

# 3 HEAVY MATTERS

IT'S TIME TO TALK ABOUT CRITICAL CHALLENGES FACING HEAVY EQUIPMENT COMPANIES TODAY.



**RYERSON**

Demand for heavy equipment is up. So, too, are prices. With supply expected to remain constrained for the foreseeable future, your business will face some critical challenges ahead.

How you address such challenges depends on where you sit in the supply chain. As OEMs (original equipment manufacturers) begin to project an increase in production over previous levels, it causes a ripple effect of higher costs, larger volumes and elevated expectations throughout the supply chain.

No matter your position in the heavy equipment supply chain, three critical matters underscore the new reality of doing business today. On the pages that follow are three hypothetical scenarios playing out in the heavy equipment market today. These scenarios center on discussions that should be taking place with your partners to ensure they can handle the heavy matters facing your business.

1.

**The need to meet higher volumes under standard lead times.**

Being ready to make smart decisions fast on everything from material to equipment (page 3).

2.

**The need to ensure capacity can meet expectations.**

Having confidence that material and capacity are available even as spikes in demand become increasingly difficult to predict (page 5).

3.

**The ability to navigate through uncertainty.** Taking the necessary steps to manage both growth and risk across all areas of the business (page 7).

*Names, businesses and incidents in this eBook are used in a fictitious manner. Any resemblance to actual companies or events is purely coincidental.*



# MANAGING HIGHER VOLUMES AND EVEN HIGHER EXPECTATIONS

Ace Attachments is a small regional component manufacturer that designs and produces construction equipment for dozers, loaders, excavators and more. For years, this company has provided strong, durable attachments, and dependable service to a broad group of customers.

The owner, like many in his position today, wears multiple hats, from purchasing manager to market forecaster. Given new demands being placed on his business, he needs some assurances related the cost of material and the ability to produce unique parts.

## IN THIS DISCUSSION

1

*Helping to control material costs.*

2

*Addressing the need for customized parts.*

**Ace Attachments:** *Foremost on my mind these days is lead times. We face mounting pressure to meet higher volumes. I need to make smart decisions fast on materials.*

**Ryerson:** For a company in your position, it is all about the ability to control costs with consistency. Unlike OEMs or contract manufacturers, your capability to forecast with accuracy can prove to be difficult.

The first step should be to establish a reliable historical perspective of your business. Let's work one-on-one to gain a deeper understanding of your business, your relationships throughout the supply chain and your overall product mix. What we bring to the table is material and process expertise, as well as visibility into market trends and their impact on your purchasing decisions. Together, this information will help us establish a base for making more accurate projections.

For example, let's take a closer look at the volume of carbon you consume on an annual basis. Digging into key pricing indicators and broader economic factors could paint a different picture going forward and prompt us to re-evaluate what you are buying and when. You want to ensure that you are not forced into a spot-buying situation down the road.

Having a partner with a regional presence can help ensure material availability and provide localized sales support and knowledge. And when you couple that with a network that can adhere to your schedule, what you have is confidence that you can get the right materials when you need them delivered, where you need them.

In all, it comes back to being able to project with a degree of certainty your pipeline of projects and the impact it will have on capacity.

**Ace Attachments:** *On occasion, I need assistance when it comes to customizing a part. Here's a scenario I am currently facing: A customer that typically buys a standard size bucket for its dozers is now asking for a specialty order where the width is a bit larger than normal. Naturally, I said we can do it, but the reality is that we simply do not have the machining availability to accommodate.*

**Ryerson:** Let's talk machining services and how to produce engineered-to-order parts to meet your specifications. Here is the most important part: You need these parts to be machined and processed in the most cost-efficient manner. That means doing so at dedicated locations close in proximity to you in order to cut down on logistical costs.

It sounds like you need plate. Dedicated plate processing centers offer fast and reliable turnaround for anything from simple cut profiles to more complex fabrications. The plate processing that you are describing will involve simple cut-to-print parts to complex designs. But it could also involve welding, drilling, taping and painting. We will make sure to connect you with our metal processing professionals who will work with you to deliver the right value-added services that fit your needs.

Seeing that this is a custom part, you probably don't want to carry the inventory. It sounds like you may be a fit for a just-in-time delivery program that, when coupled with a broad network, ensures you get the material when you need it.

Bottom line? It's all about staying nimble. This helps instill confidence that you can continue to secure business while controlling costs and capacity.

# SUPPLY AND CAPACITY: COMBAT CONSTRAINT ACROSS TWO FRONTS

United Contract Manufacturing has a strong reputation for quality manufacturing and on-time delivery. Centrally located, the company services OEMs across the United States through state-of-the-art facilities and equipment.

But added demands from OEMs have forced United to meet higher volumes while lead times remain the same. The onus is now on United to ensure parts can be delivered on time every time.

## IN THIS DISCUSSION

1

*Providing assurances when it comes to supply continuity.*

2

*Ensuring capacity constraints don't limit capabilities.*

**United Contract Manufacturing:** *Right now, we are struggling with supply continuity; having some level of assurance that we can get the material we need at any time and at a reasonable cost.*

**Ryerson:** There is a big advantage to working with partners that have visibility into your relationships with customers. It helps by being able to stay in tune with forecasts and the associated lead times you are facing.

Our access to more than 70,000 items helps us provide that supply continuity. But let's dig a bit deeper into why that matters to you. It's about purchasing power; having strategic relationships with domestic mills and importers in order to secure the product you need when you need it. That could mean, for example, grouping certain tonnage together in order to get the most competitive price.

The last thing you want is to be caught in a situation where you are questioning whether or not you will be able to fulfill customer demands.

**United Contract Manufacturing:** *That sounds great for raw material, but how about my need for semi-custom components?*

**Ryerson:** Whether you need cut-to-size or complex parts ready for assembly, having access to the latest processing equipment and technology will help you deliver completed parts and assemblies that go right into production.

But here is the thing: You need those parts to be completed at a lower cost, and in many instances that comes down to consolidating steps in the manufacturing process. For example, multi-process plate machines that are capable of drilling and burning in order to reduce the amount of material handling necessary. Or have you investigated tube laser machines? This can streamline multiple steps, leading to a significant cost reduction versus typical machining methods. The ability to process parts quickly with minimal set-up time means less inventory, and the ability to produce parts in one continuous step reduces the number of times material is handled.

And we realize that it can be difficult to project spikes in demand. It goes back to your point about having some type of assurance that we can deliver. We take great pride in being able to verify our capacity, with an understanding of the unpredictability of your business.

But that level of understanding only comes with an established relationship. The more that we are aware of your material needs and lead times, the better we can work with you to provide assurances that we can meet your requirements, right down to the piece of equipment being used or even the location of the facility.

**United Contract Manufacturing:** *That brings up an interesting point; we are always evaluating equipment, but more so than ever lately given the heightened level of demand being placed on us by OEMs. We are facing some critical decisions on this front.*

**Ryerson:** It sounds like what you are facing is your typical 'buy vs. make' scenario where you must evaluate whether it makes better sense financially to bring new equipment in-house or work with a partner that can complete the parts for you on an as-needed basis.

This is a highly strategic decision with many factors to consider. Beyond the cost of the machine, you have the labor and software necessary for operation. Of course, there is the question of whether you can fully optimize the machine over the long term in order to justify the large capital expenditure. We have experience and resources that can help you determine the right approach.

# ELIMINATING RISK, ELEVATING GROWTH

The past year has been positive for ABC Machines, with customers ordering equipment at a very high rate. As a result, ABC is looking to make some adjustments to its business in order to focus better on core competencies.

But it's not all positive news. The company faces challenges to its existing product mix and is struggling to attract and retain skilled labor.

ABC needs a partner that goes beyond just providing metal and fabrication—one that is fully invested in the business that can help on both fronts.

## IN THIS DISCUSSION

1

*Helping to manage price volatility.*

2

*Addressing the impact of altering product mix or streamlining operations.*

**ABC Machines:** *We consume large volumes of carbon. And we must be able to budget cost-to-goods sold on our equipment. Pricing volatility in the market presents a high degree of risk to our budgets and gross margins. What resources are available to help manage that volatility?*

**Ryerson:** Have you considered hedging as a strategy? This approach takes a variable price and makes it fixed over a specified amount of time, based on your needs.

In some cases, that fixed price will be over several months, while in others it could be several years. Hedging could help balance your portfolio and diversify your spend, removing volatility.

And perhaps you aren't familiar with the accounting and administrative processes related to variable pricing. To help, we can discuss an approach that can take some of that burden off your plate.

**ABC Machines:** *This past year has been successful, and we are projecting substantial growth going forward. As a result, we are looking to re-evaluate some of our in-house processes in order to better focus on the core competencies of the business—all with the least amount of disruption to operations.*

**Ryerson:** As our relationship continues to expand, we are poised to take on a larger role in helping you execute on your growth. Part of this involves us taking ownership of processes that help you better focus on the core competencies of your business.

Let me tell you a bit about our approach. We will sit down with you to develop a plan to ensure that it fits what you need. We take the time to truly understand your business, walking your facilities and talking with you and your team in order to learn how you are using parts or equipment.

With this comprehensive understanding of your business, we can work with you to identify every opportunity to reduce cost and eliminate waste. With this in mind, we can develop a strategy that can help improve productivity, reduce cycle times and help meet the goals of your business.

**ABC Machines:** *Further to that idea of taking ownership, we are revising the design of one of our products already in the field, and we plan to move production in this direction ASAP. We are looking to coordinate this effort better across the supply chain.*

**Ryerson:** We understand the potential disruption this can have into material forecasts, work-in-progress and overall capacity, both for you and your partners. This will require some very thorough communication and coordination with all parties involved. But first, let's take a look at how to alter plans based on such unique circumstances and the impact it will have on the entire supply chain.

And in future scenarios, we can even work with you on material or fabrication recommendations. Our inside and outside sales reps are highly technical and experienced in dealing with such situations.

In all, as your business continues to evolve you need the right partner who can ensure that you remain competitive without losing focus on the core competencies of your business.



# CUSTOMIZED METAL SOLUTIONS

Ryerson knows what you need to manufacture heavy equipment. Whether your program requires raw materials or ready-for-assembly parts, let our experienced team of professionals work with you to deliver quality products on time, every time. We address your three key needs through three essential approaches:

1

## **Providing More Than Metal:**

We offer the products and services to help you deliver more with fewer resources.

2

## **Streamlining Your Supply Chain:**

In response to changing demands, we partner with you to deliver supply-chain solutions tailored to meet the needs of your business.

3

## **Becoming an Extension of Your Business:**

As our relationship evolves, we take on a larger role in helping you execute on growth, speed-to-market and improved financial performance of your business.

*CONTACT US TO GET A QUOTE OR PLACE AN ORDER.*

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