

Material / Component Cost Analysis

Discover the Links between Material Costs and Products, Customers, Suppliers and Equipment

In times of global economic uncertainty, the only certainty is that material prices will fluctuate, both in frequency and in magnitude. Because of these fluctuations, material costs stored in business systems or spreadsheets either as standard costs or as historical

costs may generate an inaccurate base for profitability analysis, pricing decisions, product development, or future production planning.

Furthermore, because material costs affect every aspect of your value chain, it becomes critical to understand the relationships linking these costs and other areas of the business - including relationships between:

- Materials & Products/Customers
- Determine how much margin, by product and customer, is dependent on specific materials

Material Description	Product Description	Customer Name	Material Qty Lb	Material Cost \$	Material Cost \$/Lb
1 LAURYL ALCOHOL NATURAL (1214)	LAVESTAR-G TD	UNITECH UNITED STATES INC	4,448,146	2,840,979	0.6387
2 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-430 BULK	DEGAUL CORP	1,880,895	1,116,511	0.6001
3 LAURYL ALCOHOL NATURAL (1214)	LAVESTAR-D MD	R2D2 HALSTORM INC	1,888,257	1,059,021	0.6273
4 ALCOHOL NON IONIC (DA)	DOYSTAR-5 LB353	TRILOGY TECHNO LABS	1,553,718	1,003,878	0.6010
5 COSOL BRANCHED-HARD	ATICAL 338 BULK	PAINT & STAIN COMPANY	1,088,335	669,953	0.6257
6 ETHYLENE DIOLE (PIPELINE)	CHD MP5579	ANCIENT INDUSTRIES INC	1,172,804	782,471	0.6672
7 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-807 BULK	HART TONIC POLYMERS LP	1,188,228	698,550	0.5999
8 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-430 BULK	PEABODY CHEMICAL LLC	1,140,813	693,476	0.6079
9 NONYL PHENOL (PARABRANCHED)	GLYPHACIDE CO-430 BULK	SPG INDUSTRIES	1,102,182	662,473	0.6016
10 P-TEENT OCTYLENE	GLYPHACIDE CO-430 BULK	PEARSON CHEMICAL LLC	746,182	459,434	0.6157
11 NAPTAC 50% 200 G DRUM	POLYCARB 5 1000 G/200 G 11	PREFECT & WAGNER CO	252,712	645,206	2.5531
12 NONYL PHENOL (PARABRANCHED)	GLYPHACIDE CO-430 BULK	DEGAUL CORP	1,053,269	620,007	0.5986
13 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-430 BULK	UNRATED DISPERSIONS	977,888	611,157	0.6259
14 ETHYLENE DIOLE (PIPELINE)	HOMOPOSS F MP5579 BULK	SMART CHARTER CO INC	1,006,268	598,279	0.5996
15 LAURYL ALCOHOL NATURAL (1214)	LAVESTAR-FD	LAURELS USA	933,128	590,444	0.6338
16 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-730 BULK	HART TONIC POLYMERS LP	1,015,973	566,860	0.5776
17 ETHYLENE DIOLE (PIPELINE)	GLYPHACIDE CO-430 BULK	ELANWOOD DISTRIBUTION CO	959,864	565,246	0.5945
18 LAURYL ALCOHOL NATURAL (1214)	ATRI-PURDIVE 5870PEA2 BULK	MAHER SCIENCES CANADA INC	789,210	534,250	0.6805

[Summary]

Material Qty Lb	Material Cost \$	Material Cost \$/Lb
95,492,629	62,188,153	0.6507

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pVelocity – Within minutes, link the materials used during production with the finished products and the final customer...

Product Description	Customer Name	Sales Qty Lb	Net Sales \$	Net Price \$/Lb	CM \$	CM \$/Lb	CM \$/Hr	GM \$	GM \$/Lb
1 LAVESTAR-G TD	UNITECH UNITED STATES	13,054,540	6,005,095	0.4645	1,636,507	0.1300	307.18	302,288	0.0232
2 LAVESTAR-FD	LAURELS USA	6,736,980	1,656,797	0.2459	171,249	0.0254	22.25	-309,623	-0.0460
3 DOYSTAR-5 LB353	TRILOGY TECHNO LABS	5,980,500	4,214,470	0.7036	2,993,959	0.4827	341.22	2,400,713	0.4008
4 LAVESTAR-D MD	R2D2 HALSTORM INC	5,787,360	2,923,949	0.5052	740,797	0.1254	542.63	156,617	0.0274
5 HYDROXY ETHYLPIPE CHE	HART TONIC POLYMERS LP	3,771,160	960,048	0.2549	495,677	0.1298	1,207.07	228,511	0.0601
6 LAVESTAR-FD	LAVESTAR-FD CANADA LT	3,624,082	1,812,001	0.5000	686,121	0.2600	245.04	621,108	0.2089
7 POLYSTAR-F B2	PREFECT & WAGNER CO	2,376,066	3,545,006	1.1912	1,968,222	0.8667	1,648.74	1,891,951	0.6225
8 GLYPHACIDE CO-430 BULK	DEGAUL CORP	2,874,000	2,300,000	0.8005	544,959	0.1895	2,041.51	401,938	0.1395

[Summary]

Sales Qty Lb	Net Sales \$	Net Price \$/Lb	CM \$	CM \$/Lb	CM \$/Hr	GM \$	GM \$/Lb	EBIT \$	EBIT \$/Lb	Discount \$	Discount
44,213,638	23,157,965	0.5247	9,410,630	0.2128	429.97	5,662,604	0.1281	3,434,405	0.0790	351,343	

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...then save hours of spreadsheet formulation by showing the link between materials, products, and customers with associated sales information such as Revenue \$, Volume, Margin \$ etc.

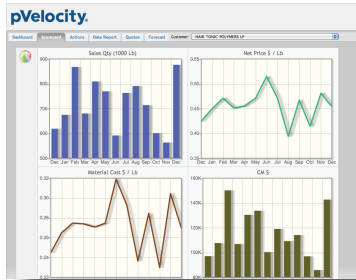
"[pVelocity] enabled us to manage through the difficult operating conditions of weakening economic demand and the volatile and increasing costs of raw materials, and still improve earnings."

David Lilley
President & CEO
Cytec

Analyze past cost and simulate impact of future cost changes

pVelocity profitability and cost simulation software works with these relationships to not only permit analysis of past performance – answering "what happened" questions – but also enable sophisticated simulations of material or component cost changes on future profitability

with detailed "what would happen if..." scenarios. These simulations are modeled on actual cost data that may currently reside in operational and functional silos across the enterprise in various business systems and spreadsheets.



A pVelocity Scorecard showing key visual data on an individual raw material

Material or Component Cost Impacts

When the relationships between material costs and the other areas of the business are identified, the value of analysis based on actual costs becomes clear, but it's pVelocity's simulations that reveal the impact of business choices and allow you to make effective decisions, such as:

- Future price adjustments by product and by customer due to material cost fluctuations
- Prioritizing and allocating production to the most important customers and products when faced with material shortages

Gain Complete Material or Component Visibility

Developed to handle the analytical needs of environments with large data stores, pVelocity's Cost Simulator is the only software that provides in-depth modeling of material cost fluctuations.

As a result, key operational roles within the company are able to experience unprecedented levels of visibility and insight on the impact of changes in material costing:



PRODUCT & PRICING MANAGEMENT

- Proactively establish product pricing based on changing variables such as projected raw material costs, volume and competition
- Manage overall product portfolio for maximum margin



SALES & MARKETING

- Segment customers based on projected margin and create account strategies and market plans to increase revenue and market share
- Promote prices and discount structures that increase volume on high margin products



SUPPLY CHAIN

- Monitor cost trends of raw materials used in key products and customer accounts
- Leverage this information to establish better procurement terms or find new supplier sources



PRODUCTION & ENGINEERING

- Quantify the effect of reduced waste or scrap
- Re-allocate production schedules to maximize throughput and minimize the impact of material shortages



CORPORATE

- Model the profit variance of future forecasts based on known and predicted changes in material or component prices
- Re-value finished goods inventory when raw material costs fluctuate

To learn more about how other companies have benefited from immediate, detailed insight into projected product and customer profitability, visit www.pVelocity.com for case studies and sample simulations.