

# Assan Aluminium

## A Profitability Management Success Story



### ASSAN ALÜMİNYUM

Assan Aluminium, a member of Kibar Holding, was formed in 1988 as an independent company to create flat-rolled aluminum products. Headquartered in Turkey, Assan became the leading world aluminum producer after investing in the world's widest continuous thin speed casting technology. It is rapidly expanding its capacity to 250,000 tons after purchasing Standart Aluminium plant. Assan's products are marketed worldwide. About 60% of its current production is exported: mainly to Europe and also to North America, the Middle East and Far East. Aluminum coils/sheets and foils are sold to different sectors such as construction, electrical appliances, transportation, consumer durables and packaging. With its environmentally-safe production technology, Assan aims to satisfy the growing needs of the market by relying on technological innovation.

“We were able to conduct multi-dimensional costing and profitability analysis by implementing Acorn Systems' Performance Analyzer software tool. The profitability analysis at customer, product, usage area, and geography dimensions showed us how to fill our manufacturing capacity with more profitable business. It also helped us focus our sales efforts and come up with more effective sales strategies.”

The Assan executive management team wanted to achieve excellence in their internal decision making and planning processes. To help accomplish this goal, they implemented enterprise-wide decision support systems. This included a series of projects focused on profitability management. The objective was to gain multi-dimensional visibility in costing and profitability in various dimensions such as customer, product, usage area, and geography.

Assan Aluminum supplies raw material and finished goods for its customers and manufactures customized products that meet customer specifications. Each product has a different cost structure, different pricing and is marketed to different geographies. Thus, it was critical to calculate and analyze costs and profitability at a detailed level within this complex system. This was accomplished within two phases:

**Phase 1:** Each coil produced was costed out based on its process route and the resources it consumed throughout the manufacturing processes.

**Phase 2:** Profit and loss statements were generated for each coil and package. This was the lowest level of detail required to reach the project objective.

Bahadir Ozer, the Executive Vice President of Sales at Assan Aluminum, expressed his satisfaction with the level of capability Assan now has in costing and profitability management.

A manufacturing powerhouse, Assan Aluminum is deeply interested in how to create maximum value with available capacity while maximizing capacity utilization. Acorn's costing and profitability system enabled Assan to optimize product sales and their manufacturing mix based on profitability by accurately calculating the cost of producing each product. For example, a cold rolling machine consumes 10 million Kwh of electricity per year. However, electricity usage differs widely depending on which product runs through the machine. With Acorn's costing system, electricity cost is calculated for each product based on order parameters such as: the product's alloy, condition, order thickness, beginning thickness, the rate of change between beginning and ending thickness, width, length, and weight of the coil.

“We knew that it would not be an easy task to decipher our complex manufacturing processes from a costing perspective.” says Ozer. “Batuman Consulting was up to the challenge and completed the business analysis and conceptual design phases with remarkable success. They showed the same success in the system integration, software implementation and profitability analysis phases. We now have a very special in-house capability thanks to Acorn's tool and Batuman's expertise in costing and profitability management.”

Assan Aluminum worked with Batuman Consulting, the exclusive distributor of Acorn Systems in Turkey and the Middle East, to build the profit and costing models for their manufacturing, packaging, sales, and distribution processes.