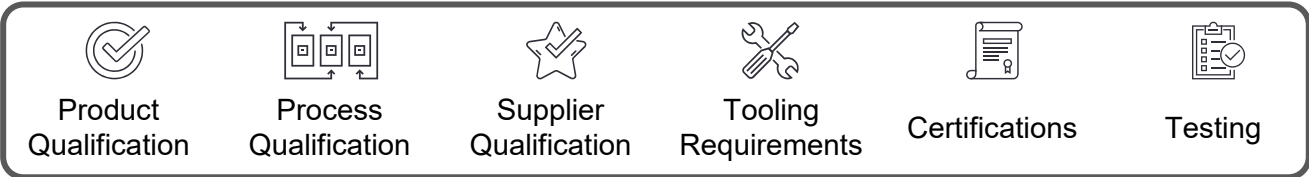
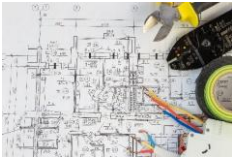


Product Cost Reduction: Going Beyond Traditional Procurement Levers

Cost Drivers Beyond the Bill of Material



DESIGN



PROCUREMENT



OPERATIONS



- Tolerances
- Material
- Surface finish
- Design requirements
- Order quantity / Yield
- Application



- Procured Materials
- Inbound logistics
- Material Planning

- Manufacturing
- Assembly
- RM, WIP & FG Inventory
- Outbound logistics

Cost of Goods Sold

Driving meaningful product cost reduction requires cross-functional collaboration and a thorough understanding of all factors influencing cost; from design to delivery

Traditional Sourcing Levers (Capture Existing Value)

- Volume Leverage
- Supplier Rationalization, Volume Consolidation
- Contract Negotiation

Strategic Levers (Create New Value)

- Specification Optimization
- Design to Cost
- Parametric Cost Modeling
- Knowledge Based Sourcing

Price
↓
Value

How often does your product cost reduction strategy go beyond price negotiation and volume consolidation?