Product costing

Make smarter decisions on product costs earlier in the product lifecycle

Benefits

- Reliably calculate quotes to increase the likelihood of achieving target margins
- Track and maintain program and engineering change profitability
- Institutionalize upfront value engineering principles for cost avoidance using design-for-cost (DFx) simulations and techniques
- Optimize purchase prices through detailed "should cost" estimates
- Ensure profitable return on your new product introduction (NPI) programs and investments through cost transparency and fidelity

Features

- Differentiated overhead calculation (freely selectable degree of detail)
- Process-based bottom-up calculation and cost models (cost engineering approach)
- Cost rate calculation with company-owned data records
- Integrated cycle time calculators (die casting, injection molding, machining, MTM, client proprietary, etc.)
- Versioning of calculations (documented change history)

Summary

If you're making decisions related to future new product introduction (NPI) strategies or business plans, your plans need to be driven by predictive product program cost data. The challenge is to bring all the related cost, product and production data together to make the right decisions at the right time, early in a product or program lifecycle to determine profitability.

According to a DARPA study, 80 percent of a product's costs are determined in the first 20 percent of the lifecycle. If you're relying on enterprise resource planning (ERP) for cost analysis, it's too late. You've already made your product decisions and sunk the correlating costs in product development to determine cost per piece and establish what can be achieved for key NPI metrics such as economic value add (EVA), free cash flow (FCF) and net present value (NPV).

The process of product costing and simulation is cross-functional, involving many different roles in an organization such as program management, sales, product development, purchasing, cost engineering, finance and production.

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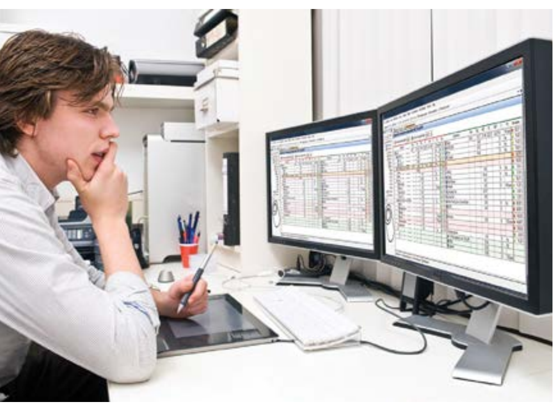
Product costing

Features *continued*

- Flexible simulations of what-if scenarios (e.g., production alternatives, volume adjustments)
- Profitability calculations (return-on-investment over product lifecycle)
- Flexible reporting functions (e.g., multi-stage cost driver analysis)
- Integration toolkits for data exchange with customer specific systems (e.g., ERP)
- Import and export of cost breakdown sheets (supplier and customer)
- Multi-lingual, multi-currency, freely configurable costing methodologies
- Cash flow calculation
- Data management for reuse



Typically, each of these roles has focused on disconnected methods in their own areas (e.g., program quoting and should-costing). An integrated, cross-functional approach based on a common PLM backbone improves efficiency, speed and accuracy of decisions delivering greater ROI to manufacturing companies.

Teamcenter delivers enterprise product cost analysis and estimation

Teamcenter® software from Siemens PLM Software integrates product cost management within PLM processes to make a positive impact on your company's bottom-line. You can use the Teamcenter product costing solution for individual departments, or as a holistic enterprise solution for the optimization of cross-functional product cost management. You can make the right costing decisions – from early product planning throughout the product lifecycle – to reduce risk, improve time-to-market and increase the profitability of your products.

Using Teamcenter product costing, you can efficiently analyze costs to optimize resources. The knowledge provided with Teamcenter, such as machine rates, labor and burden costs, currency conversions, etc. provides a consistent costing standard that significantly increases the transparency, quality and efficiency of the company-wide costing processes. You gain a comprehensive understanding of processes and costs-to-cost estimators that help you optimize in-house manufactured and purchased parts. The integrated profitability calculation in Teamcenter gives project and product controllers and management a powerful business case analysis and decision-making tool while delivering the necessary instruments to ensure success, including:

- Consolidation of multiple product(s) in a single project (general project data, lifecycle, quantity progression, unit costs and prices, etc.)
- Year slice presentation of cash flows for project-specific investments (plants, tools, engineering, etc.)
- Dynamization of unit costs and sales prices for the individual year slices in the product lifecycle
- Project-based profit and loss accounts, as well as discounted cash flow accounts and trend curve for cumulative (discounted) cash flow
- Calculation of common profitability ratios such as net present value (NPV), internal rate of return (IRR), return on capital employed (ROCE), return on sales (ROS), amortization period (payback), etc.
- Variant calculation and sensitivity analyses for comparing various what-if scenarios and premises

The combination of the Teamcenter product costing solution and tool lifecycle costing solutions shows the interactions between part and tool costs for varying quantities and tool designs in a reliable, transparent way. Moreover, the integrated solution summarizes the tool costs across the product BOM and product portfolio (project), whereby changes to tool costs automatically update data at the product and project levels.

The integrated approach to product cost management in Teamcenter creates a coherent data foundation, which in turn prevents inconsistencies and added expenditure caused by system discontinuities. Ultimately, this leads to more reliable analysis results in product profitability calculations.

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