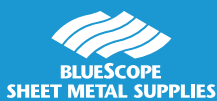


# SER® REPORT

## WASTE #3 - TRANSPORTATION

VERSION 1 - NOV 2017

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# SER® REPORT

## WASTE #3 - TRANSPORTATION

Welcome to the Steel Efficiency Review® Report for Waste #3 – TRANSPORTATION. 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 # 3 – TRANSPORTATION.

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

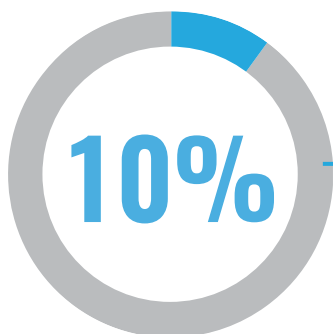
Regards

**The SER® Team**



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

**TRANSPORTATION** 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 make improvements and savings in TRANSPORTATION.**

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

Transporting product between processes is a cost - which adds no value to the product. Excessive movement and handling cause damage and are an opportunity for quality to deteriorate. Material handlers must be used to transport the materials, resulting in another business cost that adds no customer value. Transportation can be difficult to reduce due to the perceived costs of moving equipment and processes closer together. It is often hard to determine which processes should be next to each other.

**TRANSPORTATION** tends to hide problems on the workshop floor and overall business processes, which must be identified and resolved in order to improve operating performance. Unnecessary transport can increase lead times, allows for unproductive floor space, delays the identification of internal problems, and inhibits communication. By achieving a seamless flow between production and the required movement of product will lead to an improvement in customer service and reduce other wastes and associated costs.

The Steel Efficiency Review® process recommends operations and production teams to move product based on customer demand not business inefficiencies. Transportation often leads to operations having to wait for product to be delivered due to delays (the waste of waiting), thus costing steel business more money as well as extending lead times - creating customer delivery problems.

Excessive transport also gives many opportunities for handling damage and losses, building more problems and allowing for product quality to deteriorate.

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

## COMMON CAUSES OF WASTE #3 - TRANSPORTATION:

In addition to overproduction our organizations layouts often lead to the need to transport product,

### » Excess Inventory Driven By Over Production

The waste of Over Production which in turn leads to the waste of Inventory; Inventory that then has to be transported throughout facilities or between warehouses and even states. The causes of this Over Production can be everything from excessive setup times and the need for economic batch sizes to the legacy issue "that is the way we have always done it"

### » Poor Warehouse Layout

Excessive Transportation can also be caused by poor warehouse layout. Steel businesses are often organized in functional silos; that is they have discreet areas for specific functions such as welding, pressing, cutting, etc. This leads to the need to transport product from each of these areas to the next and at times back again after each function is completed. Even within each functional area we have found excessive gaps are left between operations requiring the need to use things like fork lifts or overhead cranes to move product about.

### » Part Deliveries To Compensate

Making part deliveries to customers to compensate or hide poor production processes and delivery performance will only make things worse moving forward. Moving material in batches not driven by customer demand will ultimately hurt your cash flow and encourage inefficient movement of product

## 3 KEY RECOMMENDED SOLUTIONS – TRANSPORTATION

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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 TRANSPORTATION:



### 1. REVIEW OF WAREHOUSE LAYOUT AND PRODUCTION LINES

Layout should be reviewed and changed as per the principles of lean manufacturing, create value streams and make that value flow at the pull of the customer. This requires steel businesses to have production lines that contain all of the value adding processes rather than a functional purpose. It also means reducing the spaces between those operations and the time taken to move inventory. Improving factory layout through the use of value stream mapping and process mapping can provide huge savings in time and money, often with little cost involved relative to the savings to be made.



### 2. ENABLING JUST IN TIME (JIT) PRODUCTION

By making value flow at the pull of the customer, the idea of Just in Time (JIT) production can be enabled. This will cause steel businesses involved in manufacturing, fabrication and building to remove the main cause of excess transportation. Working to strict job schedules and project timelines will enable product to be transported as required by the customer. This requires trust in customer requirement and correct forecasting.



### 3. CHALLENGE AND REDUCE PRODUCT MOVEMENT

Challenging and reducing transportation and the movement of product internally and externally will expose other linked wastes, such as over production and time in motion. Putting your business and operations under pressure to first manage cash and then comfort zones will be a harsh but needed step change. This means taking the leap and cutting spend on transport when not required and paid for by the customer.

## WHAT ABOUT COMPETITIVE ADVANTAGE?



The first step is to identify the common causes of **EXCESS TRANSPORTATION** 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 “making value flow at the pull of the customer, the idea of Just in Time (JIT) production can be enabled. This will cause steel businesses involved in manufacturing, fabrication and building to remove the main cause of excess transportation.” (Recommended Solution #2)

In making this change, our customers not only eliminate or reduce EXCESS TRANSPORTATION 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.

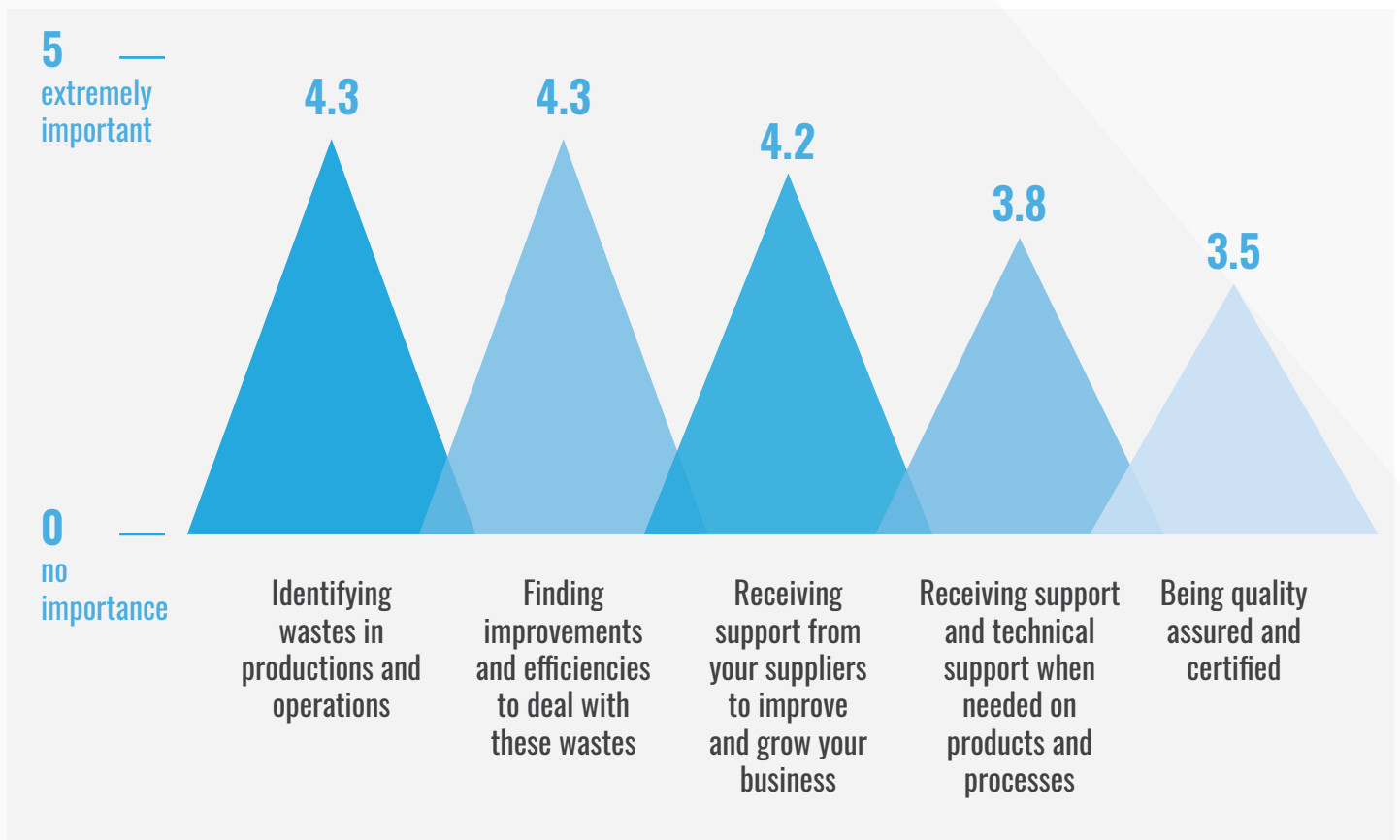
A competitive advantage starts to get built and can be very strong when customers start to experience a different and better offer, superior to others in the market. This then allows the right products to be produced based on customer demand. Add in a bit of customisation and expertise to develop specialised 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 excess **TRANSPORTATION** 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 excess **TRANSPORTATION** to implement some change to produce great results.

# CONCLUSION

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The key findings from conducting 1053 Steel Efficiency Review® on Australian steel businesses relevant to Waste #3 – TRANSPORTATION, show the need for:

## HIGH QUALITY STEEL PRODUCTS DELIVERED ON TIME, DRIVEN BY CUSTOMER DEMAND.

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

- REVIEW OF WAREHOUSE LAYOUT AND PRODUCTION LINES
- ENABLING JUST IN TIME (JIT) PRODUCTION
- CHALLENGE AND REDUCE PRODUCT MOVEMENT

In implementing these recommendations, our customers not only eliminate or reduce EXCESS TRANSPORTATION 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.

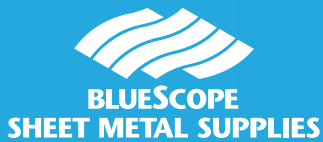
We have found, our customers pursue the SER® as a vehicle to look at their business in a different way to make some small changes to reap big rewards. When we asked our customers what drove them to undertake the Steel Efficiency Review® they used words such as “fresh set of eyes” and “cost efficiencies”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

**STEEL EFFICIENCY**  
REVIEW®



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