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**THE GASKET STORY**

A gasket 7" long x 3" wide was used in the Large Motor Department. About fifty per year were used. It had a very difficult Durameter test.

Cost in lost of one to twenty-five was \$10 each.

The Value Analysis group got into it, got another vendor's material (Hercules), tested and found that it met the specification in every respect, in some instances was better than the previous material with a cost of 44¢ each.

L. D. Miles/M  
April 2, 1954

One of our managers said, "Largely as a result of the Value Analysis program, our cost reduction in 1951 was about \$5,000,000. That is twice the cost reduction of the year before and ten times the amount of the year before that. Now, I know you cannot realize what that means, so I went to our accountant and asked him how much more sales would have been required to affect our net profit in the same manner. He said--\$62,000,000.

"I asked him how much plant and equipment would be required. He studied it and advised--\$67,000,000.

"I asked him how much must be tied up in raw materials, in processes and finished goods inventories to sell the additional \$62,000,000. He said--\$35,000,000.

"I asked him how many people would be required to produce it. He said--6,000.

"So I am now able to tell you that your work has affected our company to the same extent as the investment of another \$100,000,000 and the employment of 6000 people and, in addition to that, it would have been necessary for the Sales Department to somewhere find market for and sell an additional \$62,000,000-worth of our products.

"You can perhaps now only begin to realize how tremendously important these cost reduction dollars are."

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