly liable for the actions of vendors operating on their behalf, and that can result in consequences that can affect your fleet and its bottom line in some very real and significant ways.

1 Financially

According to the federal Occupational Safety and Health Administration (OSHA) American companies lose almost \$170 billion a year dealing with occupational injuries and sickness caused by safety issues. That's \$170 billion that doesn't hit these company's bottom lines, a significant figure that no fleet wants to be a part of.

Thinking of it in more practical terms, a review of Chief Financial Officers conducted by a major insurance carrier in 2012 shows that these same CFOs believe that being proactive on safety is the best way to fight the financial burdens caused by safety issues. According to the study, these CFOs believe that for every \$1 their company spends on safety training, it yields a \$2 return to a company's bottom line.

To avoid being a part of this scenario, companies need to not only institute strict safety training and guidelines of their own, but also insist on partners and suppliers that have equally stringent safety guidelines, as well as comprehensive safety training programs and an obsessive focus on compliance.

2 Indirectly

The costs related to partners that operate without a strict focus on safety are like tall sky scrapers. Just as a significant portion of a building lurks below ground, the “unforeseen” costs of operating without the strictest focus on safety and compliance can also be significant.

These costs go beyond obvious things like medical claims or damage to property and equipment. Often it can include the cost of interruption to management and key employees who have to step away from important duties to deal with issues that can arise suddenly and last longer than anyone anticipated.

But what about the costs you don’t think of — the so-called “indirect” costs?

These can include everything from production downtime and its effect on your business; overtime to make up for that downtime; and damage to your assets, products, or raw materials. Maybe it can result in sick pay, or the consequences of fines and legal costs. In worst-case scenarios, crashes caused by vendors may even result in the loss of customer contracts, and a lasting negative perception that can hurt over the long term.

But how much of an impact?

While many studies differ, most agree on one point — indirect costs are usually higher than direct costs. In a study conducted by H.W. Heinrich found that most safety violations result in a 4:1 ratio of indirect vs. direct costs — a significant hit made even more painful when these incidents are caused by outside suppliers and vendors.



3 Your Brand

For most companies, their “Brand” is perhaps the most important piece of intellectual property the company owns.

But what happens to a company when its brand is negatively impacted by operating without a complete focus on safety? Or worse, when one of its vendors causes irreparable harm to its brand by operating in a way that is dangerous or harmful?

According to a report by experts that ran in *AX Republic* magazine in 2012, the damage to a company’s brand from safety-related issues can certainly lead to conditions that can have a negative impact on its bottom line. That means — for at least some time — the loss of trust. It also often has negative effects on sales and brand equity, while diminishing positive brand association among consumers and industry stakeholders.

Perhaps even worse, when brands are damaged by unsafe partners and suppliers, any company — and fleets as well — can lose revenues; and often, the ability to optimally market and promote products, services and solutions.

As the fleet and automotive world has seen, these negative incidents have indeed had chilling effects on brands in our own space.

In two widely reported cases, major manufacturers have suffered the effects of lost financial prospects — as well as diminished brand perception — brought on by recalls and faulty equipment.

And perhaps no incident has had a more chilling effect on the fleet industry than the 2014 crash involving a major Hollywood star and a fleet vehicle, resulting in both significant monetary damages as well as diminished brand perception.

In a world where technology has shortened the distance between companies and consumers, the need to protect one’s brand has become even more heightened. By instituting and adhering to strict safety protocols — and by choosing partners with proven training programs and a strict adherence to state and federal requirements — fleets can take a major step towards safeguarding and future proofing their brand from negative perceptions and unnecessary damage.

4 Insurance

According to OSHA, companies with formal training programs generally have higher safety ratings than companies without these robust safety protocols.

But what does that mean for fleets, and how can it impact their bottom line?

Perhaps most important, safety-minded companies with high safety ratings pay less money for better liability coverage than companies with lower ratings, essentially giving them the pick of the best insurance coverage at the most competitive rates. Not only does this mean that working with safety minded partners like AmeriFleet gives fleets access to the highest liability coverage, it means we don't have to charge more for it — a savings we can pass on to customers.

In fact, by having one of the industry's most robust safety programs and exemplary safety records, AmeriFleet was recently able to double our liability coverage while keeping the cost fixed. That's a cost savings — as well as a direct benefit — we passed on to customers, helping them save money while increasing their peace of mind knowing that they have premium coverage at a low rate.

5 Downtime

Keeping vehicles in service — and drivers driving them — is the hallmark of an efficient fleet. When a vehicle sits, it's either not making money or it's taking a bite out of valuable operating expenses, and that can have negative implications on any fleet's bottom line. So when a vehicle isn't available because it's been damaged by less than the safest behavior, it's bad. And worse if the vehicle has been damaged by a third-party provider. Not only might the fleet have to pay for vehicle damages, but their assets aren't available, costing them revenue, causing them to have to re-assign vehicles, and often leaving valuable employees without the vehicle they need to make money.

But what can be done to lower the amount of lost employee hours — and lost equipment availability — caused by unsafe behavior?

According to OSHA — one of the bigger things American companies, their partners and suppliers can do to cut downtime from injuries and lost equipment is to institute strict safety protocols and programs that encourage safe behavior in the workplace. Programs that have a comprehensive safety and compliance focus that strictly adhere to all state and federal laws must be in place.

Companies that establish strict safety protocols for employees have 20 to 40% less workplace injuries than ones that don't, resulting in measurable financial savings and maximum asset availability.

And, in a study conducted by J.M. Stewart, the very safest companies had over 250 times less financial loss to damage than the companies that operated in an unsafe manner. That meant for every \$100 lost to safety related issues at the safest companies, the least safe companies lost \$25,000, a figure that can negatively impact any company's bottom line with even a few minor incidents.



6 Employee Morale

Today, industries of all kinds are leveraging technology and safety practices to decrease liability and increase interaction and morale, and the results have been astounding. According to OSHA, more than 75,000 lives have been saved by instituting workplace safety procedures since 1970 alone. And perhaps more importantly, safety protocols and procedures have instilled confidence and improved morale among American workers that were unheard of less than 50 years ago.

But how can that effect your fleet's bottom line?

In a study of American executives, on the job safety was considered the single most important factor in creating not just a healthy work environment, but a healthy bottom line. In fact, many executives believe that without a safe and secure workplace, productivity drops, and finances can be negatively impacted. And in a 2012 article by the Harvard Review, working in a "safe environment" was the third most important factor in determining a "positive" work place.

If your partners and suppliers aren't conducting business in absolutely the safest way possible, it's undoubtedly causing more work — and often serious issues — for your own employees. That could be effecting morale and having a negative effect on your own bottom line in ways you could never imagine.

7 Compliance

Any fleet that's experienced state or federal compliance issues knows the pain. In addition to the increased scrutiny, the fines can sometimes have significant impact on companies and their bottom lines. As the watchdog for much of the fleet industry, the Federal Motor Carrier Safety Administration (FMCSA) is charged with reducing the number of commercial vehicle crashes, and the injury and death that come from them. As such, they impose some pretty hefty fines. To make matters worse, those fines just took a hefty uptick according to an article that ran about the FMCSA in Heavy Duty Trucking in June 2015. In that month, maximum fines for many of the most common compliance issues went from \$11,000 to \$16,000, while those involving hazmat compliance went up from \$50,000 to \$75,000 — figures could make any fleet sit up and take notice.

Conclusion

It's important for fleets to remember. There are a lot of good reasons to thoroughly vet your vendors and suppliers, but the biggest benefit may very well be financial. Don't put your fleet — or your bottom line — at risk by working with anyone but the most proven providers.

As North America's leading fleet logistics provider for a generation, nothing is more important to our team than the "safety" of our customer's people and assets.

Simply put, "safety" is the cornerstone of everything we do.

In fact, AmeriFleet drivers have safely and quickly delivered over a million vehicles since the company was founded. Arranged end to end, that's a line of vehicles stretching from Anchorage, Alaska to New York City! We "obsess" over safety, and insure that each and every employee is constantly trained, tested, and re-trained on the safest way to handle our client's valuable assets.

The CEO of a nationally-known, 50,000 -employee firm in the security space said:

"When employees ... and partners ... are engaged in safety programs and take on an active safety role, risks are reduced, employee morale improves and ... organizations see notable cost savings."

To find out more, log on to our website at www.amerifleet.com, or contact your AmeriFleet representative for a comprehensive review of our strict safety policies and procedures, and how they can help your fleet protect its bottom line.



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