

## PRODUCT PLATFORM COST ANALYSIS AND REDUCTION

CGN helped our client identify cost reduction opportunities on their high-volume product platform resulting in significant annual savings.

### Business Problem

To achieve significant cost savings on one of their key product platforms, our client wanted to identify actions to reduce cost by approximately 3.5% of the product's normal plant cost.

### CGN Solution

CGN conducted a detailed analysis to identify cost reduction opportunities by studying four different products in the platform. We identified current ongoing cost reduction activities that affect the product and conducted a quote demand variance analysis and supplier/part number pricing analysis on all buy level parts to identify new cost reduction opportunities. With a systematic approach and collaborating with the material cost reduction program, run by CGN, in three months a total cost savings of approximately 3.9% and a net cost savings of 3% of the product's normal plant cost were identified.

### Customer Benefit

At the completion of the project, the client had a portfolio of cost reduction projects with associated timelines and a Line of Sight for fiscal 2005 - 2006. They also have clear visibility to activities that affect product costs via a standard reporting format; helping them make better managerial decisions.

### SCOPE

*Identify cost reduction activities on a product platform; create visibility to the ongoing activities to accelerate results; drive activities to achieve targets*

### BUSINESS DRIVERS

*Prioritize cost reduction projects; provide clear line of sight; improve visibility*



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