



*Realizing a Return on ACERO  
White Paper*

## ***Realizing a Return on ACERO***

Measuring the return provided by your enterprise software is a difficult task. Any software vendor that promises realized savings in specific dollar amounts is making broad assumptions about how your company does business and how you will use their software in your business environment.

Most enterprise software vendors would have you believe that by installing their software, you will immediately experience a dramatic jump in productivity, decrease in costs, and increase in sales. While a number of these events can occur in time, the path to that realization is often long and frustrating unless you select a software product that has been designed for your business from a software vendor that has "been there, done that" experience working with companies like yours.

From our experience, processors and manufacturers of steel products have unique operational concerns that other manufacturing companies do not. ACERO's primary selling point is that we understand those concerns, and our software is written to address them specifically. The entire focus of our software package is to provide a company like yours with the ability to

realize the three successes mentioned earlier: better productivity, decreased costs, and increased sales. Outlined below are a few specific ways ACERO can provide you with the return you expect from an enterprise software investment.

## ***Save Significantly by Better Managing Your Greatest Cost Driver: Steel***

The price of steel often accounts for more than 70% of the cost of your products, and with the current steel shortage this cost has only increased. Because of this, managing scrap, yield, and vendor performance can lead to significant improvements in your company's gross margin. It's not uncommon for a company to generate scrap equal to 3-5% of steel used annually. Sometimes this percentage is even higher. For a company that purchases \$10 million in steel per year, this can amount to more than half a million dollars in lost annual earnings. While scrap is unavoidable, the important task is tracking how much is generated, where it's being generated, if anything can be done to minimize it, and how to carry the cost to your finished goods inventory so you maintain accurate gross profit reports and inventory valuation. ACERO can answer

these questions for your company so you can better manage this important cost driver.

The yield of actual length versus theoretical length of rolled steel is critical to companies that roll form products. The best steel vendors can provide you with as much as 2 to 3 percent better yield than their competition. In order to realize this benefit, you need to have a method of tracking the theoretical length of your steel at the time of receiving, and the actual coil length measured when slitting, processing or roll forming. The ability to see which vendors provide the best steel yield by gauge range can be a valuable tool for your buyer, who can use this information as leverage to negotiate lower prices with vendors who under perform. There are many other factors your buyer can monitor to ensure that the coils received at your plant match his purchase order specifications, and arrive within the timeframe expected. ACERO provides all the necessary tools to track and report this vendor performance-related information, and presents it in a clear fashion that reflects our understanding of what's important to your business.

In addition, ACERO also allows you to keep accurate and real-time steel availability as well as the ability to forecast your steel

purchasing needs so your company can improve its inventory-turnover ratio, resulting in freed up capital that otherwise would be tied into excess inventory.

## ***Increase Your Margins Through Productivity Improvements***

In many companies like yours, labor can account for 20% or more of the direct cost of a product. While it is not as significant a component to the cost as material, managing the productivity of your employees can result in a significant increase in your margins. A 10% increase in employee productivity, for instance, can reduce product costs by 2% in the example above. In companies that do over \$10 million in sales annually, this can amount to savings of hundreds of thousands of dollars.

ACERO provides complete productivity reporting by tracking time spent performing operations, setup time, down time, and other miscellaneous activities that can account for manufacturing overhead such as retooling, cleaning, etc. Management can then monitor employee productivity by task, seeing which employees are meeting performance goals and which may not be. Informed decisions

can also be made to purchase new equipment by monitoring how many dollars of lost productivity are incurred because certain work centers require too much maintenance or are experiencing unusually long periods of down time.

### ***Reduce Overhead by Efficiently Streamlining Key Processes***

One of the most difficult tasks for a software product in this industry is handling the wide range of product configurations you can manufacture, and the resulting complexity in accurately costing and pricing your inventory, determining what configurations of which products you have available (and in what quantity), and ensuring that the proper configurations are manufactured and shipped to fill the right customer orders.

With most software products, a company like yours would be forced to create thousands of part numbers in order to accurately keep track of everything. This creates a tremendous amount of unnecessary overhead for inventory control, forcing them to maintain an excessive database of part numbers, many of which are created to fill one-time orders. This mess of part numbers

often leads to multiple part numbers referring to exactly the same inventory item, or one part number that may represent distinctly different inventory items (i.e. the same part number being used for punched, un-punched, painted, and un-painted versions of a product, so you have no way to tell you how much of each type you have on hand!).

As a result, it becomes very difficult to gather accurate sales histories, maintain accurate inventory, or project future demand for a product. It also becomes difficult to check inventory availability (how much is on hand, and when will it be ready to ship) when customers inquire about a particular product. ACERO's Product Configurator solves this problem. It allows your company to track product history and inventory levels without requiring massive overhead and auditing to manage an excessive part number database, thereby ensuring that you ship your customers exactly what they order while minimizing substitutions of more costly material.

## ***Improve Sales by Accurately Pricing Products and Tracking Sales Goals***

Besides better managing cost drivers, another clear strength is ACERO's ability to manage sales performance and expectations. Providing a return on investment involves more than just improving cost factors. The right software should enable management to drive sales people to meet their goals and expectations, and find new ways to price products to increase margins and ensure profitability on every sale.

ACERO's sales budgeting tools provide management with a simple way to track a salesperson's performance against specific sales goals, and ACERO's flexible pricing options allow sales people to create customized quotes that best suit each bid. Management can track gross profit by order, by quote, by customer, by salesperson, and by product to ensure that products are priced appropriately, and to formulate decisions on whether to discontinue products that are losing money and are slow to turnover.

Since ACERO's job quote and contract pricing system is integrated into order entry, processing an order with multiple line items for a specific customer with the appropriate

prices is fast and painless, thereby allowing your customer service reps to take more orders with minimal mistakes. Using price escalators and automated price increase tools, your company can quickly adapt your prices to reflect fluctuations in costs to ensure you have an advantage over the competition.

## ***Conclusion***

These are just a few specific examples of how ACERO can help your business improve its operational efficiency, sales, and overall profitability. The experience and industry knowledge embedded in ACERO and its staff will ensure that your company is best equipped to experience the maximum return on your enterprise software investment.



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