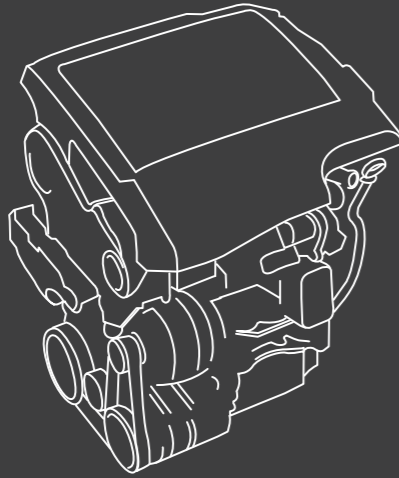


CASE STUDY

SITUATION AND OBJECTIVE

A passenger car manufacturer is looking for significant cost reduction potential regarding its engine family. Objective is to reduce the engine costs 10% to 15% by a structured cost & value engineering approach.



>1.500

PARTS ANALYZED

>120

COST REDUCTION IDEAS

15%

SAVINGS

3

BENCHMARK ENGINES

FEV APPROACH

Starting with an in-depth analysis of the existing cost structure according to engine components and functions, cost drivers and initial quick win potentials have been identified. Three benchmark engines have been procured, disassembled and analyzed during several interdisciplinary cost down workshops with FEV experts. All engine parts and cost down ideas have been documented in a

comprehensive cost and idea database. FEV engineers worked on redesign concepts and implemented innovative technical solutions. A structured sourcing process showed detailed market prices on total cost of ownership basis with qualified alternative suppliers. The implementation of a cost engineering team at the client's organization and several trainings secured sustainability of realized savings.

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SMART COST REDUCTION



8 modules to achieve best cost solutions

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ABOUT FEV CONSULTING

FEV Consulting combines top management consulting expertise with the technical capabilities and know-how of the FEV Group. Our deep industry knowledge enables us to create pragmatic solutions to some of the most pressing and complex issues facing today's enterprises.

Our team consists of experienced strategy consultants with deep industry knowledge and the backing of FEV's extensive technical expertise to provide solutions that are both practical and sustainable.

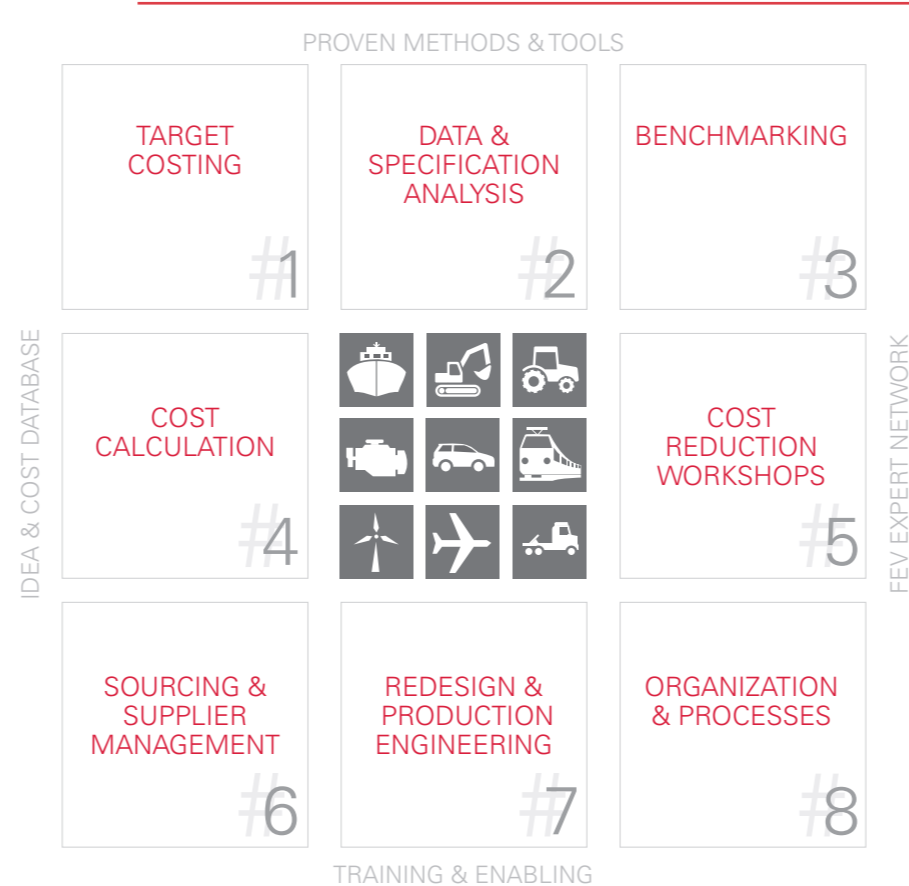
FEV SMART COST REDUCTION

Intensifying competition in global sales markets, consolidation of suppliers, rising cost sensitivity of clients and the need for technical innovations in shortening time cycles, is increasing the cost pressure for many companies. A structured and comprehensive cost & value engineering approach is key to meet customer requests at minimum costs. The unique FEV consulting approach "Smart Cost Reduction" offers eight professional service modules to achieve best cost solutions for technical products.

Using an interdisciplinary approach, FEV engineering, production, cost calculation and procurement experts realize significant cost savings. FEV supports the entire product life cycle with focus on cost & value optimization: From target cost determination, cost and specification analysis, benchmarking and bottom-up should cost calculation to idea workshops, global sourcing and supplier development as well as re-design activities, production engineering and optimization of the organization and processes.

» BENEFITS FOR YOUR BUSINESS

- Realization of significant cost savings
- Practice-oriented determination of target costs and budget allocation
- Full transparency about cost drivers and deep insights into competitor costs
- Robust should-cost calculation as a basis for supplier negotiation
- Global sourcing in order to identify, assess and develop qualified suppliers
- Turning ideas into solutions by product redesign and production engineering
- Best practice organization and knowhow transfer to qualify client's staff



SMART COST REDUCTION

8 modules to achieve best cost solutions

#1 Target Costing

Target costs are determined using a practical and proven process which considers customer requests and bottom-up calculation results and will provide the foundation for a life cycle cost management.

#2 Data & Specification Analysis

Detailed analysis of the existing cost structure and assessment of the current specifications to highlight cost drivers, potential over-engineering and quick win savings.

#3 Benchmarking

The FEV benchmarking analyzes competitor technology and cost structures in detail and provides the basis for the identification of best practice solutions and cost saving levers.

#4 Cost Calculation

Our detailed process and manufacturing knowhow enables us to conduct a transparent bottom-up should-cost analysis as a basis for cost improvement and supplier negotiation.

#5 Cost Reduction Workshops

Interdisciplinary cost reduction workshops with FEV experts generate numerous innovative cost reduction ideas using a value engineering approach in order to meet client requests at minimum cost.

#6 Sourcing & Supplier Management

Worldwide FEV sourcing experts run a global sourcing process in order to identify and assess potential suppliers. A structured supplier management supports the negotiation with and development of current suppliers.

#7 Redesign & Production Engineering

More than 4000 FEV engineers with a wide range of individual technology specialization areas will turn cost reduction ideas into implementable solutions.

#8 Organization & Processes

The implementation of a best practice cost engineering organization and the training of client's staff ensures the sustainability of realized savings.