



In a buyer's market, with new competitors always entering the arena, the challenge to reduce Cost of Goods Sold (COGS) is an everyday reality. This continuous challenge also represents an opportunity. Often overlooked is the tremendous potential in evaluating and redesigning existing products. The key is to be comprehensive and apply a disciplined process.



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For example, using Product Value Management (PVM) can help clients conduct sweeping product redesign initiatives. It's not uncommon to generate a 15- to 25-percent reduction in product costs, a major portion of which is materials cost. Such savings represent money that can become available relatively quickly and doesn't bear the product introduction risks that new products do. Just as important,

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because PVM is more holistic than traditional cost reduction strategies, the methodology ensures benefits beyond cost savings:



- Establishes a culture of collaboration
- Generates greater competitiveness in the global market
- Drives next-generation innovation
- Introduces a disciplined approach to redesign

Who Can Benefit the Most From Redesign?

Any company that produces finished goods can benefit from being disciplined about product redesign. But companies with complexity in their offerings have the greatest potential to significantly reduce COGS:

- Companies with multiple families in their product portfolio
- Companies with many components within each of their products
- Companies that engineer-to-order

These companies face many questions as they jockey to achieve target costing: Do we have the right portfolio? Are we covering the market we want to cover? Where do we have "white spots" and overlaps in the market offering? Is each of our products competitive in each of its applications?

New Mindset: Innovating Old Products Can Be Sexy

Let's face it: most engineers, marketing and product management don't consider it sexy to work on existing products. It goes against the mindset that innovation is always about "new." Most likely they follow a disciplined process for creating new products, but it is less likely they follow one for redesigning, or phasing out, existing ones.

To be clear, simply replacing one material in a product with a cheaper alternative does not qualify as a redesign. Transformational results need to challenge the whole product portfolio and product families, which cannot be achieved by local engineering functions only. The new product architecture, product redesign and implementation require many active participants inside and outside the organization.

Therefore, a shift in thinking has to come from leadership: that taking a fresh look at “old” products is as much a priority as getting new products to market. What can we do to make this existing product more cost-efficient while also improving market position?

Diving In: PVM Step by Step

Since it is a disciplined process, Product Value Management involves five clear steps for approaching product redesign:

1. Analyze All Products

Start by looking at all your finished goods, including conducting a review of competitor products. Are you not covering something the customer wants? Do you really know what the customer wants? What is the age and ownership of the design? The goal is to identify good candidates for redesign — products that are prime for reducing COGS.

2. All Geographies and Functions in One Room

This is critical for a global company. Once a product has been identified for redesign, all geographic business units, different functions, and organizational levels need to be brought into one room. It is truly the only way to ensure the product portfolio benefits from all perspectives, including both cultural and functional.

Together the team members should challenge the product's required functions. For example, the goal might be to bolt two pieces together. A strict Value Engineering approach would be to ask: “Can the screw be made out of a lower quality material? Can it be shorter?” But it is much better to focus on the function: holding two pieces together in a fixed position. The question then becomes: “Is there another way we can do this?” Suddenly the issue is whether the screw even has to be a screw — or can the pieces be glued together, welded, or produced in one piece using 3D printing?

3. Tap Outside Sources for Ideas

Next is turning to outside sources for ideas, such as obtaining benchmarks and gathering input from procurement, production and suppliers, as well as tapping open innovation platforms. Also, use customer surveys to ensure the voice of the customer is heard.

4. Implementation and Future Innovation

After the new design features have been developed, elaborate a solid business case with fixed offers from suppliers. Once you have confirmed that costs can be reduced, you can implement the new ideas quickly. In the end, not only does a more competitive, cost-effective product go to market. The collaborative process has also paved the way for your teams to reach out to one another more readily. There now is a clear, disciplined process for future redesigns. Also, new sources have been tapped for next-generation innovation.

5. No Rocket Science Here

The beauty of this process is that it is hands-on and pragmatic. In fact, we find that the simplicity is what excites clients most. There's no rocket science here.

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