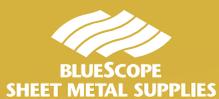


SER® REPORT

VALUE PROPOSITION #2 REDUCE RISK

VERSION 1 - DEC 2017

Brought to you by:



Insights on businesses serving diverse industries in Australia

SER® REPORT

VALUE PROPOSITION #2 – REDUCE RISK

Welcome to the Steel Efficiency Review® Report for Value Proposition #2 – REDUCE RISK. This report has been compiled from our unique and proprietary industry insight resource – The Steel Efficiency Review®.

1053 >>>

REVIEWS



7 YEARS ON OUR SOLUTIONS CONTINUE TO CREATE CUSTOMER VALUE

To date we've completed 1053 Steel Efficiency Review® visits nationally, with steel businesses both large and small.

This has amounted to over 2863 hours developing real solutions to save them time, money and reduce risks.

From these SER® appointments we have isolated findings relevant to specific industry sectors and niche businesses within that sector to identify business improvement insights – those that can help you run your business more profitably.

IN THIS SER® REPORT, WE FOCUS ON VALUE PROPOSITION #2 – REDUCE RISK.

This report provides you with a summary of the common challenges faced by steel businesses serving diverse industries in Australia, relevant to BUSINESS AND OPERATIONAL RISK. We also offer solutions to help you to build a more efficient and profitable business.

We hope this SER® Report provides an opportunity for you to look closer at your business and review your operation.

You're also welcome to participate in our complimentary Steel Efficiency Review® as a 'fresh set of eyes' helping you to identify ways to turn steel into gold.

If you have just participated we look forward to working with you to uncover the 'gold' in your business.

Regards

The SER® Team



KEY FINDINGS FROM CONDUCTING OUR STEEL EFFICIENCY REVIEW® ON 1053 AUSTRALIAN STEEL BUSINESSES - RELEVANT TO REDUCING RISK

BUSINESS and OPERATIONAL RISK was considered to be a challenge for steel businesses serving diverse industries in Australia.



105 clients from the 1053 completed Steel Efficiency Review® consultations, a total of 10% found opportunities to REDUCE RISK relating back to the waste of re-work.

These clients worked with our SER® consultants to jointly solve challenges related to REDUCING RISK in their business and operations. Key SER® findings revealed the issues at hand with proposed solutions to provide step change improvements resulting in operational cost savings, greater efficiencies in processing and overall profit improvement.

BUSINESS and OPERATIONAL RISK tends to pose major challenges with steel businesses involved in manufacturing, fabrication and building. Many businesses take on risk to meet tight project deadlines and demanding customer requirements. In the quest to meet these deadlines and expectations, product quality and service is compromised. This often results in cash flow pressure and profit leakage. Investing in smaller material deliveries and quicker lead times where possible; creating optimal coil sizes, pack sizes and packaging - will help mitigate this risk. In addition working with certified and traceable material produced to Australian standards – supplied by reputable suppliers will ensure rework is not a factor.

The Steel Efficiency Review® process recommends operations and production teams to make what the customer wants when they want it, as specified. BUSINESS and OPERATIONAL RISK costs steel businesses' money, time and opportunities to win new work. These costs can amount to a considerable sum over time.

With 1053 Steel Efficiency Review® consultations completed, we have found if you could REDUCE RISK the savings would be straight back on your bottom line improving the profit in your business.

COMMON CAUSES OF BUSINESS AND OPERATIONAL RISK:

» Training And Culture

If a steel business does not have a culture that empowers and makes operators confident enough to highlight problems and allow them to be solved, they often continue and make the best of a bad product rather than stopping to have it corrected. Training is critical to ensure we don't throw workers straight in at the deep end. Rewarding the wrong behaviour by paying for quantity rather than quality encourages workers to work as fast as possible with little thought to the consequences on the quality of the end product.

» Unclear Customer and Project Specifications

Many operators will try to do the best job possible for a specific customer and/or project. At times they will not be made aware of critical tolerances, material specifications or project deadlines. They will often add value and time doing more to the product that the customer will not value. And other times they will remove a critical process to save time and meet the deadline.

» Non-Standardised Work Practices

Unless steel businesses have standardized work practices then they will have differences in methods between different shifts and different people. This will allow for differing levels of quality and performance. Customers very quickly identify these differences "good" or "bad" and in most cases are not willing to pay for them either way.

3 KEY VALUE PROPOSITION SOLUTIONS FOR REDUCING RISK

Utilising the Steel Efficiency Review® to better understand businesses serving diverse industries, our SER® consultants have recommended the following 3 key value proposition solutions to help reduce and eliminate BUSINESS AND OPERATIONAL RISK:



1. OPTIMISATION OF FEED MATERIAL

Investing in smaller material deliveries and quicker lead times where possible enables processing to be managed efficiently. In addition to this, creating optimal coil sizes, pack sizes and packaging will greatly reduce the waste of inappropriate processing patterns.



2. QUALITY ASSURANCE AND CERTIFICATION

Quality assured and fit for purpose products allow steel businesses to deliver on demanding customer and project specifications. Test certificates provide the peace of mind and the traceability required to ensure product is compliant to Australian Standards. This reduces business and operational risk.



3. SUPERIOR BRANDED PRODUCTS FROM QUALITY ACCREDITED MILLS

The credibility and backing of investing in superior branded products will take the risk out from your business. Added with the technical support and expertise to enhance existing products or develop new products to meet specific project and customer needs.

USING THIS VALUE PROPOSITION TO FORM A COMPETITIVE ADVANTAGE?



The first step is to identify the common causes of BUSINESS and OPERATIONAL RISK and realise that your business is actually doing it. We have uncovered when discussing our key findings from our Steel Efficiency Review® consultations with our customers, a common understanding is required to ensure we admit to the waste and want to find possible solutions to eliminate or reduce it.

Once we all understand the issues and challenges associated we can work together as supplier and buyer to recommend improvements. Keeping it simple is something we aspire to with our key findings and possible recommendations to ensure buy-in and implementation. Using simpler and easy to implement processes ensure our customers will first want to invest the time to change and reap the rewards in the long term.

The recommended value proposition element to be employed - can be as simple as "Purchasing quality assured and fit for purpose products

to deliver on demanding customer and project specifications. Test certificates provide the peace of mind and the traceability required to ensure product is compliant to Australian Standards. This reduces business and operational risk." (VP Element #2)

In making this change, our customers not only eliminate or reduce RISK but they start to put their own customers first and even highlight the causes of many other problems within processes that are hidden by this challenge.

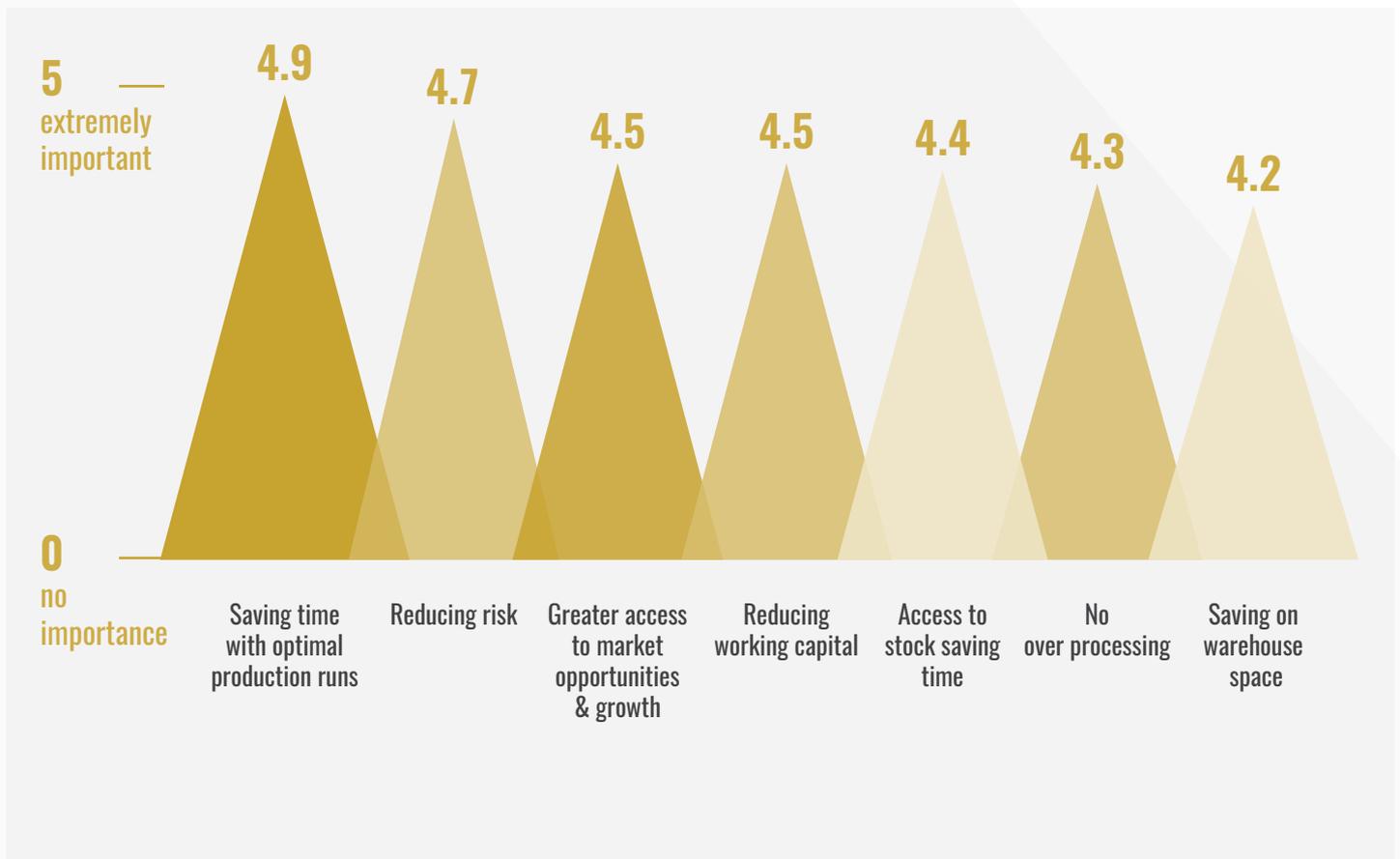
A competitive advantage starts to get formed and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised products – premiums can then be charged at more profit made.

THE SER® CUSTOMER'S PERSPECTIVE SHINES THROUGH

It's clear when our customers are involved in the Steel Efficiency Review® they undertake a challenging role of looking at their business in a very different way. They start to identify and examine key challenges to further understand the possible causes and drivers. They dig deeper and ask questions to determine possible solutions for improvement.

With the help of their SER® consultant the findings are then tested further and possible recommendations are considered. And when we look at the importance of relationships with our customers as we work closely together to create win-win opportunities, it's quite clear that supporting each along the way creates a long lasting partnership.

When we asked our SER® customers how they would rate the importance of the following value proposition elements (key customer benefits) – we found REDUCING RISK rated as important with an average rating of 4.7 out of 5.0 (5.0 being rated as “very important”).



THE SER® CUSTOMER EXPERIENCE DRIVES A STRONGER RELATIONSHIP

So when it comes down to it, what actually drives our SER® customers to want to make a change in their business. And what is the role of the SER® consultant at this point in the journey?

When we asked our customers what drove them to undertake the Steel Efficiency Review® they answered both these questions. They commented on “needing some support to work on their business - rather than in it”. They also mentioned they were after a “different point of view or perspective on their business”.

This was the role of the SER® consultant to first build comfort into the process and ultimately look for win-win opportunities for both customer and supplier. 7 years on our customers will remember these initial wins and continually look for more improvements in challenges such as REDUCING RISK to implement some change to produce great results.

CONCLUSION

The key findings from conducting 1053 Steel Efficiency Review® consultations on Australian steel businesses relevant to Value Proposition #2 – REDUCE RISK, show the need for:

HIGH QUALITY STEEL PRODUCTS MADE WHEN NEEDED, DRIVEN BY CUSTOMER TOLERANCES AND SPECIFICATIONS.

When speaking to 1053 steel businesses involved in diverse industries nationwide, we concluded that it comes down 3 key VP solutions to REDUCE RISK:

- **OPTIMISATION OF FEED MATERIAL**
- **QUALITY ASSURANCE AND CERTIFICATION**
- **SUPERIOR BRANDED PRODUCTS FROM QUALITY ACCREDITED MILLS**

In implementing these value proposition solutions, our customers not only eliminate or reduce RISK but they create opportunities to focus more closely on their customers and even highlight the causes of many other problems within processes that are hidden by this waste.

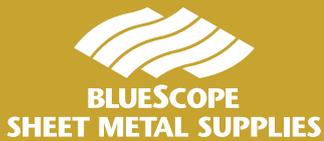
A competitive advantage starts to get built and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised products – premiums can then be charged and more profit made.

We have found, our customers pursue the SER® as a vehicle to look at their business in a different way to make some small changes to reap big rewards. When we asked our customers what drove them to undertake the Steel Efficiency Review® they used words such as “fresh set of eyes” and “cost efficiencies” and “value” to determine their thinking behind their decision.

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REVIEW®



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