

Analysis by ROI Management Consulting AG

## Keeping Product Costs under Control: Leverage at an Early Stage

**Munich, 04/01/2014 – Innovative products increase competitiveness and must therefore be produced as quickly and as cost-efficiently as possible. The frequent problem here is that tight development budgets and shortened development times present major challenges. An analysis published by ROI Management Consulting AG, specialist consultants in the design and management of supply chains, shows that an early focus on product cost management – across all stages of the development process – can lead to savings of up to 25 percent.**

Germany is and will remain a top country for innovation. This is also demonstrated by the recently published EU Innovation Report, in which Germany took third place, with countries such as Denmark and Sweden leading the field. Consistent and integrated product cost management is necessary from the very beginning of the product development process (PDP) if Germany is to regain first place. This is the only way of obtaining a strong competitive and cost-oriented position, since developing a product typically consists of five phases in which R&D and production must collaborate closely from requirements specification and product development to prototyping, industrialization and start of production. Efficient cost management across all phases can establish structured processes with clear lines of action and responsibilities as well as increase transparency with regard to costs.

### Success Factors in the Phases

ROI has identified four success factors for integrated product cost management in the course of various best practice projects:

- *Clear cost strategies and a coordinated set-up*

The basis is formed by a clear cost strategy covering the dimensions of product structure, production process and procurement. Here cost management should be based on reference structures and benchmarks from an early stage.

Integrated data models also create the conditions for transparent cost planning simulation and calculation over the entire product life cycle.

- *Explicit cost processes anchored in the PDP and in series production*

Value engineering ensures customer-focused development. In order to achieve this, companies must anchor the right processes in the PDP in order to eliminate unnecessary functions and to develop cost-efficient and robust solutions for those functions that are required.

An advanced value analysis enables cost effects to be achieved through the application of best practices in product and process design using structured and standardized methods.

- *A cost-conscious organization and clear responsibilities*

Process- and task-specific responsibilities must be fully specified and assigned.

- *The right methods and tools*

A systematic selection of methods and tools in the PDP phases and in series production is essential for the success of product cost management.

"Levers for significant cost reductions can be applied to product and process through targeted activities anchored in the product development process and in series production. For example, companies can use them to eliminate unnecessary functions and components and to implement required functions in a cost-conscious way," explains Hans-Georg Scheibe, Member of the Management Board of ROI Management Consulting AG.

**About ROI:**

With over 1,000 successful projects, ROI Management Consulting AG is one of the most prominent specialists in the planning, development and management of global value chains. ROI supports large corporations and leading family-led companies, especially with the integration and optimization of development, production and logistics, in supply chain management and in the company-wide implementation of lean management principles.

ROI has won numerous major awards for its highly implementation-oriented projects. The company has more than 80 employees at its locations in Munich, Beijing, Prague, Vienna and Zurich and is represented by partner offices in Italy, France, United Kingdom, Thailand, India and the USA.

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