

HOW 25 - 30% LOWER COSTS WERE SECURED IN A FEW MONTHS.

1. The General Manager determined what cost he needed and asked value service how to accomplish it:
2. The Engineering manager was selected as manager of two concurrent task forces.....
 - a. The identification of unnecessary cost, development of value alternatives, and selection decisions.
 - b. The implementation of the selected value alternatives.
3. A meaningful costs system, necessary for value measurement and analysis, was developed by the section management. Costs totaling 72.8% were selected and were always used.

C o s t M a k e - U p

| <u>Item</u> | <u>%</u> | <u>Description</u> |
|-------------|----------|---------------------------------|
| 1 | 42.1% | Direct material |
| 2 | 9.5% | Direct labor |
| 3 | 11.1% | Applied IME |
| 4 | 9.1% | Period - IME, losses, variances |
| 5 | 1.% | Complaint |

4. For decision-making, these value measurement costs and the traditional incremental costs were both used. All items of savings also qualified on an incremental basis excepting \$9700 of the \$ 1,100,000.
5. Every necessary action, including management decision making, was assigned schedule dates.
6. To the extent possible in two months.....

Marketing concepts were improved.

Design concepts were improved.

Design detail was improved.

Manufacturing processes were improved.

Purchasing was improved.

Functions were identified.

Functions were evaluated.

Temporary value standards were developed.

Tangible alternative were developed.

The most appropriate alternatives and sources of supply were selected.

Decisions were made and actions taken to have the resulting improvements in effect in the production line within 4 months.

CHANGES MADE IN A TRANSFORMER TYPE EQUIPMENT TO REDUCE COSTS 25 to 30%, IMPROVE APPEARANCE, AND KEEP ALL QUALITY

| | | <u>\$ in M</u> |
|---------------------|------------------------------------|----------------|
| 13 items | Change vendor | 47 |
| 4 items | Make to buy | 17 |
| 1 item | Change ordering procedure | 7 |
| 27 items | Change design | 136 |
| 21 items | Change design and vendor | 410 |
| 1 item | Change design and material | 3 |
| 2 items | Change material size | 13 |
| 10 items | Change material specification | 128 |
| 14 items | Change design concept | 104 |
| 3 items | Change assembly | 5 |
| 3 items | Change vendor and method | 5 |
| 1 item | Change vendor and process | 2 |
| 5 items | Change shop procedures | 58 |
| 2 items | Change design and methods | 68 |
| 3 items | Change design and processes | 32 |
| 1 item | Change design and assembly | 4 |
| 3 items | Change material | 8 |
| 5 items | Change material and methods | 31 |
| 6 items | Change material and process | 42 |
| 1 item | Change design, vendor, and process | 40 |
| <hr/> | | <hr/> |
| 20 types of changes | | 1,160 |
| 126 items | | |