

CareGo: “Digital technology is a must for steel business to survive in high-cost regions”



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Each steel company has its own business story. Some come to the industry and stay as they are for decades, while others experience great transformations in their business lives. Such transformations are particularly relevant now as digitalization gradually penetrates all business aspects. Innovations became a turning point for warehousing company Steelcare, which had switched from steel distribution to related services business. Now it is known as CareGo, a provider of optimization and software solutions for the industry.

Metal Expert had an interesting conversation with Mr. Walter Krancevic, CareGo's Chief Commercial Officer, who told us about challenges and opportunities of the steel distribution in North America. He threw some light on relatively new and still little explored field of digital technologies, which is yet to be embraced by the majority of industry participants who are still not aware of its possible benefits for their businesses.

CareGo started back in 1999 as a steel warehousing company and evolved to a service provider for steel mills, service centers, and distribution facilities. Please tell us about your business transformation, reasons for it, and your current corporate goals.

The change in CareGo is a classic example of business transformation. One of the most difficult things for any company, regardless of whether they are making automobiles or steel, is to realize that a fundamental change is required in what they are doing.

Historically, when CareGo started in Hamilton, Ontario, there were only two large steel mills in the area. The policy at the time for steel mills was to run at maximum production all the time, and then to store whatever they could on site. What they could not accommodate on site they would send to outside service providers to store. The idea behind it was that when the customer called and required a certain grade or a type of steel, mills would reply: “Yes, we have it, and we can ship it tomorrow.” There was a seemingly endless demand for outside storage so it made sense to be an outside storage provider.

Traditionally, outside service providers in North America are warehousemen, sometimes the buildings used to be factories or something else. A low tech and simple business. We had another approach – we felt that a purpose built facility that is specific for the cause would be more efficient. And that deploying technology would add a whole new dimension.

One of the problems was that mills’ whole logistics procedure was very manual and we felt it by introducing technology to the process we would make it more efficient. So, we started to create the building bones of TELIA, but not for sale, simply to make our business better.

When the recession hit in 2007 the steel mills decided to change how they ran their business. They said, you know, we are not going to hold all this inventory anymore. We are only going to make steel to fulfill specific orders. This development did not bode well for the long term growth potential of our business so we knew we had to come up with a solution.

We looked at the technology tools that we had created, things such as “lights-out” facilities, automated cranes, and optimization algorithms, and felt that there was a market for these tools in the steel industry. These tools evolved into TELIA.

From that point the decision was made to transition ourselves from a traditional logistics business to a technology company. Two years ago we sold the logistics part of our business and became CareGo Tek.

With an experience in real steel distribution, CareGo is familiar with aspects of this sector. What are main business issues for the steel distribution today? What could CareGo suggest to be done to cope with the current challenges in the sector?

The steel mills of North America always emphasized the development of better steel. The resources, the R&D, the managerial effort have always gone to the steelmaking. If you look at the physical properties of steel today compared to the steel of 30 years ago, the improvements are fantastic, almost impossible to believe. This is not the case when it comes to the support parts of the business. In many mills and service centers material handling is still being done the way it was in 1965.

If you look at other industries, for example pharmaceutical and food distribution, material handling and logistics is extremely advanced. But, if you walk into a warehouse of just about any steel mill you would feel as though you've stepped back in time. The industry has to realize that there are enormous savings, benefits and efficiencies that can be obtained by investing and modernizing this part of the business.

CareGo has integrated solutions for the steel terminals and the rail trainload facility. What advantages do they have in terms of optimization of cost and operations?

Our first major sale was to a port in the UK. The most precious commodity a port has is land, and usually, there isn't enough of it. Our system, TELIA, allowed the port operator to store 30-40% more steel in their existing terminal. They were considering doubling the size of their terminal from 8,000 sq. m to 16,000 sq. m and after they met with us, the expansion was no longer deemed necessary. In addition they were able to handle steel coils 30-40% faster.

Similarly rail terminals are often "landlocked". So, a TELIA managed rail terminal can be 30-40% faster and have 30-40% more space, which means that train can get through faster and make more money.

And what about some small solutions for distribution centers and steel mills...

TELIA is a system, we sell solutions that usually incorporate TELIA software. But part of the process is actually reviewing and optimizing the flow of product through the facilities. We don't just say "okay, this is your warehouse, things are coming in, things are going out and that's fine and TELIA is in the middle." We look at the entire operation, we question everything. Sometimes we fundamentally change how companies load their finished goods and raw materials.

We are not selling TELIA features in isolation. We analyze the business and come up with a recommendation, which leverages TELIA's strengths. It's usually a disruptive improvement, but well worth it.

Steel distribution usually becomes even more complicated in the countries with a large territory like Canada, the US, due to additional transportation costs and risks related to considerable distances. How does this system work at the moment and do you see any room for improvement in the future with CareGo solutions?

Canada and the US have an excellent rail network, different than Europe, in that it is a high-capacity (weight) rail network. A typical wagon in Canada or the United States can carry over 100 t of steel and it works quite well.

When people think of technology, they think about computers, but technology can be other things, it can be objects, devices.

We actually created a solution for a steel company in Western Canada. They were moving coils by train and it was fine, but transit time was long and they wanted something faster. They tried using trucks. The transit time was great, but the price was too high.

A third option was to ship in standard intermodal containers. It was a bit more expensive than traditional rail, but much cheaper than truck and the transit time was good.

Unfortunately most railroads forbid the transport of heavy steel coils in containers because of safety concerns. In response we created a special, reusable pallet (called Aurora) that can easily handle coils as heavy as 10 t.

We tested our design, got it approved and enabled our customer to move thousands of steel coils safely and efficiently.

So, we took an existing problem and solved it in an innovative way.

Today, the industry is entering the new industrial revolution – Industry 4.0 – which implies using a wide range of digital technologies along the whole production chain. How does it influence the steel sector? Do you see any new aspects for your business in this regard?

It is interesting because we just finished a study for a major American mill that would change how they move product from their casters to reheat ovens and I would call it not 4.0 but about 3.75. In the study we removed a lot of manual touch points, where simply TELIA is focused on moving the product on its own without human intervention.

Small and medium-sized steel trading companies are not yet involved in the digital transformation. What solutions could be useful to those companies and help them become more competitive?

It is 2017 and it amazes me how far behind many companies are, and not just in steel industry but in other sectors too, when it comes to embracing digital revolution. I think digital technology is a must for steel business to survive in high-cost regions like Europe and North America. We see so many organizations – there are many advanced and even revolutionary ones, but many still do not recognize the value of digitalization.

We use this extensively to model optimization scenarios. We use real data from the customer, all their real time production over a period of at least 6 months and analyze it. So we know everything that came from the mill, everything that went to and left the warehouse. We build a computer model and then look at 6 months of activity and run different scenarios.

For example we say “What if crane number 2 operated 50% faster? What impact would it have?” We then create a virtual reality model of the warehouse, so that the customers can put on a set of VR Goggles and virtually “walk” inside the facility. They can view, firsthand, how various scenarios operate.

What is your outlook for the steel sector for 2017? Do you expect it to support your company’s plans?

We feel that the industry wants to become more efficient and is looking for ways of doing it so we are busier than ever. We see 2017 and 2018 as very promising years. Everyone wants more things in less space, wants to do everything faster and minimize the damage, which we can help with using TELIA. I think the industry is finally starting to listen so we are very encouraged.

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