

Advanced Cost Reduction Tools

Learning Goals

Following this module, participants will be able to:

- Lead functional analysis sessions for product and services by using standard methodology.
- Understand principles for Value analysis and its application to Dfx (design for X) optimisation workshops.
- Differentiate fundamental product cost elements linked to the financial income statement.
- Understand cost element drivers and impact on product cost.
- Create product or service should cost supporting suppliers cost breakdown analysis.
- Apply methodology to develop structured TCO model with key parameters and cost drivers.
- Develop a supplier engagement plan or cost reduction supported by in depth analysis of product cost elements.

Target group

- Technical buyers with technical background or culture involved in leading cost reduction activities.
- Other buyers willing to understand the cost drivers of their company as well as with their suppliers in order to identify and take advantage of saving opportunities.

Methods and tools

- Each trainee will be given a handbook containing reusable templates used for the different tools.
- A master document will present each technique as seen during the training session.
- All tools and techniques are presented in a simplified and reusable way and illustrated by real application examples taken from various industries, including the most demanding ones (automotive, food, household...).

Credit for



DAY 1

Functional definition of requirement: a tool to better understand the real needs and avoid over specification.

- Concept of functions and functional specification.
- Understand when to use it.
- Step by step approach to build up a functional specification.
- Application to various situations: products, systems and services.
- Using the functional approach to support the purchasing strategy.

Value analysis: a re-design to cost approach

- From cost reduction to value management.
- Value analysis work-plan and conditions for successful implementation.
- Understand how to assess the value of the existing solution (importance of functions and benefit versus cost).
- Make a diagnosis of the design of a product using value analysis tools.
- Seek innovative solutions through brainstorming and other techniques.
- How purchasing can initiate and support value analysis projects.



DAY 2

Cost analysis & tool set

- Understand cost structures and the key items in a cost breakdown.
- How to challenge suppliers' cost breakdowns: machine cost, labour cost, material cost, overheads, and margin.
- What are the most frequent "mistakes" found in suppliers quotations?
- Challenge supplier operations.

DAY 3

TCO (total cost of ownership)

- What is TCO in real life.
- TCO example.
- TCO cost drivers and application to products or services.

This module can also be taken on an independent basis.