



## CEMCO Manages Volatile Steel Prices With ACERO

California Expanded Metal Products Company (CEMCO) found the answer to dealing with sudden changes in the steel market. As the Western United States' largest manufacturer of steel framing and metal lath systems, CEMCO operates plants in Northern and Southern California, and in 2003 opened another facility in Denver, Colorado. Together, the three plants allow CEMCO to service any project of any size quickly and with unparalleled reliability.

CEMCO has built its reputation of providing the finest quality products by using only mill-certified prime steel. Normally a rather stable commodity, steel prices have fluctuated wildly in recent years causing rapidly changing inventory shortages and price volatility. This volatility has posed new challenges for a firm with a 25 year history of adapting to changing industry circumstances and emerging as an industry leader.

As the mills began sending out monthly price escalations and steel shortages became commonplace, CEMCO found it more important than ever to have up to the minute information about projected steel usage and to be able to quickly adapt their products' pricing to keep pace with rising costs. The need to have the capability to track scrap, product yield and cost information also became increasingly important. Management recognized that a new, industry-specific ERP system was required to address these challenges, seize market opportunities, and sustain the company's rate of growth.

CEMCO decided they needed software that was designed specifically to address the needs of manufacturers and fabricators of steel products. In September 2003, CEMCO fully implemented ACERO with the aim to improve customer service and handle the expected increase in product demand.

Immediately, CEMCO began taking advantage of ACERO's flexible pricing system. Tom Porter, Executive VP of CEMCO, was faced with the task of determining the pricing schedule. "In the first four months of this year, we've had to prepare more price increases than we

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have in the last two years combined," says Porter. "With our old system, my staff would have needed to spend several weeks entering and verifying each price increase. With ACERO's toolset and pricing methods, those weeks were reduced to minutes." By having the ability to provide the customer with accurate pricing information at the time the order is placed based on a promise date, CEMCO maintained the high level of service their customers have come to expect.

Because of the escalating steel prices, in early 2004 customers began stocking up on inventory in anticipation of more price increases. According to Porter, "In the past we've been able to fill an order the day after it's placed, but now our customers are placing all of their orders up front while the prices are low, causing our lead times to increase significantly." This resulted in CEMCO recording a significant increase in sales orders; but with the steel shortage causing the cost of coils to skyrocket, it was even more critical that CEMCO be able to accurately project how much steel they'd need to meet demand and to get the most out of each purchase.

ACERO's steel projection features are designed to allow a company to stay on top of their steel inventory by ensuring PO's are placed months in advance, analyzing which vendors are providing the best yield, and alerting management when excessive scrap is generated at each stage of their operations. CEMCO will begin utilizing these tools with an aim to reduce the amount of steel they carry in inventory, and better manage their production processes.

By using technology to tackle steel shortages and pricing challenges, CEMCO has secured its position as a leader in the industry while many companies struggle to adapt.