

Safety Technology

Is it Worth the Investment?

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As you welcome in the New Year, make resolutions that have a strong return on investment. A new exercise and diet regime certainly pays off for your well-being; so does integrating solutions into your business that will make your company healthier and happier. One of the surest ways to do this in heavy-duty equipment industries is by incorporating safety protocol and technology into your workforce and fleets.

But with the cost of safety systems, does it really pay off to make that kind of investment, and if so, how quickly will you realize the return? Determining the return on investment (ROI) of safety technology is actually quite simple, and here's how:

First, take the cost of the safety technology that is right for you. Next, figure out the real cost of an accident without having a safety solution in place to mitigate it. Finally, measure those numbers against one another — and keep in mind that you might have more than one accident a year on site. You might be surprised that after you add up all the direct, indirect, and intangible costs that occur when a system is not in place to mitigate fleet accidents, it costs much less in the long run to invest in safety technology.

How does a company determine the real cost of an accident?

Direct costs are the most obvious factors, including worker's compensation, property damage, and legal fees. Less obvious factors include indirect costs like vehicle downtime and insurance premium increases.

But some of the most impactful costs—the intangibles—are often overlooked; for instance, how preventable accidents affect the attitudes and opinions of employees, customers, and competitors toward the company. A negative view toward your company can result in debilitating costs.

Direct Costs	Indirect Costs	Intangibles
Property Damage (per vehicle): \$\$\$	Downtime (per day): \$\$\$	Company's Goodwill ???
Worker's Comp: \$\$\$	Management Distractions: \$\$\$	Company's Reputation ???
Injuries: \$\$\$	Insurance Premium Increase: \$\$\$	Employee Morale ???
Fatality/Lawsuit: \$\$\$		
Legal Fees: \$\$\$		

For a clearly defined ROI equation, we first have to establish the Expected Liability Savings (ESL) over the life of a vehicle/equipment, using the below equation.

ESL = (# Accidents/year)*(Average Cost/Accident)*(Years of Vehicle Service)*(% Reduction of Accidents due to Safety Technology) + (Catastrophic Accident Cost Avoidance \$2-4Million (CACA) @ 1 CACA/10,000,000 hours of service — this is saying that we expect at least 1 catastrophic accident over 10,000,000 hours of vehicle service.

Clear as mud, right?

Let's look at it this way instead. (see ROI Calculation diagram to the right)

Take the time to crunch the numbers in order to get a realistic sense of what the optimal collision avoidance system for your fleet costs, and more importantly, the costs you are likely to incur without this system in place. Determine the kind of morale and reputation you want to establish for your company, and the type of workforce you want to attract. A healthy, happy workforce makes for a healthy, happy company—and a healthy, happy bottom line. Now, that's a New Year's resolution worth keeping.

