

Changing Technology Priorities in the Metals Service Center Industry

As metals service centers work to prioritize their investments in the post-pandemic environment, understanding the role of technology and how their industry peers are employing it is an important first step. One valuable tool in this effort is the Crowe "Technology in the Metals Industry" survey, which for the past 10 years has polled industry executives about their use of technology and their plans for expanding their technological capabilities in coming years.

As have the surveys of the past several years, the 2021 survey confirmed that metals companies that intend to remain competitive have come to regard technology investment as a requirement rather than an option. Beyond that, the 2021 survey data also offers some insights into how such companies plan to use technology to build on recent revenue growth and sustain that growth into the future.

Tech's Strategic Role

Despite the uncertainty of the pandemic year, the 2021 survey responses indicate that technology remains a strategic imperative in the eyes of most metals industry executives. When asked to characterize the importance of new technology to their three- to five-year business strategies, nearly two-thirds (64%) of survey respondents said it was very important, with technology investments tied to specific business strategies or outcomes.

This response was relatively unchanged from previous years. In addition, another 23% of survey respondents believe new technology is somewhat important, but they are not yet sure how to link it directly to their business strategies.

Rather than reducing their commitments as they try to ascertain the

pandemic's long-term effects on their business, more than half of the respondents said they increased their technology investments in 2020 in response to the pandemic. That number includes

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20% who reported significant increases. Looking ahead, even more (56%) said they plan to increase their technology investment in 2021 due to COVID-19.

Drivers That Influence Technology Decisions

In the 10 years since the survey was inaugurated, companies' rationale for investing in technology has shifted gradually.

In the early years of the survey, metals industry executives' stated reasons for investing in technology often were internally focused. Among the potential benefits they hoped to achieve were outcomes such as better inventory management, improved production planning, and more effective production control.

Obviously, those capabilities still are important to service centers and are all but certain to remain so in the future.

Yet in recent years, when executives were asked what factors are influencing their technology decisions, a new set of drivers has emerged.

For example, when the 2021 survey participants were asked to rank the various factors they consider when making decisions about technology investment, 61% cited customer needs and requirements as the number one issue they consider. This suggests that customer expectations now are playing a larger role, outpacing the cost-control and operational efficiency concerns that drove investment decisions in years past.

Metals Companies' Evolving Tech Choices

A comparable shift can be seen in the types of technology metals businesses are implementing. Core business applications such as enterprise resource planning (ERP) and customer relationship management (CRM) still account for most technology investments, but a growing number of companies are shifting large portions of their budgets toward more advanced technology applications such as data analytics, artificial intelligence (AI), and machine learning (ML).

As service centers adjust to the post-pandemic economy, survey results such as these suggest that a growing majority of industry executives now recognize that investment in advanced technology is central to their long-term success. ■

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