KEYTROLLER

CREATING A CULTURE OF SAFETY

www.KEYTROLLER.com 813-877-4500 sales@keytroller.com

For safety directors trying to justify expenditures in safety equipment.

Keeping people safe, reducing accidents, reducing damage, reducing downtime, reducing accidents obviously will save any company money. You will not get any argument from management, unions or employees about this. However, additional investments in safety must be justified like any investment that a company makes be it production machinery, facility improvements, material handling equipment, office equipment, etc. So safety managers must win support for the financial investment in a safety program and must provide management tangible proof of the economic gains the company accrues when it invests in safety equipment and programs. This can be done with very simple formulas that document the real financial costs companies incur from injuries and worker's compensation cases.

However, showing the actual costs of the accident is one thing, but to make your safety investment argument even more persuasive to managers of a budget a safety manager needs to show how accident costs affect the company's profitability and how much additional sales must be made---just to pay for the cost of an accident. This is what surprises most managers.

Many do not realize that indirect costs are usually much greater than the direct costs.

<u>More obvious indirect costs to consider include:</u>

- **Time lost from work by injured employee(s).**
- **Loss in earning power • Economic loss to injured worker's family.**
- **Lost time by supervision • Paperwork • Administrative time**
- **Damage to tools, equipment, and other property.**
- **Time lost for replacing damaged equipment.**
- **Loss of production • Failure to fill orders.**
- **Spoilage - fire, water, chemical, explosives, etc. • Spoiled work.**
- **Overhead cost (while work was disrupted).**
- **Legal issues**
- **Medical expenses**

<u>Examples of less obvious hidden costs:</u>

- **Production loss/worker distraction**
- **Training costs/replacement worker**
- **Loss of skill/efficiency - slowed production**
- **Increase in Workers compensation premium**
- **Cost of training a new worker.**
- **Lost time by fellow employees • Loss of morale**
- **Loss of efficiency due to break-up of crew.**

The real costs of accidents and worker's compensation cases is often a very grey area and is generally hidden in company budgets and is quite hard to visualize and monitor. So a safety director who can clearly demonstrate the true costs of an injury have a much better chance of convincing management of the need for safety equipment and training investments. There is a very big difference between simply saying "safety saves us money" and actually documenting the indisputable costs of an accident.

Calculating the true cost of an accident and sales needed to recoup

A safety manager can quickly calculate accident costs and their detrimental affect on profitability and most importantly----*how much additional sales the company must make just to compensate for this accident*

1: DIRECT COST of the accident

The total insurance claim (medical and indemnity payments)
$_________Add cost figure here EXAMPLE: $30,000 (used for this example)

2: INDIRECT COST of the accident

MULTIPLY direct cost by a cost multiplier. The multiplier you use depends upon the size of the financial cost of the accident.
Indirect costs are to cover administrative costs, legal costs, replacement costs, downtime, loss of production, management effort, etc. This is a "guestimate" and, of course, can vary somewhat widely from case to case. Typically, larger cost accidents will have a smaller multiplier because of the higher direct cost of the original accident.

If DIRECT cost of accident is:
$0---$3000 Use: 4.5 multiplier
$3001---$5000 Use: 1.6 multiplier
$5001---$10,000 Use: 1.2 multiplier
$10,001---more Use: 1.1 multiplier
$____________Add *accident cost* figure here EXAMPLE: $33,000 ($30,000 X 1.1)

3: TOTAL COST of the accident

ADD: DIRECT COST + INDIRECT COST = TOTAL COST
$____________Add *total cost* figure here EXAMPLE: $63,000 ($30,000+ $33,000)

4: IMPACT ON PROFITABILITY of the accident
To determine this, use your company's profit margin to determine the additional sales your company must make----just to pay for this accident.

DIVIDE TOTAL PROFITS / *TOTAL COMPANY SALES* = PROFIT MARGIN
____________Add *profit margin* figure here EXAMPLE: 12% *($12,000,000*/$100,000,000)

5: <u>ADDITIONAL SALES COMPANY NEEDS TO MAKE----</u> <u>JUST to pay for the accident</u>
To determine this, use your company's profit margin to determine the additional sales your company must make----just to pay for this accident.

DIVIDE TOTAL COST OF ACCIDENT / COMPANY PROFIT MARGIN = ADDITIONAL SALES NECESSARY JUST TO PAY FOR THIS ACCIDENT
$____________Add *additional sales required figure* here EXAMPLE: $525,000 ($63,000 total cost of accident / 12% profit margin)

In this example above, this is a very large company with a 12% profit margin and $100,000,000 in annual sales. One $30,000 accident (base cost) actually requires them to sell $525,000 MORE PRODUCT ---just to cover the cost of this accident. This buys A LOT of safety equipment and if a company is "accident prone"---very easy to justify. Using this simple formula above can be very compelling to managers considering safety equipment who are trying to justify safety expenditures for devices like those produced by KEYTROLLER ----- to insure only authorized and trained operators start their equipment, that abusive operators are accountable for damage and that safety checklists are performed before using the equipment each shift. KEYTROLLER also offers an Excel spreadsheet that allow forklift fleet users to use their own damage and productivity numbers to evaluate an ROI for KEYTROLLER access monitoring devices.

KEYTROLLER offers a wide variety of forklift safety and monitoring devices including:

- **Access Monitoring Devices**
- **DVR Camera Recorders**
- **Wireless Viewing Cameras**
- **Top Speed Controllers**
- **Zone Speed Controllers**
- **High Accuracy Weigh Scales**
- **Electronic Checklist Devices**
- **Impact Monitoring Devices**
- **Transmission Abuse Inhibitors**
- **Wireless Hour / Location Meters**
- **Pedestrian Safety Devices**
- **Always Used Seat Belts**

The company is not affiliated with any OEM manufacturer and offers free demos of its products that are available from better forklift and equipment dealers worldwide.

www.keytroller.com