

Getting the Most Out of Value-Added Processing

For metal processors, the key to profitability is a true assessment of production costs.

Editor's note: This article was contributed by the experts at 4GL Solutions.

Globalization is affecting every market, including metals distribution, as companies strive to adjust to it, protect against it and take advantage of it. Competition among providers of value-added services continues to intensify. To compete without compromising profitability, more companies are turning to the latest job-costing software.

For a processor to ensure that the services it provides are profitable, it must first know its true cost. Today's ERP systems offer job-costing functionality that eliminates much of the guesswork. They track the actual time needed for each job, supply data to analyze which jobs and which machines are profitable, provide machine operator accountability, and offer valuable statistics for quoting prices and delivery dates.

When it comes to calculating the cost of a job, time really is money. Today's technology can accurately track the time spent by machine operators and other plant personnel on jobs that involve one or many processes. But such data needs to be easily attainable. Using the latest generation of hand-held computers and scanners, plant personnel can track material through each step of the work order process. Production orders and machines can be assigned integrated barcodes that, when scanned by operators, are communicated to the ERP system, capturing the exact start time of jobs and who is executing them. Multiple processes can be tracked simultaneously. Jobs can be paused over a break time and then resumed. The ERP system will capture the total cost of each processing step and assign an exact labor cost. Each stage of the production process is carefully tracked for scheduling, job progress, reporting and cost transparency.

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By applying a cost per hour or cost per minute to a specific machine or process, the system can calculate the exact cost for each job. Using this information, salespeople can quote a price that effectively accounts for a true margin on each order. Used in combination with a pricing matrix, quoting jobs becomes more and more scientific. Software takes the guesswork out of the equation and helps the processor strike the right balance between losing money on a job and leaving money on the table.

Software with the ability to track processes by operator, by machine and by job not only provides information to enhance operations, but valuable insights about specific operators and how well they manage their workload. Armed with this data on individual accountability, managers are better equipped to make pre-emptive decisions concerning the most effective use of their labor force. The system does not just single out the “bad” employees, but also highlights the

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standouts who excel. They can be used as examples of how other employees might perform their tasks more effectively. With this program, staff accountability is inescapable. Costing software can also single out individual machines, which are expensive to run and maintain. The company can use the data to determine which machines are busy, which are profitable, and which are underutilized. If a machine is not making as much as it costs to operate, the software will reveal this to management, which can then take some action.

An ERP system that tracks the real-time status of each job also enhances customer service. When customers call to inquire about the progress of their orders, the salesperson no longer has to run out into the plant. The information is at hand. With just a few keystrokes, he or she can answer the customer’s questions—and then talk to them about the next order. ■

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