

Renting Containers for Control

Why Rent Containers?

In this fast paced world we are usually not looking for another task and the associated technical and information requirements. Your primary business may be renting shipping containers or other cyclic assets but more often reusable containers are a necessary part of your business. You need the cyclic assets but you are not looking to them as a source of profit.

Question – With plenty of other things to do, why would you rent containers?

Answer – Although you might rent containers for profit you should rent them to increase your control over the management of your assets.

Ideal Practice vs. Actual Practice

Everyone has the same basic plan for their containers.

- You send them to your partner.
- Your partner uses them for your common purpose only.
- They use them for a specific period of time.
- They send all of them back in a timely manner
- They send all of them back in a useable condition.

But things go wrong. The actual practice may be closer to...

- You send them to your partner.
- Your partner uses them for a variety of purposes.
- Since your partner uses them for a variety of purposes, they use them for a variable amount of time.
- They send most of them back in a timely manner.
- They send most, some or all of them back in a useable condition.

We Have a Problem

The system leaks. Most of the losses are caused by containers being used for the wrong purpose, being put in the wrong place, or being managed as a secondary task. If you don't have close control over the system the only way to have enough containers is to have too many. Either you purchase too many containers initially or you continually replace containers so you will have enough.

The justification for returnable containers is calculated on the number of trips per container over a period of time. System losses cost real money because lost or misplaced containers don't participate in the trips. For returnable containers to be economically feasible, they must return quickly.

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The Nature of the Problem

There are a variety of human tendencies that lead our containers astray. There are three likely reasons.

1. Originally many items were shipped in disposable containers; the container had no value. Our methods and systems didn't change and they disregard the value of the returnable container.
2. The containers have no cost to your partners and do not practically impact their operating costs whether they manage them effectively or not. There is little practical penalty for performing poorly.
3. The container management is near the bottom of your partner's list of concerns. Your partner's is focused on their business. Container management is a necessary evil, not a productive task.

The Solution – Formal Control

Although we use the concept of control frequently in a common sense manner, we rarely consider that effective control requires fundamental steps that relate to each other.

Formal control requires three steps...

1. There must be a plan.
2. You must know how your performance is relative to the plan.
3. You must have the will and ability to act on the difference between your performance and the plan.

Step 1 – The plan we defined before needs some detail. We will need goals for performance, reduced cycle times, and optimizing inventory.

Step 2 – After our plan is developed we will need to track our containers to monitor our performance relative to our new plan. The purpose of tracking is to monitor performance and identify areas of improvement. Sophisticated tracking will allow you to identify subtle performance. For example,

Assume you regularly exchange containers with a vendor or a client with short cycle times. You send containers to them daily and they send them back to you daily. To determine how they are performing, you need to analyze the aggregate of the shipments over a longer period. You need to determine, over a month, are the same number of containers returned as are shipped. You may discover that each month you send out 200 and get 195 back. Day to day everything appears to be normal. Every fourth or fifth day you get one less back than you send which doesn't seem that important. If that is an actual trend over a year that subtle difference is a 30% loss of containers.

Step 3 – If your tracking is sophisticated enough to catch this relatively subtle leak, now you are left with exercising the ability (and will) to do something about it. Normally you call the vendor or client and tell them what you have discovered. They respond that they send back every available container; they don't have any sitting around. This is probably true. They may lack control over their handling of your assets. They really don't know what is happening to the containers. If there is a disparity between the willingness and/or ability to manage the containers, you are stuck with trying to motivate your partner.

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The most manageable way to increase their performance is to charge rent for the containers. If the rental rate is set correctly, the cost of poor performance is transferred from your organization to theirs.

Although most vendors and clients would resist paying rental, if you structure the agreement properly and they perform as they have agreed, no rental will ever be charged. You simply calculate the normal cycle time for the container exchange and charge rent when the cycle time is exceeded.

When specialty containers are used the cost of the container makes tracking and rental an obvious requirement. Large quantities of inexpensive containers represent the same asset value as a few expensive. They may be a bigger problem because they are correctly perceived as being of limited individual value. The combination of integrated tracking and rental calculation allows the establishment of rental agreements for low-cost non-serialized assets.

ContainerTRACKER® provides the integrated tools necessary for sophisticated container management. The rental calculation package supports 12 rates per item for serialized or non-serialized items. It supports initial and terminal charges, grace periods, credits for superior performance, automatic buyout arrangements with or without rental and calculations in any currency. The integration of tracking and rental calculation makes managing fleet rental as easy as printing a report.