Do you need a (new) cost system?

From the moment your business opened its doors, there was some method in place to calculate the cost to make the products you sell. It was probably as simple as tabulating the receipts of materials purchased to make it and then subtracting the money spent paying people to build it.

But over time, as your product offerings grew, your manufacturing processes became more complex, and your share of the market increased - the process of calculating those product costs and communicating the results got more complicated, too. It's hard to know whether it's the right time to invest in a cost system, but there are some indicators that deeper cost insights can provide the roadmap to increased profitability and business stability.

A few symptoms of a poor costing process

Cost system failures are not overnight catastrophes. Instead, cost systems loose their effectiveness over time if they do not adapt to business and market changes.

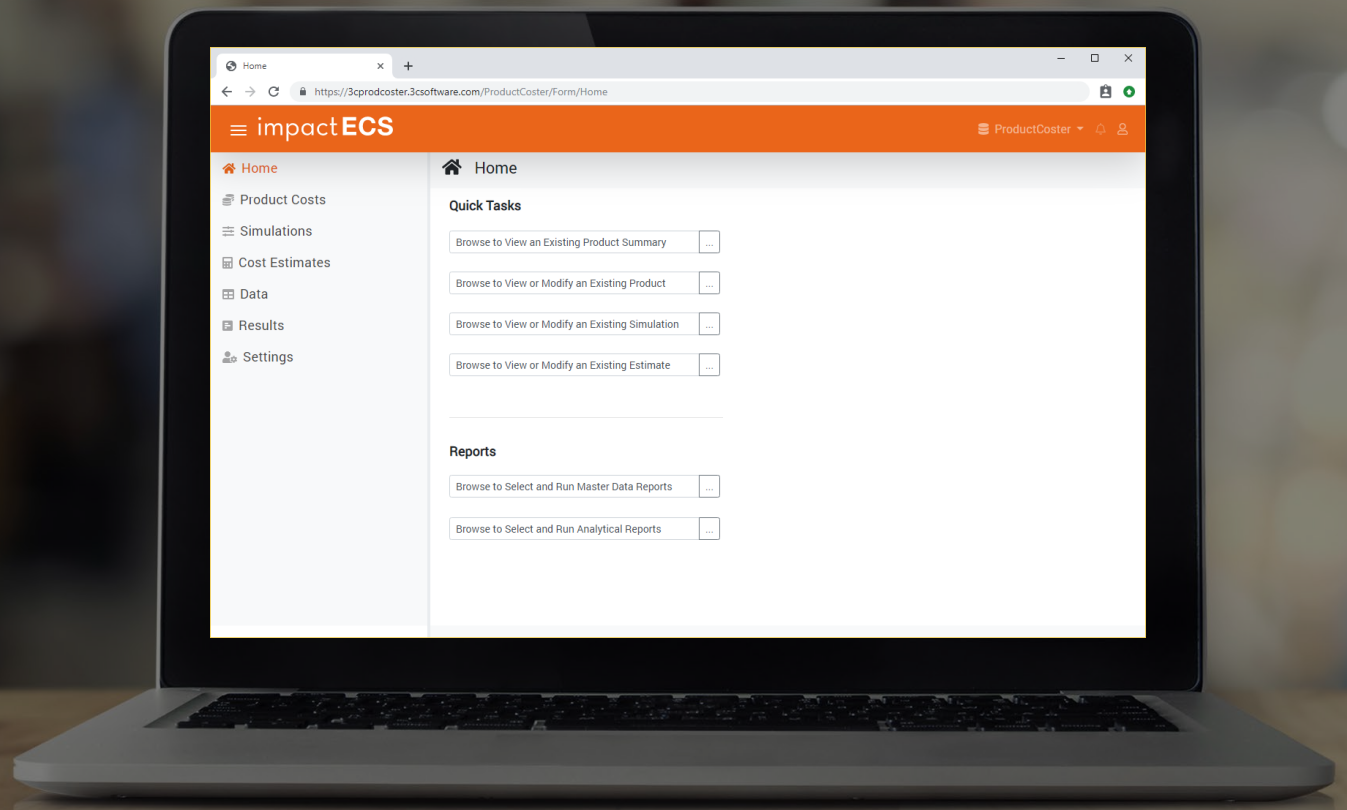
Robin Cooper, one of the leading voices on costing, famously shared a comprehensive list of symptoms that can predict whether a company should evaluate they need for a cost system – many of which still ring true today.

Here's our take on how some of those symptoms can affect your business today.

Want to read the whole list of 20 symptoms? Check out "You Need a New Cost System When…".

Profit margins are hard to explain	Calculating profit margins accurately requires having accurate values for both the revenue generated by the product as well as the cost to make it. Without the ability to transparently show the drivers of cost across all categories – materials, labor, and overhead – its impossible to decide the best …
Departments have their own ways to calculate costs	If functional departments have their own cost system (usually in the form of spreadsheets), you have a problem! With multiple versions of costs calculated differently can only lead to problems or poor decisions.
"Special projects" aren't really special	When the detailed, foundational cost answers aren't available, it's impossible for costing teams to find time to focus on delivering value-added analysis. Instead, they spend time creating data and less time running simulations to see the impact
Changes in strategy and behavioral goals	As companies evolve, their approach to costing must change. It's time to assess your costing capabilities when your current process does not adapt to the needs of the business.

So how do I know if the Product Coster is the right cost system for us?



Product Coster is a cloud-based application designed to rapidly calculate meaningful, accurate and actionable cost answers based on your company's unique costing requirements.

Check out the **five ways** the Product Coster can help...

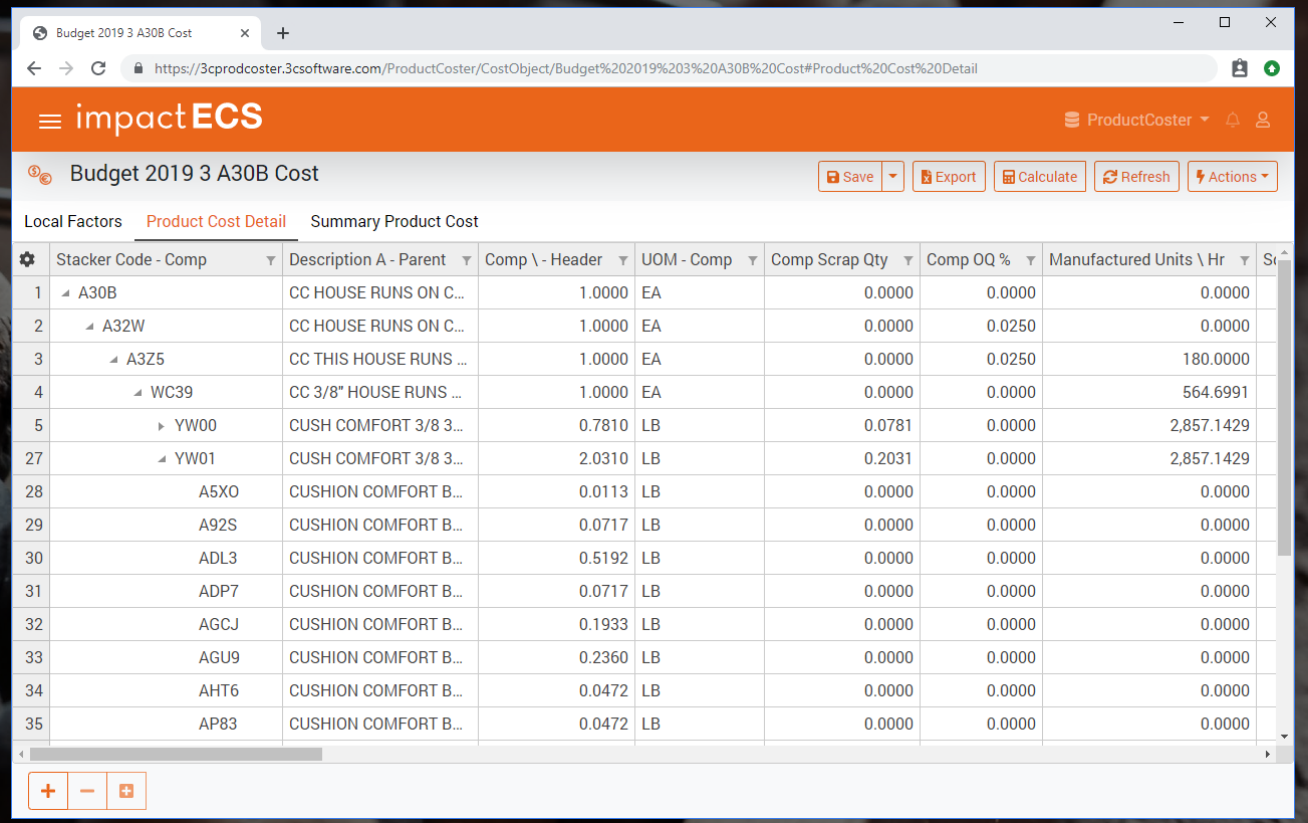
You’re struggling to accurately calculate detailed product costs in a meaningful way.

Define your own attributes

To calculate cost answers that can drive your business, you need to define attributes that make sense for your business.

Product Coster has three different attribute types to define individual products:

1. Product attributes that describe the cost version and product details
2. Cost attributes that define how costs are applied for each material or resource used to make the product
3. Calculated results that provide cost answers you need to make decisions.



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2	A32W	CC HOUSE RUNS ON C...	1.0000	EA	0.0000	0.0250	0.0000
3	A3Z5	CC THIS HOUSE RUNS ...	1.0000	EA	0.0000	0.0250	180.0000
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28	A5XO	CUSHION COMFORT B...	0.0113	LB	0.0000	0.0000	0.0000
29	A92S	CUSHION COMFORT B...	0.0717	LB	0.0000	0.0000	0.0000
30	ADL3	CUSHION COMFORT B...	0.5192	LB	0.0000	0.0000	0.0000
31	ADP7	CUSHION COMFORT B...	0.0717	LB	0.0000	0.0000	0.0000
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35	AP83	CUSHION COMFORT B...	0.0472	LB	0.0000	0.0000	0.0000

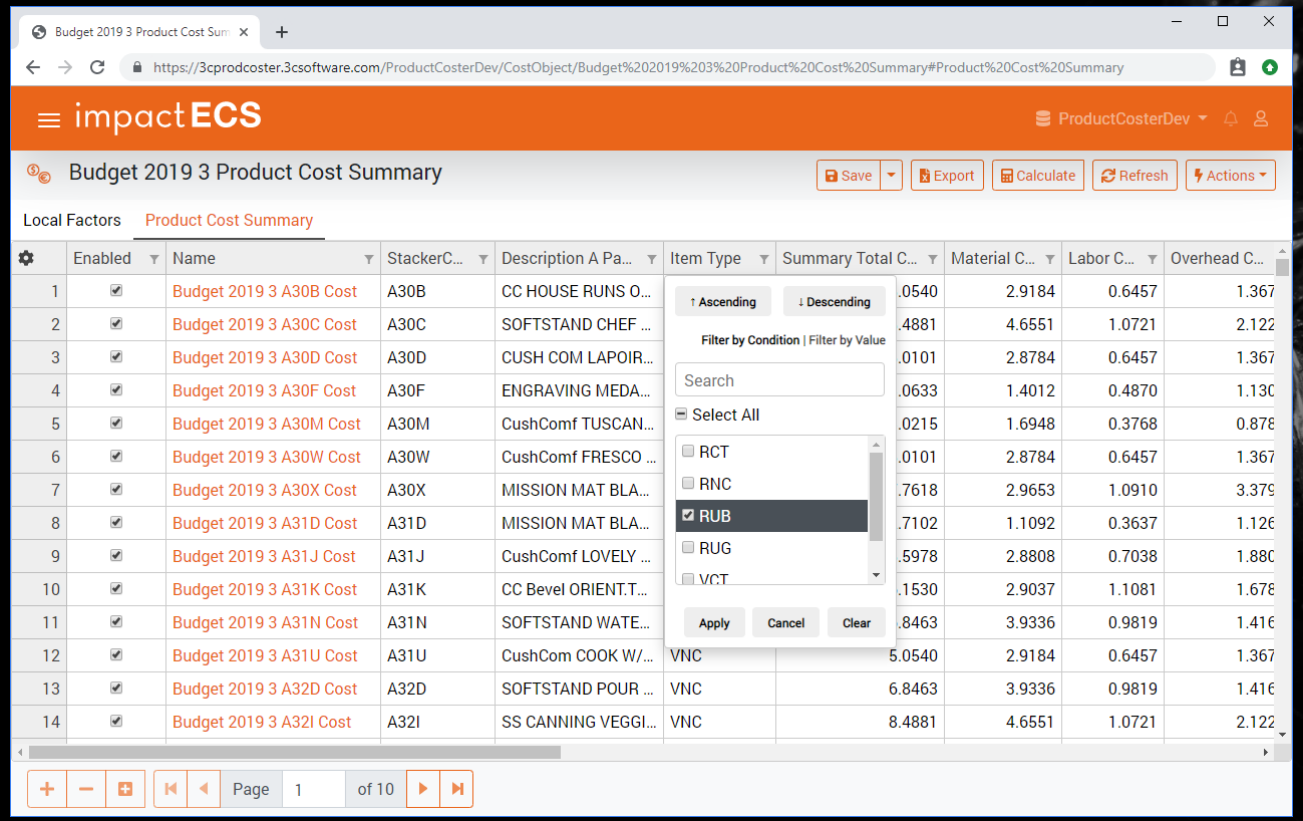
Centralized, rules-based logic

Building trust in cost answers requires a transparent and consistent process that is explainable, repeatable, and reliable.

Product Coster keeps controls over the process by:

1. Establishing logic for each cost calculation type based on your business requirements.
2. Calculating results at the lowest level of detail to roll-up/drill-down into meaningful answers.

You don’t have a way to view cost performance across product groups.



View, filter, and sort summary cost data

Making costing decisions often lives at the macro level, so it’s critical to have the ability to quickly view costs by attribute, product type, product group, channel, or any enabled dimension.

Product Coster has built-in filter and sort tools to quickly refine data views and focus on meaningful information. Investigate results further with drill-down capabilities to view detailed cost results from an individual product.

You've got lots of new products or new orders and you're not sure what they cost.

Generate more accurate cost estimates faster

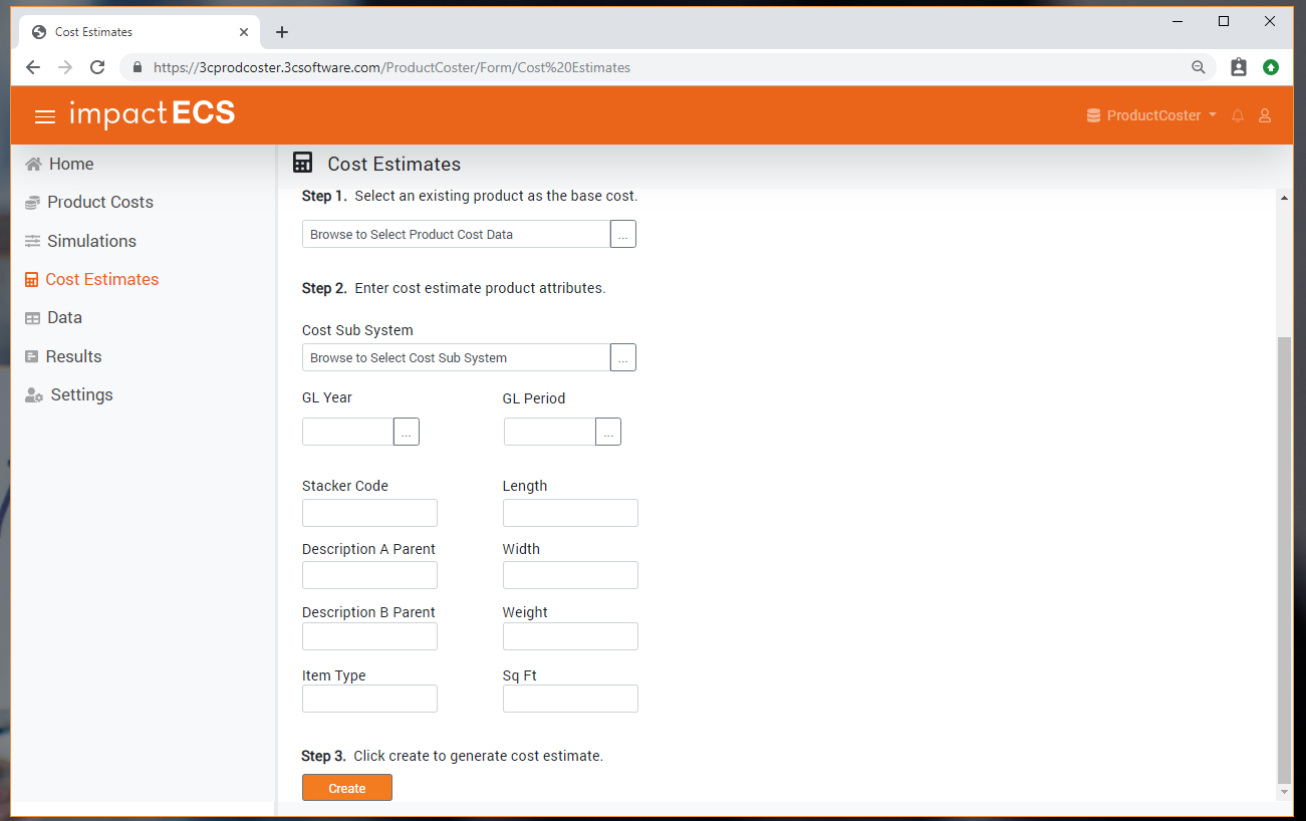
Tighten the loop between product engineering and finance by offering meaningful cost insights throughout the design process.

Calculate costs, even when the product does not exist

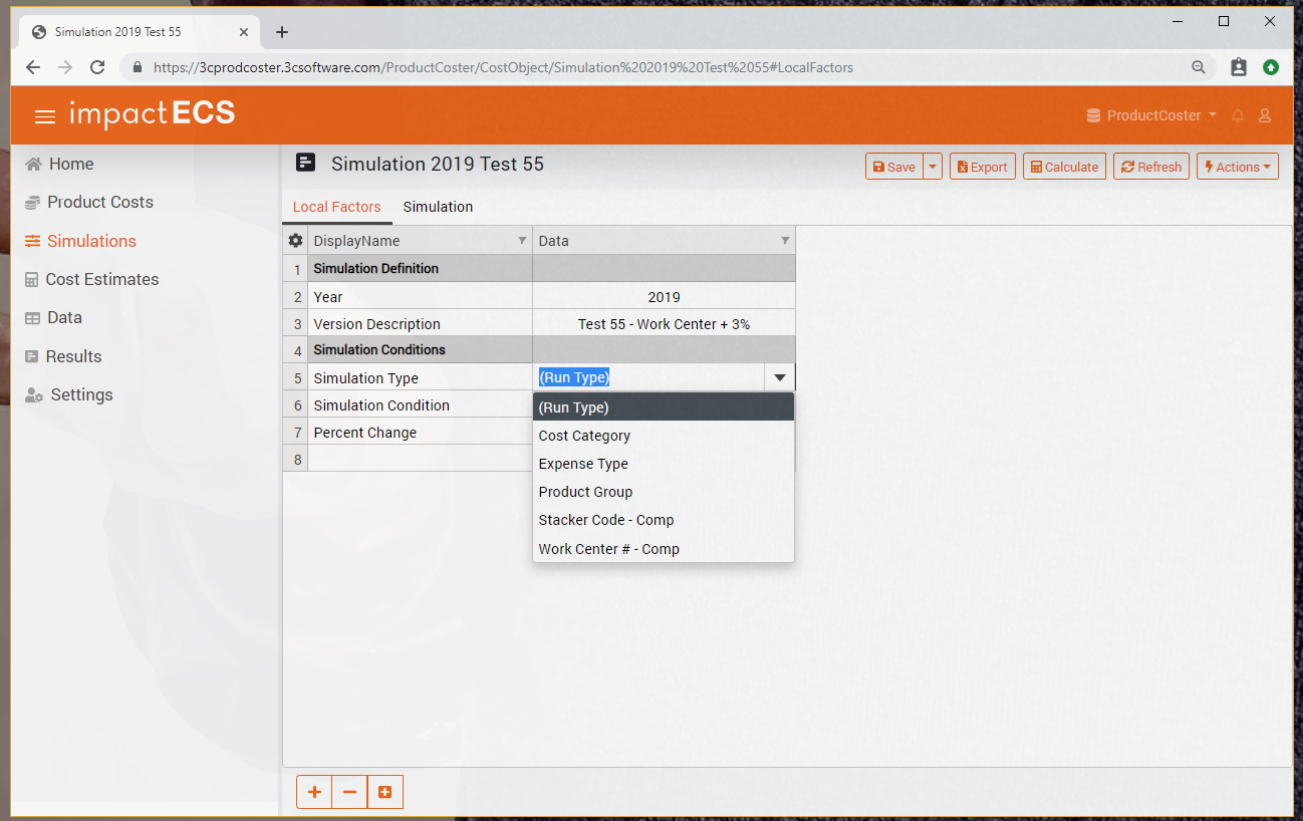
Improve the quoting process by leveraging existing material and resource data to compute detailed cost results for unique or bespoke products.

Product Coster makes it easy to collaborate on costs from the design phase to quoting business:

1. Select baseline data from existing cost sheets to rapidly build cost estimates for new products or new quotes
2. Export cost sheets to Excel spreadsheets to share and receive data from other teams



Things are changing and you don't know how your products' costs are changing with it.



Understanding the impact of a change in cost is critical to determining profitability at both the company and individual product level. Product Coster includes a simulation tool to predict costs using the same data and logic – providing a true representation of the cost change.

Cost category changes

Labor, Material, Overhead

Expense type changes

Fixed, Variable

Specific changes

Individual Material or Resource, Material or Resource Group, Individual Work Center

You need a way to collect, connect and maintain relevant cost data.

Data

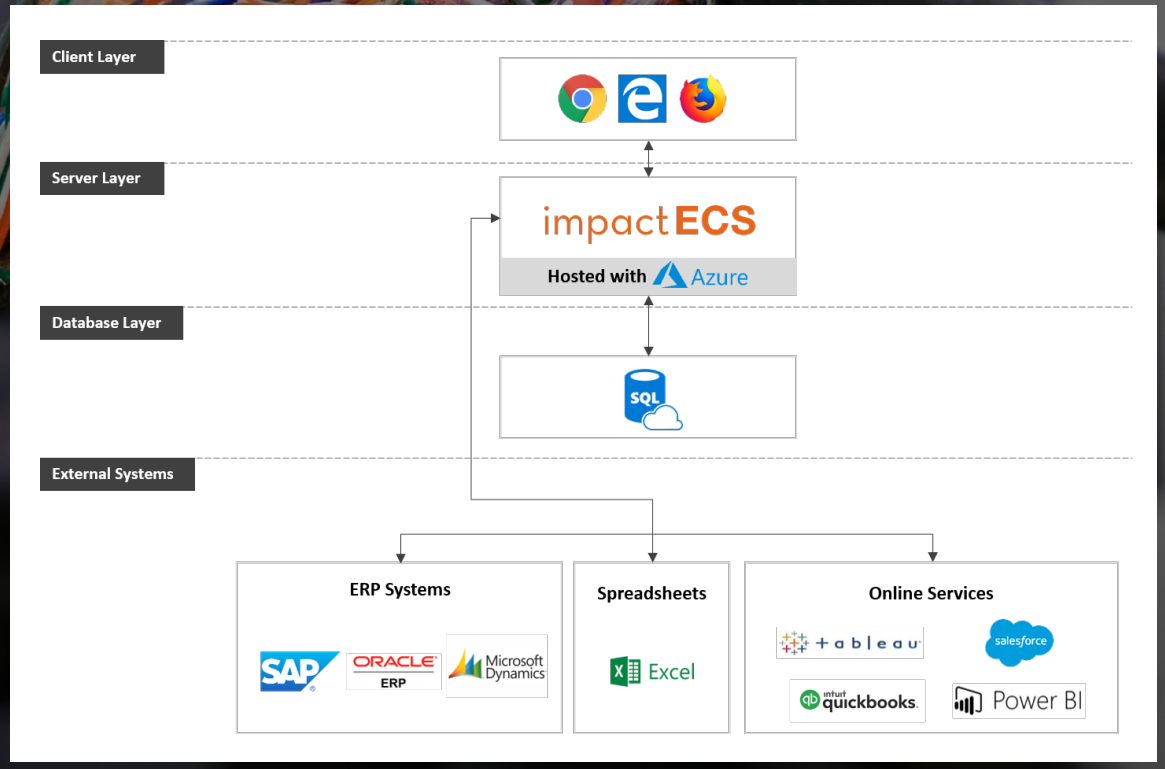
Some companies have data everywhere, others are just starting on the data journey. The Product Coster uses a core set of information about the materials, resources, processes, and business requirements to generate cost sheets, run simulations, create estimates and share results.

Typical Product Coster Data sets: Cost Center, Budget Hours, General Ledger Spending, Machine Efficiencies, Labor Rates, Overhead Spending Rates, Material Master Data, BOM Data

Technology

Undergoing a digital transformation? By leveraging cloud-based solutions, you can expand the reach of relevant cost information to empower and inspire decisions that add value.

1. Eliminate spreadsheets from cost analysis process
2. Integrate with existing ERP, financial and data systems



Stop spreadsheeting around with your product costs.

Get Product Coster.

Learn more!

www.3csoftware.com