

NOTES FROM THE EDITOR



Scott L. Melnick

My wife and I are in the process of planning our summer weekend getaways. While her ideas usually involve a quaint town with interesting shops or national parks with plentiful hiking, I keep suggesting Kentucky. I always sweeten the pot by talking about Mammoth Cave, but my true destination is the Louisville Slugger Museum—and factory tour!

I've always been fascinated by the process of creating something, which is why I was disappointed to have missed the Service Center tour that was offered at the North American Steel Construction Conference in April. I have toured several steel mills (even one under construction that allowed a visit *inside* the furnace) and numerous fabricators, but until recently I had never made it to a Service Center. Fortunately, our friends at Infra-Metals Co. invited a few of us to come to their new facility in Marseilles, IL, about an hour-and-a-half from Chicago.

Service Centers are fascinating places. The Marseilles facility has a 50,000-ton inventory—and expects to completely turn over that inventory a minimum of four times a year. What becomes clear when you visit a Service Center is that almost every member—from angles to HSS to wide flange—is readily available, and can be cut to whatever length is needed even before the member is shipped. The Marseilles facility also can camber a full range of sections, though that is not necessarily true of every Service Center.

Of course, there's always a catch. In this case, there is a slight premium for purchasing steel from a Service Center rather than directly from the mill. The question, though, is whether it really costs more. A term used all-to-infrequently in

the steel industry—but one that is gaining widespread acceptance in other businesses—is “activity-based costing” (there's even an Activity Based Costing Benchmarking Association that conducts benchmarking studies to identify practices that improve the overall operations of its members).

When you apply activity-based costing to the steel industry, you start to look at costs from a different perspective. For example, if a fabricator buys exclusively from mills and maintains some inventory of steel, they really need to consider the cost not just of financing that steel and the space it takes up, but also the cost every time they shift the steel (and that doesn't even take into consideration the better volume prices that a Service Center will get from mills and the fact that Service Centers buy from multiple mills—both foreign and domestic—to further maximize their cost advantages). According to the good folks at Infra-Metals, there are a lot of considerations like this. Their recommendation is that you sit down with a Service Center rep—whether from Infra-Metals or one of their competitors, such as Metals USA—and discuss these issues.

And these discussions are not limited to fabricators. Structural engineers and contractors would also benefit from discussions with Service Centers, especially in terms of optimizing a design not to minimize weight, but rather to minimize the cost of the steel used—and at the same time reducing the fabrication cost. Of course, that's one of the big benefits of bringing the entire team together early, and early involvement is a whole other discussion.

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