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Knowledge is Power


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"Ideal Costing?" by Kirk Grundahl

One of the issues we have discussed at past Building Component Manufacturers Conferences, in WTCA meetings and in WOODWORDS is costing within a truss plant. At the risk of being redundant, let's go through what determining the exact cost of a truss would begin to look like:

GLOBAL COSTS OF OPERATING A TRUSS PLANT

1. Sales Call $_____
2. Truss Bid—Sales $_____
3. Truss Bid—Technical Services $_____
4. Sales Calls Until Final Bid Acceptance $_____
5. Get the Job (Administration) $_____
6. Complete Final Take-off $_____
7. Final Technical Services $_____
8. Errors & Omissions Insurance $_____
9. Technical Services to Scheduling and Production $_____
10. Lumber Purchasing $_____
11. Lumber Inventory $_____
12. Lumber Storage $_____
13. Lumber Waste $_____
14. Taking Lumber out of Inventory to the Saws $_____
15. In-feed System $_____
16. Sawyer $_____
17. Saws—Machinery $_____
18. Saw Maintenance $_____
19. Saw Electricity $_____
20. Saw Software $_____
21. Saw Building $_____
22. Lumber Waste $_____
23. Staging Cut Lumber for Truss Production $_____
24. Storage Area of Building for the Cut Lumber $_____
25. Lumber Transport to Production Tables $_____
26. Moving Lumber to the Table $_____
27. Moving Plates to the Table $_____
28. Truss Set-up $_____
29. Truss Manufacturing—Labor $_____

30. Lumber Wasted $_____
31. Plates Wasted $_____
32. Error in Engineering $_____
33. Error in Cutting $_____
34. Cost of OSHA $_____
35. Workers' Compensation Insurance $_____
36. Truss Manufacturing—Machinery $_____
37. Truss Manufacturing—Building $_____
38. Truss Manufacturing—Equipment Maintenance $_____
39. Truss Manufacturing—Equipment Electricity $_____
40. Truss Off Feed Conveyor $_____
41. Truss Finish Roller $_____
42. Truss Stacking System $_____
43. Truss Stacker $_____
44. Banding $_____
45. Transport to Storage $_____
46. Storage Area for Finished Goods $_____
47. Transport to Shipping $_____
48. Transport Personnel $_____
49. Shipping Equipment $_____
50. Shipping Personnel $_____
51. Operating Cost Per Mile of Shipping Trusses $_____
52. Shipping Regulations $_____
53. General Liability Insurance $_____
54. Back charges for problems during shipping and installations $_____

TOTAL $_____

These 54 categories provide a fairly comprehensive list of the exact global cost of each truss produced in the plant. One can easily break each of these into more precise cost items. For example, if we take the cost of the sales call we may have each of these very specific costs for this particular truss:

SALES COSTS FOR A SINGLE TRUSS JOB

1. Time Salesperson Spends on Selling Job $_____
2. Time Salesperson Spends Discussing with Management and Technical Department $_____
3. Car—Capital Cost $_____
4. Car Operations—Oil and Gas $_____
5. Car Maintenance $_____
6. Cell phone $_____
7. Fax $_____
8. Email $_____
9. Golf $_____
10. Wine, _____ and _____ $_____
11. Athletic Event Box Seats $_____

12. Time Salesperson Spends with Field Problems $_____

TOTAL $_____

If we did this for each item above and added up the properly apportioned costs, we would then have an exact cost for each truss in our job. From this we could make the following assessments:

- Are any of these costs too high?
- What is the value of each of these costs and can any costs be eliminated?
- Are certain costs trending up for an unknown reason?
- Are all the costs what we expect them to be?

The ultimate conclusion of this type of detailed analysis is that we know precisely if our price was greater than the sum of all of our direct costs and how profitable this job was.

In this issue we talk about the future of manufacturing and how automation can help our industry improve efficiency and save us money. This is very true. Yet one can easily contend that there is the potential for having a great deal of wasted time and materials that we may not have a good handle on. Only by looking at all our costs in as fine a detail as we can will we ascertain the answer to that question. And sometimes, the answer may surprise us. Who knows how much additional profit one has tied up in all the little costs that are not providing a payback? Food for thought.

SBC HOME PAGE

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