



The Top 5 Reasons

Generic ERP solutions do not
work for metal service centers

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OVERVIEW

METAL SERVICE CENTERS **RESPOND TO COMPETITION**

It's never been easier to break into the metal distribution and processing industry. Your new competitors can leverage easy access to processing equipment and outside processors to extend their service offerings, quickly ramp up to full production quickly and promote themselves as one-stop shops, all while grabbing market share from their less resourceful rivals.

Responding to these market trends, today's metal customers are developing lofty expectations for customer service while demanding that costs remain low. They're pushing metal service centers to continue adding more and more value-added services to their offerings. After all, if their current vendor doesn't meet their needs, they can simply bolt to a competitor.

Faced with pressures like these, metal distributors and processors need solutions that are specifically designed to support the way they work. Many metal service centers end up buying generic enterprise resource planning (ERP) solutions, trying to customize these platforms to reflect their unique business processes, and then attempting to integrate them with as much of their existing IT infrastructure as possible.

This is an approach that sounds perfectly logical on paper—but doesn't work well in practice. Why not? We'll give you five reasons.

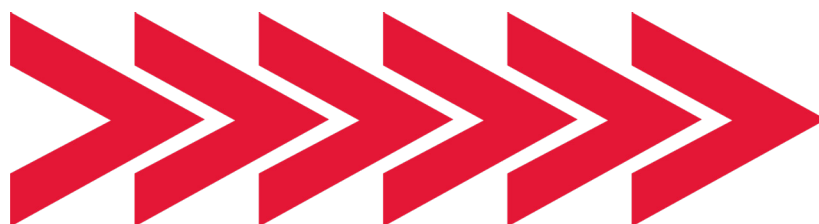
Competition: It has become a fact of life for companies that make and sell commodity products. As the internet continues to make our world smaller, new competitors, and their cut-rate prices, are never more than a couple clicks away.

REASON #1: GENERIC ERP SOLUTIONS AREN'T DESIGNED FOR THE METAL INDUSTRY

Ever told someone you work in the metals industry? If so, they probably responded by asking, “What do you mean?” or “What type of metal?” In truth, there’s no single “metals industry,” of course—and that’s why there can’t possibly be a one-size-fits-all solution for every company that works with metal.

Case in point: consider how different the requirements of a metal service center would be from the needs of a steel mill or metal fabrication company. Unlike steel mills, metal service centers must:

- **Work with extremely short lead times.** If your company is like most, same-day and next-day orders are par for the course.
- **Handle a high volume of orders each day.** Within a day’s work, you’ll deal with a wide variety of order types and mixes, and even combine multiple orders into a single processing job.
- **Change pricing strategies frequently.** You may use market pricing, formal price books, or a combination of both.
- **Work with outside processors.** When the timeline is tight and an order is heavily customized, your communication with third-party partners will make or break a successful delivery.
- **Make multiple items out of one product.** Whereas a steel mill or fabricator may create a metal product by assembling many components, your metal service center is far more likely to make many products out of one piece of metal. This means you’ll need to be able to quickly produce a wide range of unique items that vary slightly in length, width, thickness, ID, and OD.
- **Manage complexity in order processing and inventory replenishment.** Since your metal service center processes the vast majority of its sales, the products you consume (such as coils) will often be quite different from the products you sell (such as sheets). How will you keep track of this in the back office?



If you've researched the market for software to help you manage your metal service center, you've probably come across industry-focused ERP solutions that bill themselves as Mill Industry Platforms or Natural Resources Industry Solutions. Although these solutions provide modules that can help metal processors manage the supply chain, manage assets, and enhance manufacturing activities, they aren't configured to support the end-to-end business processes of companies like yours. Companies that implement these solutions may face high costs for modifications, custom programming, and implementation—and typically must keep a large internal IT support group on staff to deal with the business process glitches that lie ahead.

Don't settle for such an implementation. You need a solution that's designed and developed specifically for your industry. As you evaluate potential solutions, make sure your software can easily handle:

- Simple processing (saw and ship)
- Rapid order fulfillment (pick and ship)
- Multi-step orders (burn, grind, drill and ship)
- Processing orders (roll forming, stamping, coil to sheet)



REASON #2: GENERIC ERP SOLUTIONS USE THE WRONG UNITS OF MEASURE

Here's a simple truth that generic ERP vendors don't know: the buying, selling, and stocking of inventory can be done in multiple units of measure—even for the same product.

For example:

- Long products, such as angles, pipes, and beams, can be sold per piece, weight, footage, or lot.
- Sheet and plate products can be sold by piece, weight, area, or lot.
- Accessories can be sold per piece, multiples, or lot.
- Some items are bought and sold on actual and theoretical weights, while others are bought and sold as fixed and random lengths.

Generic ERP systems don't reflect these realities. They often provide only one or two potential units of measure for each product. They may let you:

- Sell a plate or sheet only by weight.
- Sell a beam only by pieces or weight.
- Stock items only in terms of fixed length. For fixed length, the total footage will be based on pieces. But for random length, the total length will be an actual figure that can vary bundle by bundle. The obvious problem here is that the weight of each bundle can also vary as a result of variances in length.

Generic ERP systems often rely on “constructed” units of measure that are attributes of the product rather than a native feature of the software. This shortcoming can lead to various difficulties in pricing or selling these items.

REASON #3: GENERIC ERP SOLUTIONS DON'T OFFER DYNAMIC DIMENSIONS

Most of the inventory your metal service center manages or produces can be sold according to a seemingly infinite number of dimensions.

For example:

- A customer may order sheet stock in any combination of width and length, which can be made from any number of stock sizes.
- A 2 x 2 x 1/4 angle can be stocked in 20-foot and 40-foot lengths, but can be sold at any length a customer requests.

For these and other reasons, it's critical for your system to dynamically handle selling, buying, and stocking a product to any dimension (including length, or width and length). Your system should handle this in a seamless way without the need to generate new part numbers or pseudo part numbers.

Unfortunately, most ERP systems on the market are not nearly so flexible. And that can eventually lead to an explosion of part numbers—accompanied by a slowdown in order processing as new part numbers are created for the items being processed. In addition, your staff will have to rely on confusing screens that display part numbers instead of dimensions.



To avoid this fate, look for a system that lets you work the way you want to work:

- When you're entering a sales order, you should be able to enter the sold dimension into the dimension field, and, based on the product's weight per foot or weight per square foot, to extend the appropriate weight, total lineal measure, or area of the sold product. For long products, this enables you to specify the sales price in length (price per inch/foot, per piece, or per weight). For flat products, you can express the price per weight, per area, or per piece.
- If a process creates a work-in-process (WIP) product that's produced to one dimension and then cut to a final dimension, the planner can should simply indicate the WIP length as part of the processing plan. For example, it should support you if you process sheets to 48" x 112" and then shear them to 12" x 56".
- When you're processing for a sales order, you may frequently record and stock a "drop/remnant." Your system should let you enter the drop dimension (length, or width and length) at the time of production recording. The system should then automatically calculate the theoretical weight of the drop and include this drop in the inventory. Based on the drop dimension, the system should automatically price the drop at a different markdown from its original cost and apply the difference in value to the sold order.
- Your system should also display all dimensions in sequence and from a specified starting point.

For example, when you're looking up 2 x 2 x 1/4" angles, you should see:

| <i>Length</i> | <i>Pieces</i> | <i>Weight</i> |
|---------------|---------------|---------------|
| 12' 5" | 1 pc | 38 lbs |
| 17' | 2 pcs | 54 lbs |
| 20' | 50 pcs | 1280 lbs |
| 40' | 30 pcs | 3840 lbs |

REASON #4: GENERIC ERP SOLUTIONS USE PART NUMBERS TO IDENTIFY MATERIALS

We live in a world of part numbers. Most generic ERP systems reflect this by using part numbers to identify products and materials, but part numbers are not a native way to access or reference the inventory your metal service center carries. Instead, you should access products through shape, grade, finish, size, and dimensions. This will make it easier for your sales staff to search for inventory. Any good metal industry solution should provide this functionality.

Unfortunately, generic ERP systems often provide external search attributes you can use to search for the correct part, which can prove ineffective and cumbersome to use for a metal service center staff who process an enormous volume of orders on a tight time frame. When a customer is on the phone, a salesperson needs to access or search for stock quickly and directly.

In a further setback to usability, part-number-based systems also tend to display a part number instead of product information. This can be confusing to some users because part numbers are often cryptic and harder to use.

You'll notice the difference between how a **natively designed metal service center software platform** handles these types of requests compared with a generic ERP system.

How? In its ease of use, speed of entry, simplicity, intuitiveness, industry nomenclature, and the way the information is displayed.

For maximum usability, look for a solution that clearly displays Grade, Finish, Size, and Dimensions. A system designed for metal service centers should allow you to view a range of products that meet customer or production requirements, without forcing you to use time-consuming and confusing external searches.

Your solution should let you:

- Look up the same size but for more than one grade at a time.
- Look up from 17' to 30' angles.
- Look up 1/4" to 3/8" plate.
- Look up all plates wider than 32" and longer than 50".
- View the next size for the same grade.
- Look for galvanized sheets of a given coating weight but for all grades.
- Look for a tube with an OD from 8" to 10," with a 1/2" wall.

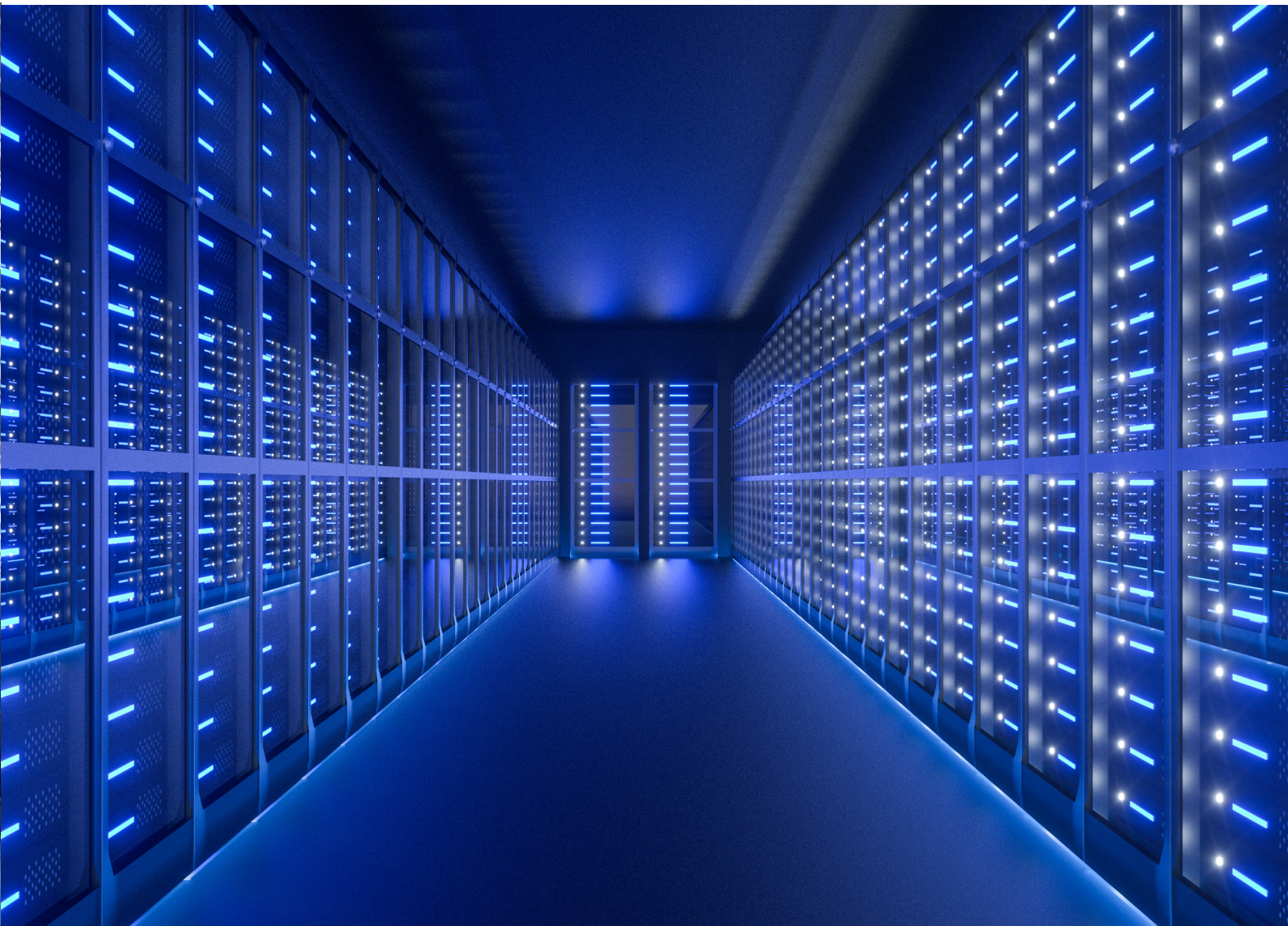


REASON #5: GENERIC ERP SOLUTIONS DON'T OFFER ENOUGH PROCESSING SPEED

Once you've received an order, it's all about speedy execution. Metal service centers need quick, nimble systems to process orders through one or more steps, with minimal intervention for planning and scheduling. Unlike a mill, fabricator, or manufacturer, your metal service center must be able to make a wide variety of changes quickly due to the flexibility of your business.

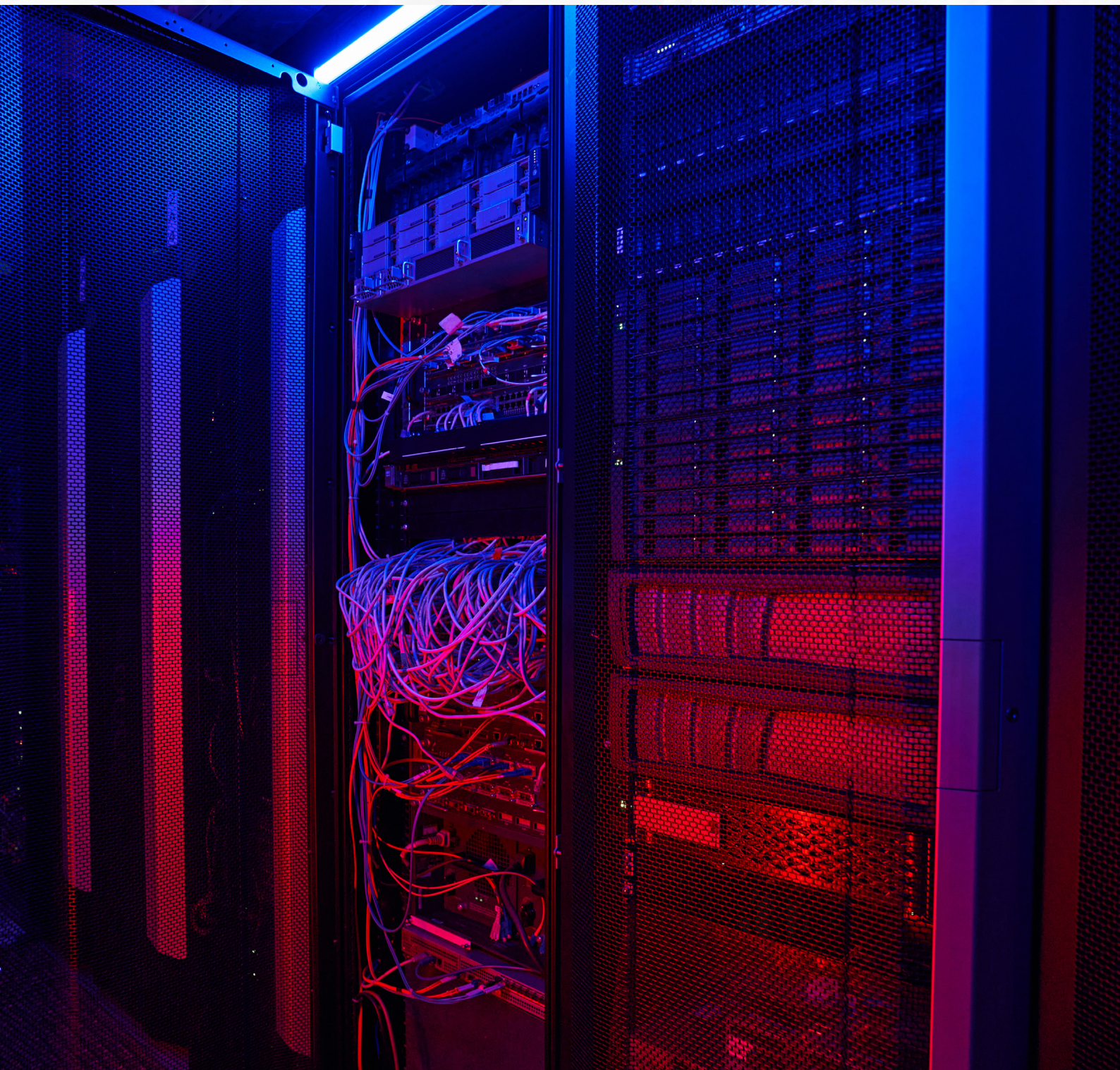
For example, you may need to:

- Change a job from being processed in-house to an outside processor.
- Change the material that was to be used for a different product.
- Add an unplanned processing step.
- Ship the material without a process being completed.
- Add a new order to an existing job.



Unfortunately, most generic ERP systems lack this flexibility because they're designed to be either pure distribution systems or fabrication and manufacturing systems. These systems typically require you to create work orders, bills of materials, and other documents before they will process the ordered material. That means wasted time and unnecessary involvement for you and your team—and delays for your customers.

Look for a solution that provides multi-step, multi-warehouse, and outside processing integration. This type of platform will be ideal for any metal service center that needs to flow material through a wide range of processes.



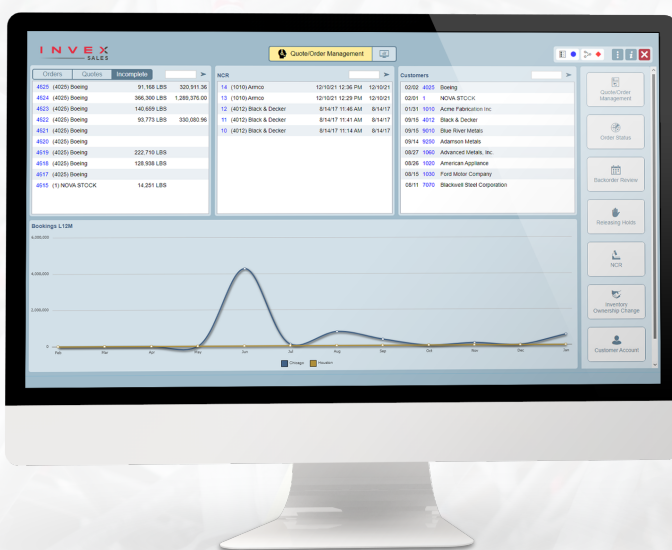
TURN-KEY SOFTWARE FOR THE METAL INDUSTRY

Call for Your Free Consultation

Ready to start working with a software solution that's natively designed to save time and money for metal service centers? Consider what INVEX has to offer.

INVEX is ERP software that's designed for the unique requirements of the metal industry. It meets the needs of metal service centers, steel service centers, steel stockholders, plate processors, metal distributors, metal processors, toll processors, building products distributors, and tube mills. Leveraging Invera's broad experience in the metal business, INVEX can help you maximize your operations, increase your profits, and grow your company competitively.

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Contact Us

www.invera.com

Inquiries: (514) 925-8558

General: (514) 935-3535

USA

Invera Corp.
6125 Luther Lane, #425
Dallas, TX 75225
USA

Canada

Invera Inc.
4333 St. Catherine West, Suite 201
Westmount, Quebec
Canada, H3Z 1P9

United Kingdom

Invera Ltd.
33 Cavendish Square, 14th Floor
London W1G 0PW
United Kingdom

INVERA
Metal Enterprise Cloud Solutions