

SER® REPORT

WASTE #1 - OVER PRODUCTION

VERSION 1 - OCT 2017

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SER® REPORT

WASTE #1 - OVER PRODUCTION

Welcome to the Steel Efficiency Review® Report for Waste #1 - OVER PRODUCTION. 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 WASTE # 1 – OVER PRODUCTION.

This report provides you with a summary of the common challenges faced by steel businesses serving diverse industries in Australia, relevant to OVER PRODUCTION. 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



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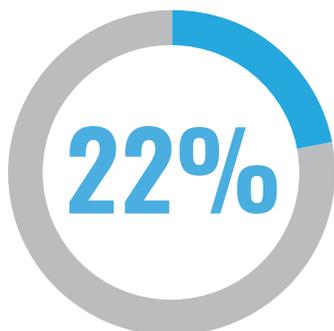
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KEY FINDINGS FROM CONDUCTING OUR STEEL EFFICIENCY REVIEW® ON 1053 AUSTRALIAN STEEL BUSINESSES - RELEVANT TO OVER PRODUCTION

OVER PRODUCTION was considered to be a challenge for steel businesses serving diverse industries in Australia.



OVER PRODUCTION was considered to be a challenge for steel businesses serving diverse industries in Australia. 231 clients from the 1053 completed Steel Efficiency Review® consultations, a total of 22% found opportunities to make improvements and savings in **OVER PRODUCTION**.

These clients worked with our SER® consultants to jointly identify hidden **OVER PRODUCTION** wastes in their operations. Key SER® findings revealed the issues at hand with proposed solutions to provide step change improvements resulting in production cost savings, greater efficiencies in production runs and overall profit improvement.

OVER PRODUCTION involves making products in too great a quantity or before they are actually needed leading to excess inventory. The Steel Efficiency Review® process recommends operations and production teams to make what the customer wants when they want it, pulling only what is ordered through your work flow.

Overproducing causes business to tie up their cash flow in stock, raw materials, work in progress and finished goods. This cash flow is critical and needed to run your operations and sales. Many businesses fail to eliminate **OVER PRODUCTION** as a waste as they simply can't buy the raw materials required to service their customers because they have already put their cash into materials that are not required.

Another cost associated with **OVER PRODUCTION** is to do with the warehousing, storage and movement of the inventory that has been produced. All stock requires warehouse space; also people and operational equipment to move it around. In total these activities produce excess cost and a hit on cash flow for any business.

With 1053 Steel Efficiency Review® consultations completed, we have found if you could eliminate or possibly reduce **OVER PRODUCTION** the savings would be straight back on your bottom line improving the profit in your business.

COMMON CAUSES OF WASTE # 1 - OVER PRODUCTION:

» Large Batch Sizes

Large batches are produced due to long set-up times on specific machines or processes, so businesses try to maximize throughput producing excess stock thinking they are doing the right thing, rather than producing what the customer wants.

» Unreliable Legacy Processes

"This is how we have always done it!" is the common cause based on legacy and unreliable systems and processes. After 1053 SER® consultations, we have uncovered many businesses run excess batches of stock creating enormous amounts of products where they could easily reduce the batches and improve their flow reducing lead times and improving customer service.

» Unstable Schedules

There is a distrust of suppliers and their ability to supply what is needed. So businesses order more than needed.

» Inaccurate Information

Working to inaccurate forecasts and guessing what customers will want in the future can invariably cause stress to many operational environments. The wrong products can be produced in excess burning cash and disappointing key customers at the same time.

3 KEY RECOMMENDED SOLUTIONS – OVER PRODUCTION

Utilising the Steel Efficiency Review® to better understand businesses serving diverse industries, our SER® consultants have recommended the following 3 key solutions to help with OVER PRODUCTION:



1. SUPPORT WITH RAW MATERIAL SUPPLY OPTIMISATION

Adjusting our customer inventory levels dependent on their buyer behaviour and historic reporting. Uncovering trends and seasonal highs and lows allows operations to work with sales to increase business cash flow when needed the most. A highly workable solution to help with OVER PRODUCTION in any steel business.



2. ACCURATE SALES FORECASTING TOOLS AND BUSINESS SUPPORT

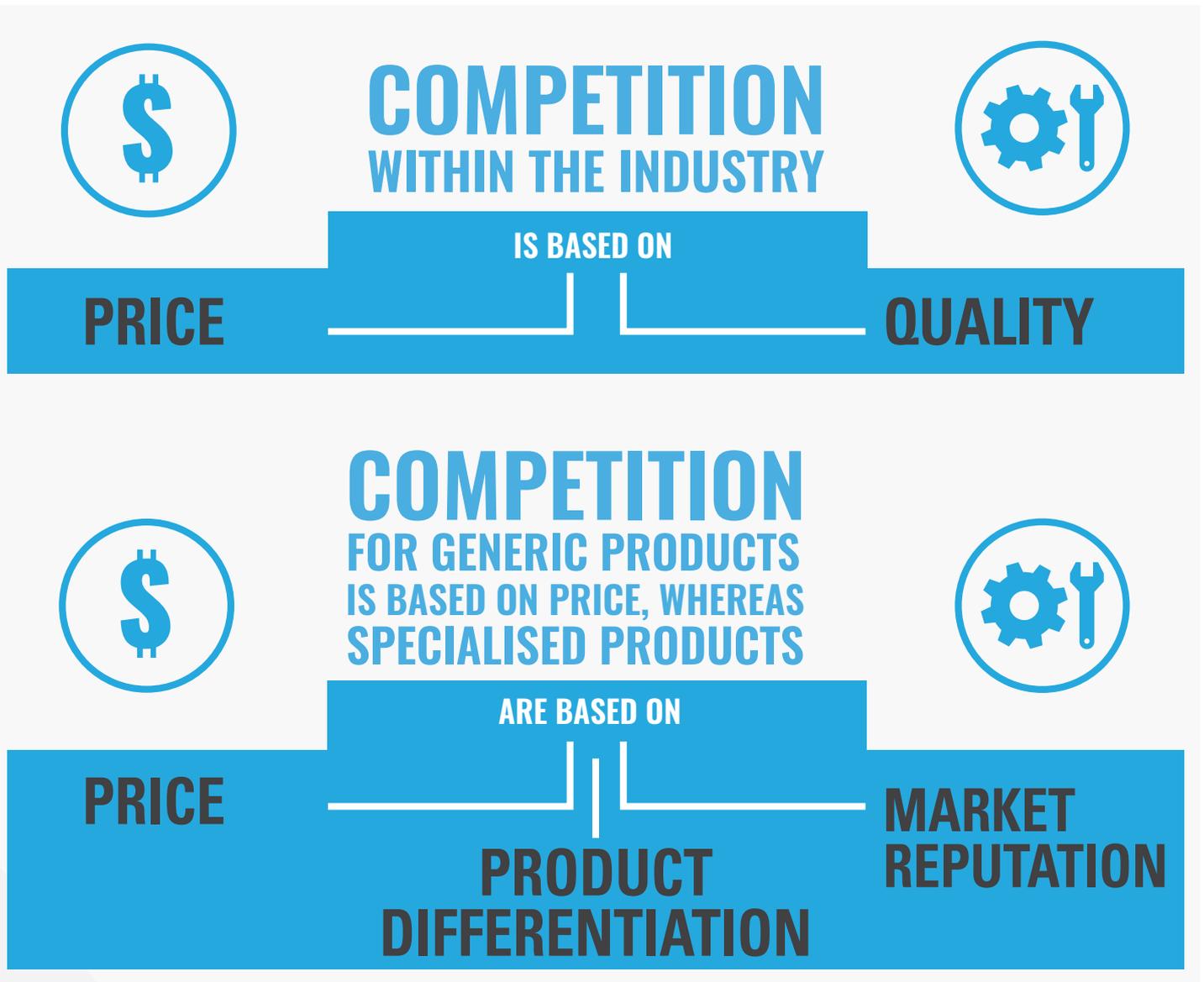
Simplifying purchasing patterns and systems to allow seamless management of product requirements. Predicting future sales trends using accurate sales forecasting tools and templates. A workable solution with local business support to help overcome problems associated with OVER PRODUCTION.



3. ACCESS TO HIGH QUALITY BRANDED STEEL PRODUCTS AT THE RIGHT TIME

Providing the right steel products and the right time allows steel businesses to not carry excess stock to over produce. Safety stocks are always needed by both suppliers and buyers but can lead to more issues if over done. A highly workable solution to find the right mix of stock when needed the most to ensure production is kept at optimal levels at all times.

WHAT ABOUT COMPETITIVE ADVANTAGE?



The first step is to identify the common causes of **OVER PRODUCTION** 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.

Once some change is made and a recommendation has been implemented, business results start to follow. The recommended

solution can be as simple as “simplifying purchasing patterns and systems to allow seamless management of product requirements. Predicting future sales trends using accurate sales forecasting tools and templates.” (Recommended Solution #2)

In making this change, our customers not only eliminate or reduce **OVER PRODUCTION** 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 waste.

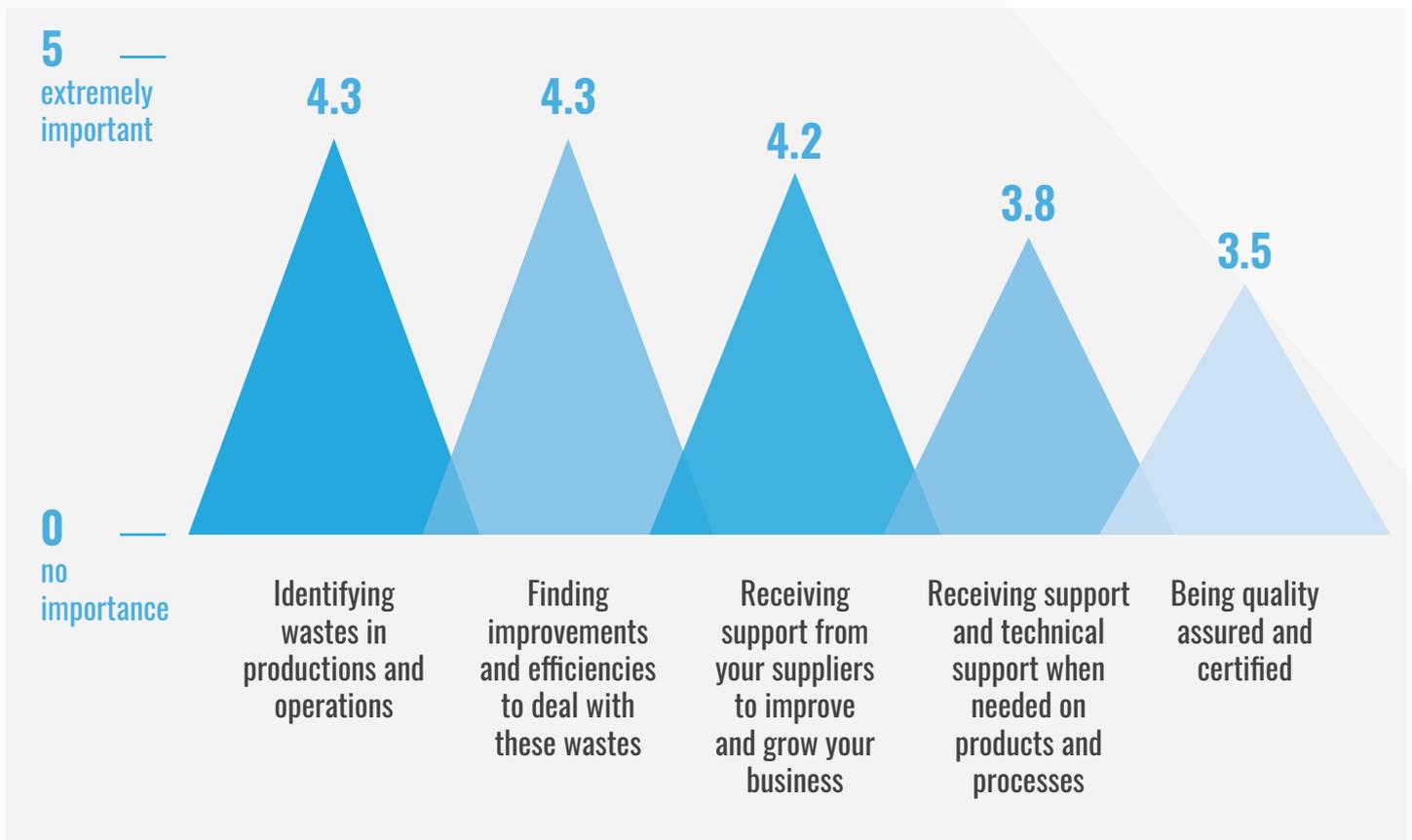
A competitive advantage starts to get built and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised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

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 wastes such as **OVER PRODUCTION** and try to 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 other along the way creates a long lasting partnership. When we asked our SER® customers how they would rate the importance of the following factors to their business – we found:



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 wastes such as **OVER PRODUCTION** to implement some change to produce great results.

CONCLUSION

The key findings from conducting 1053 Steel Efficiency Review® on Australian steel businesses relevant to Waste #1 – OVER PRODUCTION, show the need for:

HIGH QUALITY STEEL PRODUCTS DELIVERED ON TIME, DRIVEN BY ACCURATE FORECASTING.

When speaking to 1053 steel businesses involved in diverse industries nationwide, we concluded that it comes down 3 key solutions to help with OVER PRODUCTION:

- **SUPPORT WITH RAW MATERIAL SUPPLY OPTIMISATION**
- **ACCURATE SALES FORECASTING TOOLS AND BUSINESS SUPPORT**
- **ACCESS TO HIGH QUALITY BRANDED STEEL PRODUCTS AT THE RIGHT TIME**

In implementing these recommendations, our customers not only eliminate or reduce OVER PRODUCTION 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 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.

It’s worth noting that product pricing was a considerable factor, mentioned by our customers more as the outcome rather than the deciding factor. This shows just how hard it is to build trust first, then get customer experience right - utilising the Steel Efficiency Review® process.

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