# Consolidation within Stemcor leads to lean and flexible supply chain

*An interview with Robert van der Weck, group stockholding director at Stemcor in Düsseldorf (Germany).*

**Stemcor is the world's largest independent steel-trading company. As the company has grown by acquisition, its Northwest-European supply chain is highly fragmented. Stemcor initially planned to change that by investing in a new transit centre in Vlissingen (The Netherlands). However, Groenewout advised a different solution: consolidate at a logistics service provider who could provide a combined transit and distribution centre in the Scheldt area. By following Groenewout's advice, Stemcor was able to save almost 10 percent on its logistics costs and almost 20 percent on its inventory capital costs.**

Stemcor is involved in virtually every aspect of the steel supply chain apart from the actual production of steel. As a trader in iron ore, the British, family-owned company holds stakes in a number of iron ore mines. That iron ore is transformed into steel in steel plants, after which Stemcor trades it once again, this time selling it as 'ready-to-use' steel to companies all over the world. "Stemcor is the largest independent steel trader in the world. We have experienced rapid growth in recent years, both organically and through acquisitions. In 2011, we traded 20 million tonnes of steel, half of which was raw material and the other half finished product," says Robert van der Weck, group stockholding director at Stemcor.

Around five years ago, Stemcor decided to widen its scope and move further downstream in the supply chain, closer to the end users. "Rather than merely trading in steel, we wanted to hold stock and handle distribution too. However, the economic crisis started just after we'd made that decision, which meant our plans were put on ice for some time. We finally started implementing them around two years ago," continues Van der Weck.

## Quantitative analysis

*Robert van der Weck*

Van der Weck asked Groenewout to analyse how the new strategy would impact Stemcor's supply chain from a European perspective. The supply chain in Europe, which is an important continent for Stemcor, is highly fragmented since the steel trader has its own companies operating independently in almost every country and for almost every product group: steel plates, coils, beams or pipes. "Besides working closely with European producers, we import steel from South America, India and China. The idea was to consolidate these goods flows as much as possible, so we originally planned to build a new transit centre in Vlissingen for receipt and temporary storage of the steel arriving from overseas," recalls Van der Weck.

P.O. BOX 3290
4800 DG BREDA
THE NETHERLANDS

NIJVERHEIDSSINGEL 313
4811 ZW BREDA

T +31 (0)76 - 533 04 40
MAIL@GROENEWOUT.COM
WWW.GROENEWOUT.COM

However, that plan was based on assumptions and financial information that dated from before the economic crisis. "Groenewout helped us by conducting a thorough quantitative analysis of the post-crisis situation. Which flows of goods were we dealing with, in which volumes, and what were our actual logistics costs? Groenewout used that as the basis for outlining a number of different scenarios focused on identifying the best approach to importing and storing our products and distributing them to our customers throughout Northwest Europe." Stemcor's management was keen to make quick progress, so the analysis had to be carried out in a very short space of time. The situation was made even more complex by the data having to be extracted from different systems across several of the company's facilities.

**Surprising conclusion**

Groenewout's conclusion was that investment in the company's own transit centre was not the best solution after all. Instead, Groenewout advised Stemcor to turn its attention to finding a combined, outsourced transit and distribution centre which would not only offer temporary storage for the steel but would also function as a stock point, thus enabling the company to supply its customers quickly and in line with their individual requirements.

This came as a surprise to quite some people within Stemcor. Although the company was familiar with the concept of outsourcing and 'virtual stockholding', most had felt that, in order to retain tight control over a dedicated, strategic hub with high inflows and outflows, the facility would need to be wholly owned and operated. "A further key conclusion was that we needed to stay flexible. Volumes are very unpredictable in our market. In addition, the countries we source our steel from are changing all the time due to fluctuations in prices and exchange rates, and continual amendments to the relevant legislation and regulations. That's why it's better to outsource the logistics operation rather than invest in our own," comments Van der Weck.

**Eight recommendations implemented**

Groenewout's advice extended even further. The data analysis demonstrated that it did not make good business sense to create one single transit and distribution centre for all product groups, because sheet plates and coils were often sourced from different steel producers and there was little overlap between the two groups' customer bases. Furthermore, the consultancy firm prepared an overview of all cost elements, generating a list of potential improvements. "Last but not least, Groenewout helped us to formulate our service-level demands more clearly which provided a stronger basis for our contract negotiations with logistics service suppliers," continues Van der Weck. He expects that eight of Groenewout's ten recommendations will have been implemented by the end of the year. They will result in a significant improvement of the customer service level and substantial cost savings. "While investment in our own transit centre is now totally off the agenda, we have made good progress to centralise our stocks in the Scheldt region. This time last year, we were storing steel plates at 10 different locations along the River Scheldt whereas now we only have two stock points. That means lower inventory capital costs and less exposure to price fluctuations."

**Inventory reduced by a fifth**

Van der Weck is impressed by Groenewout's firm stance in the face of scepticism from within Stemcor. "Consultants are sometimes dismissed as people who merely produce reports saying what companies themselves already know. However, Groenewout provided us with clear and concrete advice, unhindered by preconceived ideas. This approach succeeded in generating considerable internal support."
The analysis showed that Stemcor can save between 5 and 10 percent on its logistics costs. "I expect us to achieve that, and I think we'll come closer to 10 percent than five. In addition, we aim to reduce our inventory by 20 percent," says Van der Weck, who explains that the company is also benefitting from some "off-the-record" advice to save costs in the inbound phase. "That has meant revisiting our arrangements with steel plants and loading ports. How much should we purchase each time, and how should it be transported? Groenewout highlighted that, per shipment, up to 10 percent of the steel plates was being damaged due to the way it was handled. In our most recent consignments, all the material arrived unscathed – and that's simply thanks to reaching clearer agreements."

**By Marcel te Lindert**

*Marcel te Lindert is a journalist with over ten years of experience in logistics. He was editor-in-chief of the Dutch magazines Transport+Opslag and Logistiek. Nowadays, he works freelance for magazines including Supply Chain Magazine, Nieuwsblad Transport and Logistiek Totaal.*

**More information**

*If you have questions or if you would like to offer your feedback to this article, you can contact Isabel Schouten-van Dilst, schouten@groenewout.com/ +3176 533 04 40.*