Cost Analysis
at a glance

December 2019
We want to develop our suppliers

Vision

"We are the manager of external value add and increase the value of the company."

Mission

"We shape our purchasing strategy in cooperation with our interface partners in such a way that we achieve outstanding measurable performance in terms of costs, delivery reliability, and quality."
Visualization of the involvement and tasks of the CVA

**Pre Development Phase**
- Value Engineering (on demand)
  - Green field calculation
  - For strategic projects
  - Support with technical and cost knowledge

**Development Phase**
- Workshops (on demand)
  - Cost workshops with supplier

**Sourcing Phase**
- Sourcing Decision (GSB)
  - GSB Presentation

**Production Phase**
- Performance Pricing
  - Portfolio analysis (NLPP)
  - Successively analysis of all categories

**Cost Analysis at a glance**

**Target Costing**
- Green field+ calculation via SupplyOn (GSB relevant projects 100% covered)
- CVA can decline support for low volume projects (not GSB relevant)

**Target Costing (on demand)**
- Green field+ calculation

**Cost Validation**
- Brown field calculation
- CPR analysis
- Negotiation support based on common strategy

**YPSA (on demand)**
- Support YPSA negotiations

**Workshops (on demand)**
- Cost workshops with supplier
- SPS @ Supplier

* according P174120
Cost Analysis

Tasks and Tools

New Projects
(RFQ-Process)

Verify Offered Prices
We perform a detailed product cost calculation with our product calculation software PCM.

By comparing our calculation and the supplier’s values in various cost parameters, we identify reasons for the price deviations and create strong arguments for negotiations.

Support Series Business
For the ongoing business, we prepare and support annual price negotiations with facts and figures.

By performing cost-benefit analyses and analyzing portfolios, we detect potentials and get a good overview about our supplier’s cost performance.

Furthermore, we check requests of price increases regarding plausibility.

Series Business
(Supplier Development Process)

Cost Avoidance

Savings

Tools

System: SIEMENS Product Cost Management (PCM)

System: SAPHIRION
Non Linear Performance Pricing (NLPP)
**Cost Analysis**

**Bottom-up meets Top-down - The Approach of Performance Pricing**

- detailed cost calculation
  - focus on cost drivers

- precise insight into the price of a purchased part

- not possible for the entire product portfolio

- very time-consuming

- total overview of Schaeffler's purchasing world

- different parts and their prices at a glance

- target prices based on total value for Schaeffler
  - focus on value drivers

- fast results

**Product Cost Management (PCM)**

**Non Linear Performance Pricing (NLPP)**
Goal:

Prices should be in this area somewhere between the **Target Price** and the **Best Price**

**Target Price**
50% of the parts are more expensive and 50% of the parts are cheaper

**Best Price**
75% of the parts are more expensive and 25% of the parts are cheaper

**Worst Price**
25% of the parts are more expensive and 75% of the parts are cheaper
Cost Analysis at a glance

Basic information (2)

Savings Only:
Goal for expensive parts is the Target Price or even the Best Price

Only potential savings are taken into account. Price increases per part are not considered.

Extra Charge:
To improve the negotiating position, very cheap parts will get more expensive

Consideration of the Cash Cows and the Loss-maker of the Supplier
Summary – Performance Pricing Benefits in Different Areas

Cost Analysis at a glance

- **Outlier analysis**
  - Evaluation of which parts and suppliers have the biggest potentials
  - Find out pricing inconsistencies

- **Quick target price calculations**
  - Using NLPP price formulas to get a quick price indication for parts and tools

- **When/if scenarios**
  - Simulation of potentials for e.g. relocations or raw material changes
  - Better quality for the same price or lower price for the same quality

- **Design to cost**
  - Stop over engineering

- **Cost transparency**
  - Awareness about the current cost situation in any stage of the design phase

- **Clarification of the interactions**
  - Knowledge about the cost impact from different design solutions

- **Focus on customer value**
  - Better understanding of which factors increase the product value for our customers

- **Consistent pricing**
  - Avoiding a inconsistent pricing for similar parts towards our customers

- **Value based pricing**
  - Consider the right value driver and arguments for our pricing

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Thank you

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Cost and Value Analysis