



Yorkshire & Humber Regional Development Agency

■ Case Study

- Strategic Costing W Hallam Castings Ltd

Synopsis

W Hallam Castings Ltd provides high quality engineered industrial and domestic components, in diecast aluminium with related sub-assembly, for the Original Equipment supplier markets. The company has been examining both product line and customer segmentation using Activity Based Costing to get a more realistic understanding of its cost structure.

Company Background

W Hallam Castings Ltd provides high quality engineered industrial and domestic components, in diecast aluminium with related sub-assembly, for the Original Equipment supplier markets. The company serves the motor, audio, commercial office plant and hand tool markets. It employs 37 people and is based in Thorne near Doncaster.

Cost Issues



Die-cast components are de-burred using specialist treatments

Robert Pickersgill, W Hallam Casting's Managing Director, has been working with the advisory team from Business Link South Yorkshire and ServQ Limited on a strategic costing initiative sponsored by Yorkshire Forward.

"The programme has been very useful. It has helped us understand our cost structure, especially the indirect costs more accurately. In our market the customers actively seek demonstrable value and the programme has helped us assess which indirect resources add value" – Robert Pickersgill

Cost Modelling

As part of the company's marketing expansion, it has been evaluating the total cost to manufacture and sell its products by segmented groups. Each product group has a different position in the supply chain and therefore the costs and value added needs to be realistic.

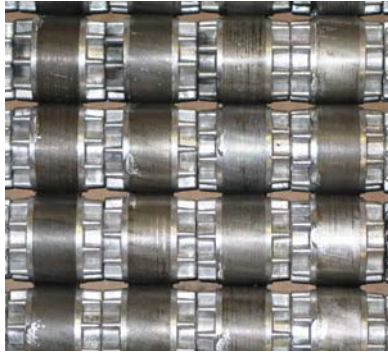
"Procurement managers of several of our customer require detailed analyses of the production process costs nearly mirroring an activity based approach. By using ABC we will be able to estimate the product costs far more accurately in future"
– Robert Pickersgill.

As with many SMEs, management time is a highly valued resource. It is essential that the company's team get the best value from its planning, marketing and sales activities. The Managing Director takes a proactive role in sales and product development, working very closely with customers to jointly engineer and plan product development.



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"As we develop the model we can isolate the added and non-added value activities within the firm and re-deploy valuable resources in a more effective manner".



W Hallam makes electrical motor assemblies for the OEM market

Outcome

W Hallam Castings Ltd has been an enthusiastic advocate of the customer segmentation approach, devised as part of Rapid Build ABC. The company has started to adopt the coding within its core finance system.

"It is really important that we appreciate our cost to serve our customers. We needed to get a more precise view on which customers were drawing on which resources. Activity Based Costing allows us to do this" – Robert Pickersgill

Future Development

ABC allows more accurate target costing and value engineering of new products. As greater commercial pressure is applied throughout the supply chain it is essential to have all costing on a solid footing.

From this market led base W Hallam Castings intends to expand – profitably. The strategic costing project will help the company achieve this aim.

References

Contact lewis.bowman@yorkshire-forward.com or andrewdcrossley@servq.com for further information.

