

Encompix Customer Profile

METAL SYSTEMS

Location:

Chattanooga, Tennessee

Industry:

Equipment and Operator Centers

Challenge:

Find and implement a new ERP system to control job costs and enable profitable growth

Solution:

Integrated Software and Services from Encompix

When it comes to providing world-class protection to personnel or delicate electronic equipment from noise, dust, extreme heat, or inclement weather, Metal Systems, Inc., has the answer. Located in Chattanooga, Tennessee, on a 10.2-acre site, Metal Systems designs and manufactures a wide range of equipment and operator centers. Customers include many of the world's leading industrial corporations including: Square D, Siemens, GE, US Steel, TVA, Alcoa, BP, Motorola, Westinghouse, AMTRAK, Monsanto, and Procter & Gamble.

Metal Systems has 180 employees at its 150,000 sq. ft. manufacturing facility. Metal Systems' products include equipment centers, housing electrical transmission equipment and operator centers protecting personnel from rugged industrial conditions.

Time for a Change

In February 2000 Fred Richardson joined Metal Systems as controller with the specific objective of selecting and implementing a modern ERP system.

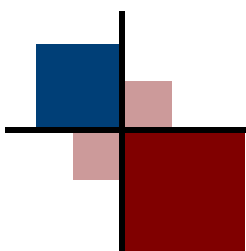


Power Distribution Center

“Our previous system was more of a distribution system that didn't allow for any job or labor tracking and had no capabilities for data collection,” said Richardson.

It was clear that if the company was to grow it needed to improve its job tracking and control costs.

“Previously there was some tracking on spreadsheets, and we often thought a job was profitable when really it wasn't. A lot of our estimating was based on partially valid assumptions. We knew last year's total labor cost was 25% and assumed that labor cost would stay the same and priced our jobs accordingly. What we soon found out was sometimes labor was 25%,”



Metal Systems, Inc.



sometimes more, or sometimes less and varied greatly from department to department” said Richardson.

Another major problem was rework.

“Rework was a major problem that went undetected because we had no way to track it. This was especially true in the paint department,” said Richardson.

Straightforward Selection

Unlike many companies that undertake a lengthy selection process, Metal Systems' evaluation was very straightforward. "Encompix was already partially installed in one of our sister companies so there was first hand knowledge of its capabilities as well as some trained employees," said Richardson. "We needed more information about the status of our jobs and the ability to track our actual labor costs," continued Richardson.

“Being a CPA with over 30 years experience installing and fixing broken systems, I knew what to look for and quickly became confident that Encompix could do the job at Metal Systems without any major modifications. In fact, our only modifications were to produce three custom reports,” said Richardson.

Integration is the Key

“Encompix is a vertically integrated system.

It easily integrated with our existing Abra payroll system and provided the shop floor data collection, using Computerwise clocks. We considered this essential to accurately track and control our labor costs,” said Richardson.

Another key feature was the ability to handle repetitive operations, Richardson explains.

“Even though we are a job shop, a lot of the things we do are repetitive. For example, the only thing that differs on a wall panel from one job to the next is the weight of the material and length of the panel. The manufacturing operations are the same. The ability to operate some jobs as repetitive and back flush material is important.”

Rapid Implementation

Metal Systems started the implementation in Late February 2000 and successfully went live July 1, 2000. "Currently we have 35 users on Encompix, and we are using all of the modules in the system with the exception of estimating and contribution reporting," said Richardson. "During 2002, we upgraded to version 9.1 to take advantage of the many new features and enhancements," he added.

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Dramatic Benefits

It was not long before Metal Systems started to see dramatic improvements in their operations. By focusing on direct labor costs, Metal Systems reduced the average workweek from an average of 53 hours to 48 hours. This is a significant cost saving as any overtime over 53 hours per week is paid at double-time. All of this was achieved while increasing production throughput by 30%.

Prior to Encompix, project managers had very limited access to information. Now they have access to all the data necessary to help them manage their projects.

"Every time a job goes outside pre-defined parameters an alert system notifies the appropriate project manager of the problem. It gives the people who are responsible for the project the ability to see what the problems are and identify the causes," said Richardson.

As labor is a large component of any job, controlling labor costs is essential for profitability.

"Encompix provides us with the visibility we need to more tightly control labor costs on a project. As a result we have been able to increase our margin on jobs anywhere from 10-25%," said Richardson.

Production Problems Identified

Another area the system highlighted was a problem in the production process. Richardson explains.

"One of the biggest changes was tracking our paint shop. Our sales people were looking at their gross profit margins on some jobs and found the margins were lower than they anticipated. They went back through the jobs looking for where the costs occurred. They noticed that several jobs had been painted multiple times (as many as three) — that's three lots of labor, materials, and overhead. The paint cost was double or triple the estimate. We never had this visibility before Encompix."

After identifying the problem Metal Systems took action.

"As a result we changed over to an electrostatic paint process. We cut our paint



"We cut our painting costs by 50% by virtually eliminating rework and using less material."



Metal Systems, Inc.

costs by 50% by virtually eliminating rework and using less material," added Richardson.

During the past two years Metal Systems' business has grown by over 100%.

"Through the efficiencies we have gained with the Encompix system and astute use of the information it provides, we have managed to grow our business with the addition of just 20 new employees. Back in 2000 we had 160 employees, we ended the year in 2002 with 180. From the end 1999 to 2002 revenues doubled and our profit margin increased 120%," said Richardson.

The ability to manage changes to a project is another area that led to significant benefits.

"On some jobs the customer would change the specifications, to include a special gauge of steel or change the air conditioner to a larger unit by contacting manufacturing directly without going through our sales department. With Encompix in place these changes became visible and caused us to tighten our change order system. We are now able to track all the changes made to a project. This was worth around \$250,000 of incremental revenue in the first year after implementing Encompix," said Richardson.

Competitive Edge

Metal Systems faces tough competition. Today customers are looking for a quality product, delivery reliability — all at the lowest price. Knowing and controlling their costs helps give Metal Systems a competitive edge.



"We believe we can maintain a competitive edge by controlling our costs better than our competitors — most of our competitors are where we were in 1999. The company with the most accurate information and best quality and delivery will always win. Encompix has helped provide us that edge," concluded Richardson.



CONCEPT TO COMPLETION

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