



Discrete Manufacturers View of Product Costs According to aPriori Technologies

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View of Product Costs According to Discrete Manufacturers and aPriori Technologies

PR9.NET August 02, 2006 - Concord, MA - According to Frank Azzolino, President & CEO of aPriori Technologies (www.apriori.com), "There are a number of reasons why discrete manufacturers have been forced to take a "rear view" look at product costs --evaluating and allocating product costs well after production was underway."

- Cost information in most organizations is fragmented throughout the enterprise. Critical pieces of cost information are spread across independent silos within an organization in different functions like engineering, planning, manufacturing, sourcing, finance. This situation typically results in estimates that do not include all relevant information required to make accurate and predictive product cost assessments.
- In most organizations product cost estimates are developed by specialized organizations in cost engineering or VA/VE departments. In most cases, these cost estimates are created separately and independently of the people making the design, manufacturing, and sourcing decisions. This separation results in many decisions being made in a cost knowledge vacuum. The impact of these decisions is typically not known for at least a full financial period after production is well underway.
- Product cost estimates (especially early ones) are often based on historical information or very general heuristics (e.g. weight) and are too inaccurate and lack statistical confidence for effective decision making.
- Most cost estimating activity falls on a relatively small group of specialized people spending hours manually producing each estimate. Since the demand for costing feedback cannot always be met, the opportunity to experiment with the cost impact of design, manufacturing, planning, sourcing, etc. alternatives is limited and can not be readily cost optimized.
- Most cost estimates are static and are not continually updated when new design, manufacturing, planning, or sourcing information becomes available as the product progresses through its design-to-production-to-delivery lifecycle. Out-of-date cost information can not be relied upon for downstream decision making.
- Costing practices are not always standardized across the enterprise. As more information is available, different costing practices and methods are used to re-cost items. Unfortunately this makes it difficult to leverage previous estimating work and build traceability in product cost accrual.
- Typically cost estimates are not managed through a product's development through production lifecycle. Multiple cost estimates from different sources are created as different times during the process. It becomes unclear which product cost estimate is current or valid.
- Today's cost accounting methodologies begin with the financial statement for the prior closed financial period. The costs in that period are then allocated across various product lines and processes which are then further allocated for each individual product. These are by definition "rear view" mirror product costs.

Since this cost information is typically difficult to obtain and not readily available during the NPI process, manufacturers are forced to take an after-the-fact, rearward view of the decisions that were made during their NPI process.

The aPriori cost management platform alleviates these problems a number of different ways. By using innovative, patent protected technologies, aPriori is capable of using design information driven off of MCAD geometry, along with its ability to model production facilities (including machine capabilities, raw materials, and facility cost structure) and the specific cost accounting methodologies, accurate predictive, "forward looking" real time cost estimates are created.

"aPriori has customers in a variety of industries including High Technology, Industrial Equipment, Automotive, and Heavy Machinery. Recent customers include John Deere, Panasonic, Thomas & Betts, Flextronics, JLG, and Dana Corporation."

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