How to Improve Your Product Costing Process and Avoid Expensive Mistakes

Lino Messerschmidt, Product Manager, SAP SE
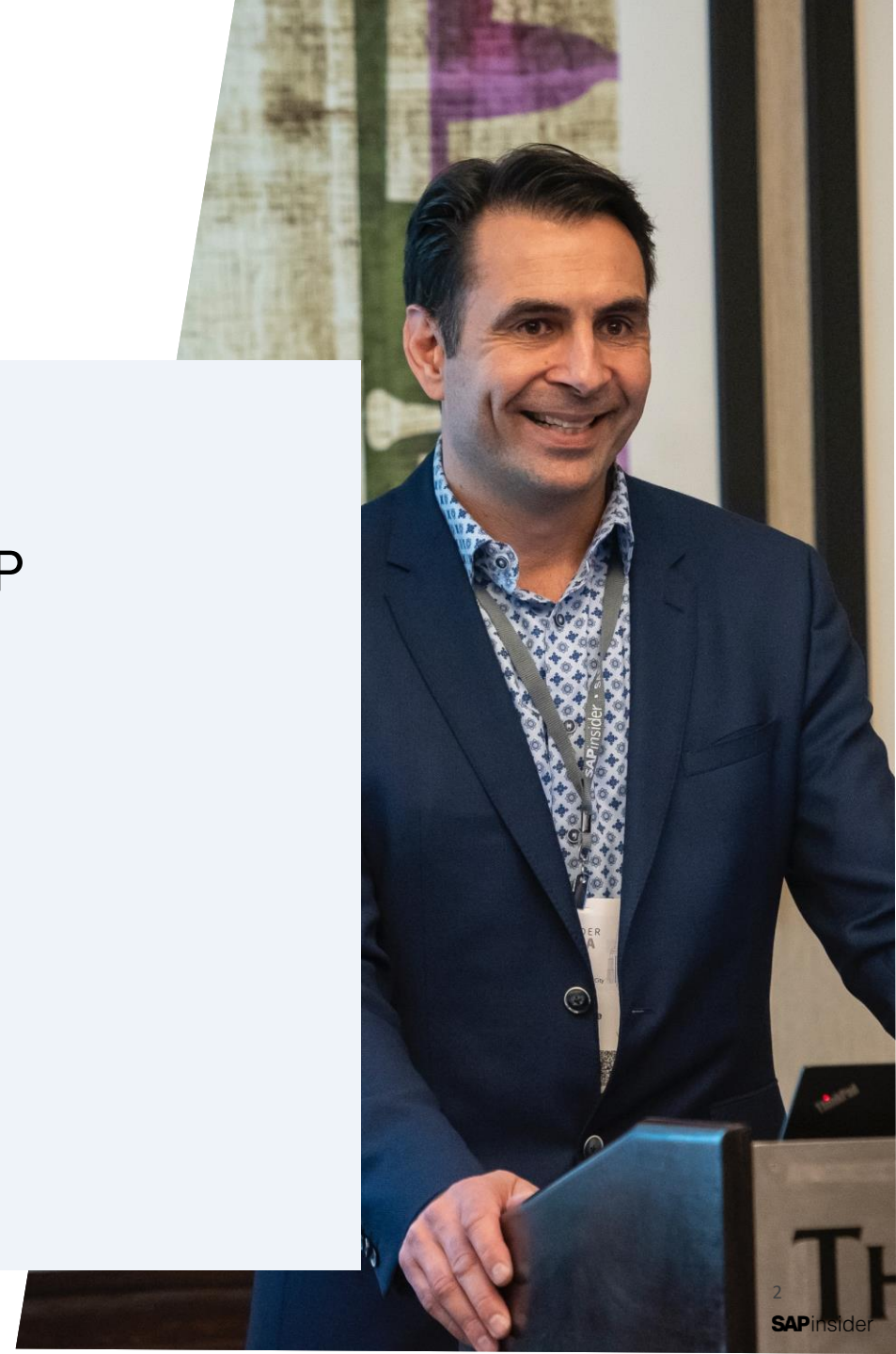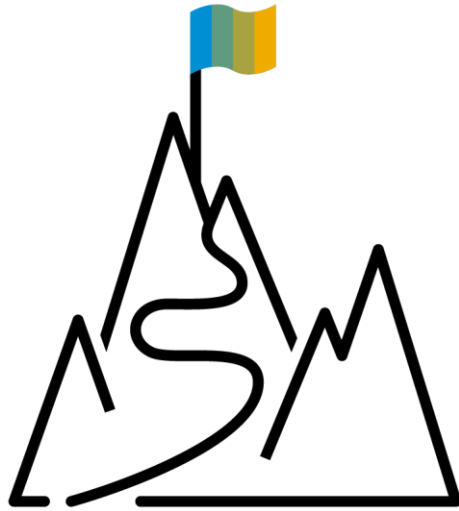
SAPinsider
Las Vegas

2023

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What We'll Cover

- Introduction & Challenges
- Product Costing Options within SAP
- SAP Product Lifecylce Costing
- Demonstration of the System
- Wrap-Up – Customer References

Introduction & Challenges

Introduction

Person

SAP Journey: Business Processes Consultant, Product Manager

Passion: Handball, Tennis, Golf, Motorbike

Role & Topics

- Extend the product and to help the customers improving their cost estimation in an early stage of the product lifecycle.

- Driving and shaping the new PLC Privat Cloud Edition along with our customers, partners and internal stakeholders.
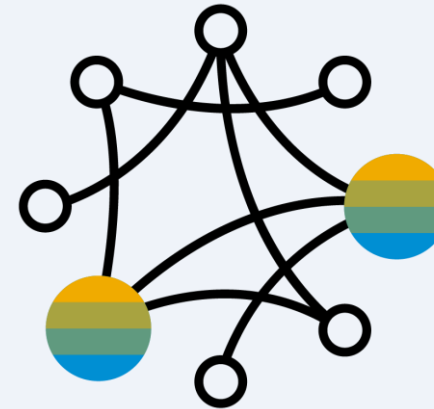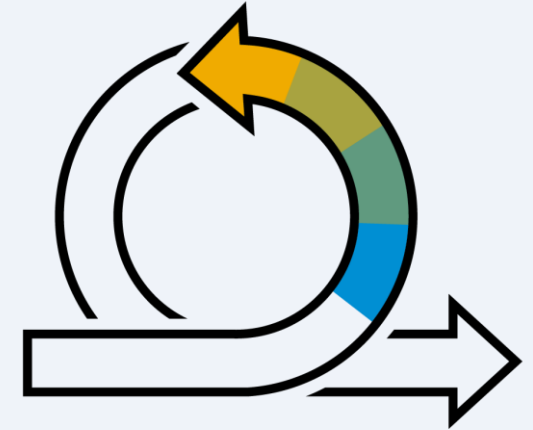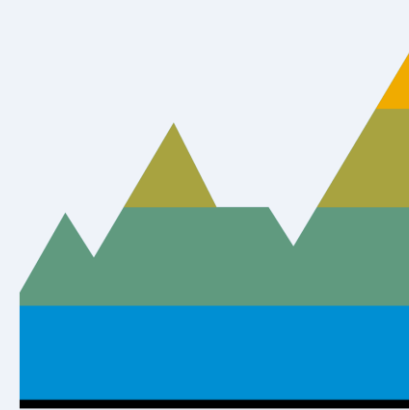
Lino Messerschmidt

Product Manager – SAP Product Lifecycle Costing

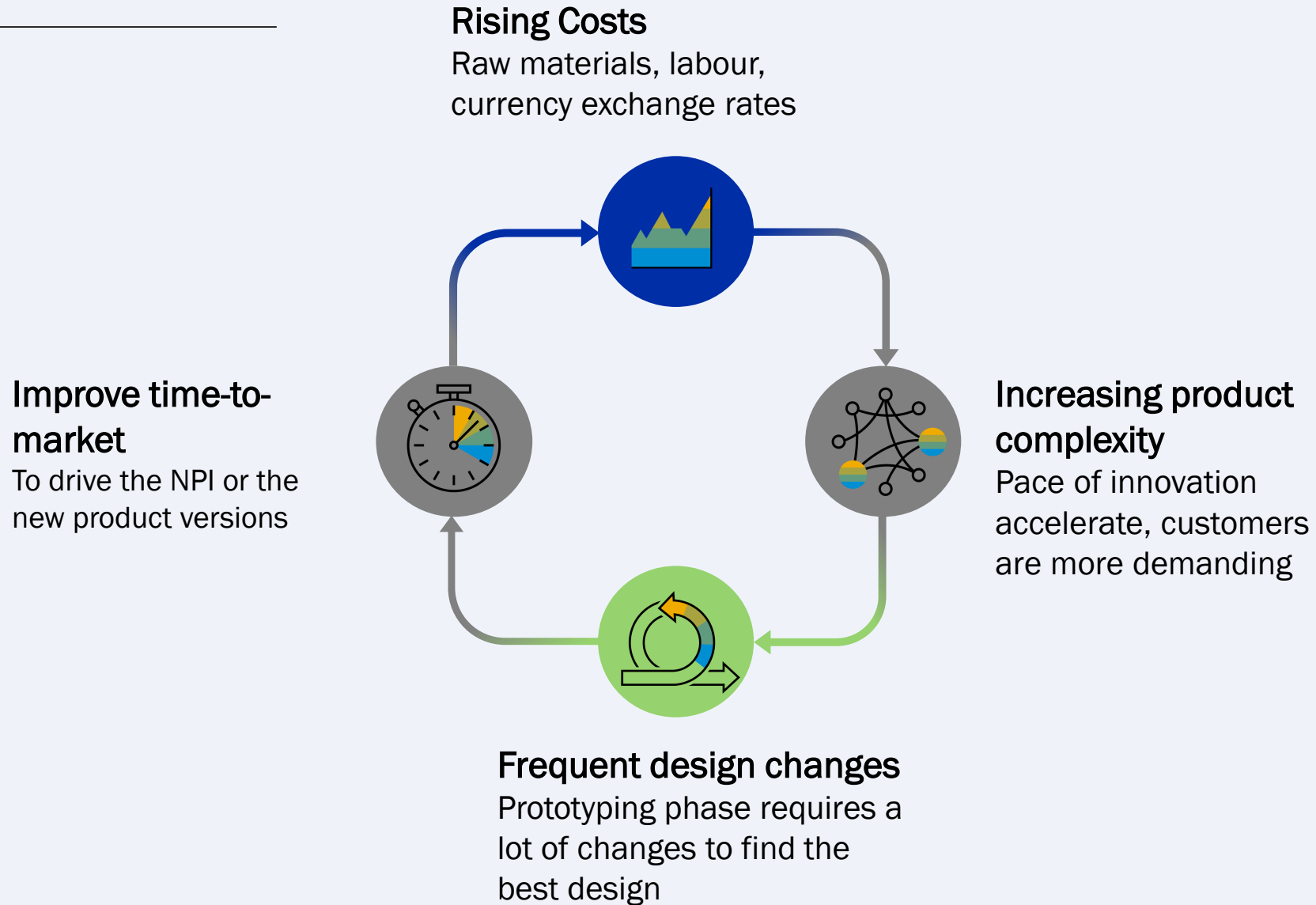# Challenges in the Operational Manufacturing Process?!

Go to **www.menti.com** and use the code **49 98 28 4**

[Menti-Presentation](#)

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Topics which Drive the Customers

Rising Costs
Raw materials, labour, currency exchange rates

Improve time-to-market
To drive the NPI or the new product versions

Increasing product complexity
Pace of innovation accelerate, customers are more demanding

Frequent design changes
Prototyping phase requires a lot of changes to find the best design

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Window of Opportunity

Start of Production

€ | Product Idea | Concept Requirements | MBOM/ Sourcing | Prototype Tool Planning | Scale-Up Handover | Ramp-Up | Cost of Design Changes

Prototyping Tooling

mBOM Plant 1 Plant 2

mBOM
As built

Plant 1
Plant 2

Window of Opportunity

eBOM/ dBOM

Design to cost impact

80% of the product cost are determined during the design stage.
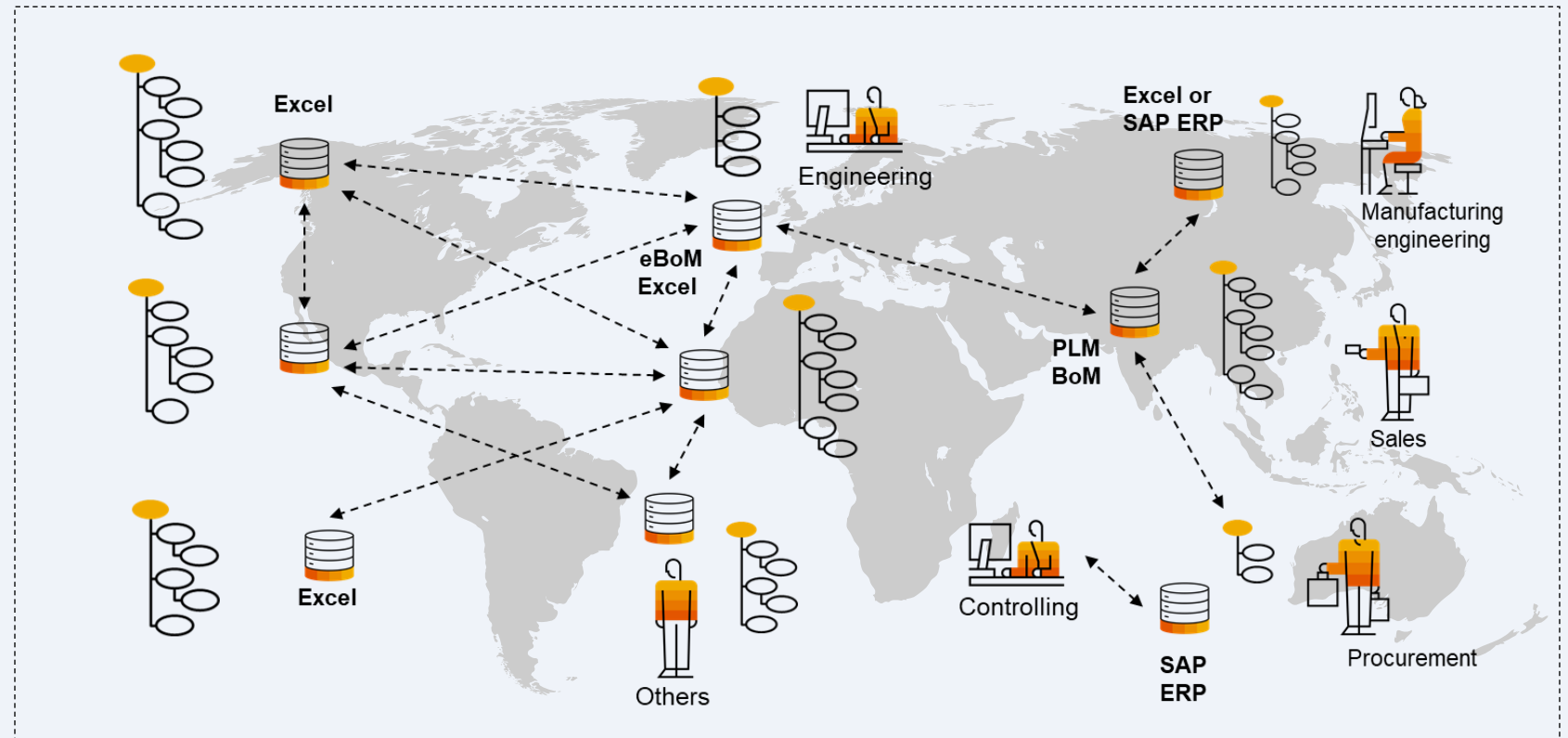
One of the last, **untapped cost optimization potentials** resides in the early costing process

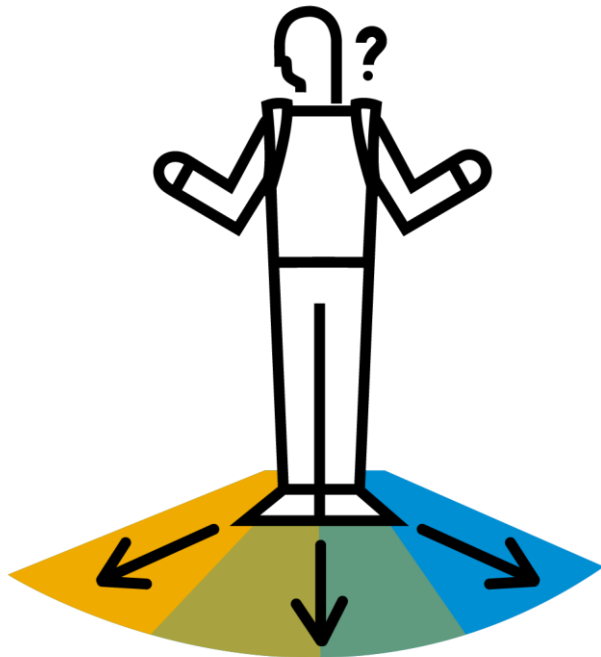**SAP**insider

Typical Customer Pain Points

In today´s fast-evolving market, companies face increasing pressure to provide innovative, customer-driven products and quotations at competitive prices. **Lack of visibility into early product cost hurts profitability downstream.**
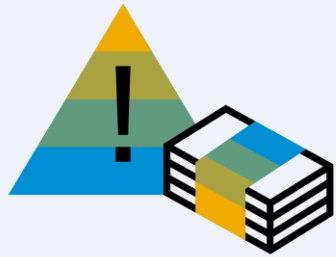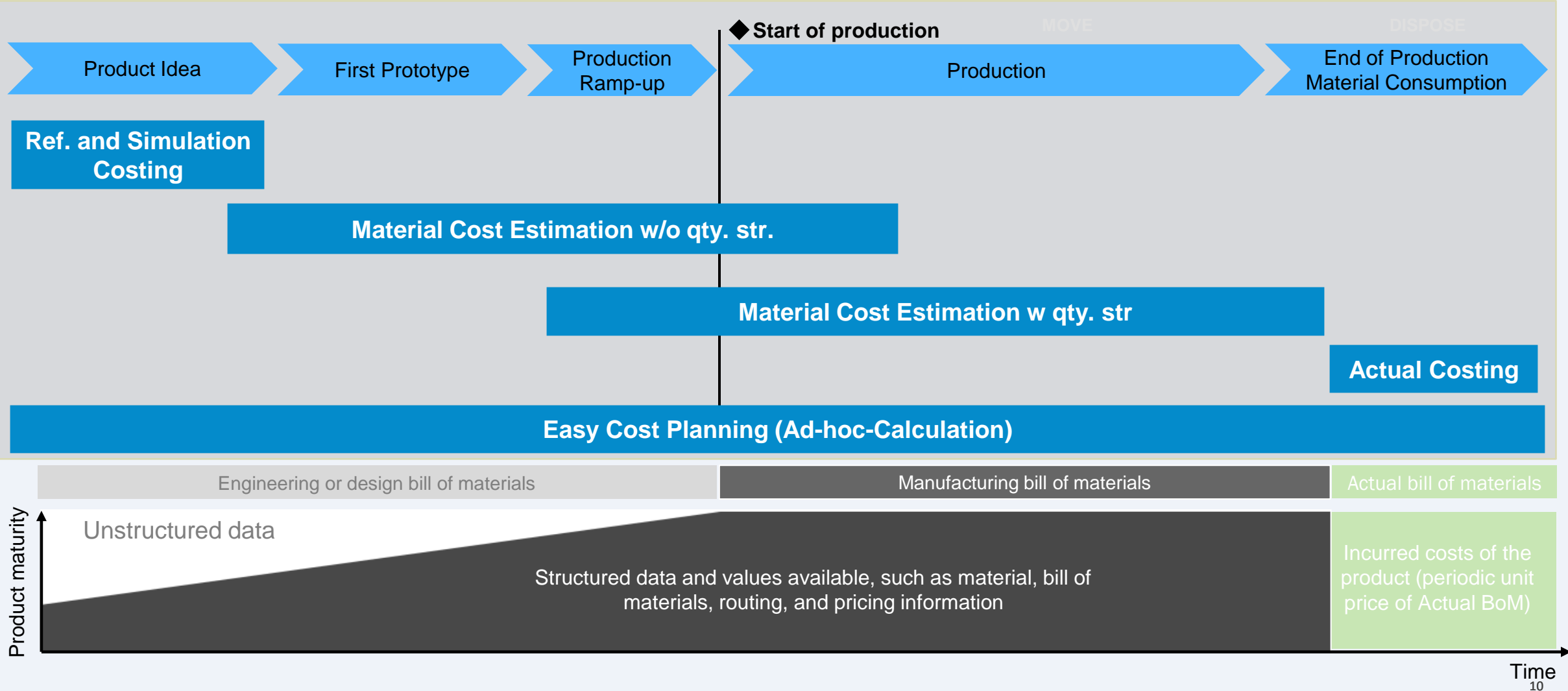
Companies are challenged by **diverse business processes, data and system landscapes,** making product costing challenging with designs, sourcing, and manufacturing being performed **across multiple sites.**

Product Costing Options within SAP
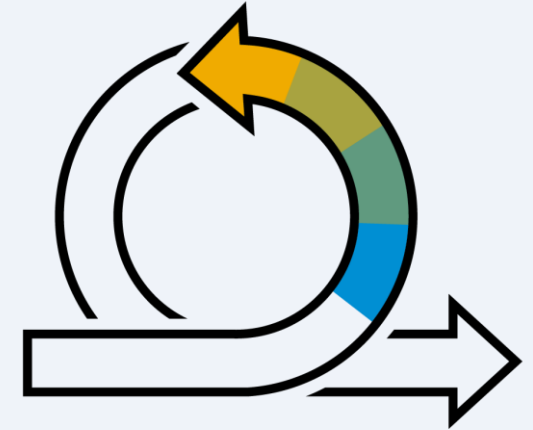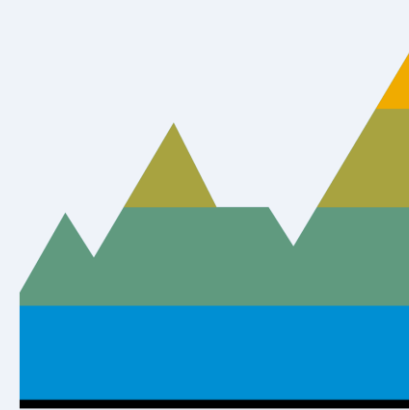
Product Costing Options within SAP

◆ Start of production
MOVE
DISPOSE

| Product Idea | First Prototype | Production Ramp-up | Production | End of Production Material Consumption |

Ref. and Simulation Costing

Material Cost Estimation w/o qty. str.

Material Cost Estimation w qty. str

Actual Costing

Easy Cost Planning (Ad-hoc-Calculation)

| Engineering or design bill of materials | Manufacturing bill of materials | Actual bill of materials |

Product maturity

Unstructured data

Structured data and values available, such as material, bill of materials, routing, and pricing information

Incurred costs of the product (periodic unit price of Actual BoM)

Time

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Challenges early costing process in SAP?!

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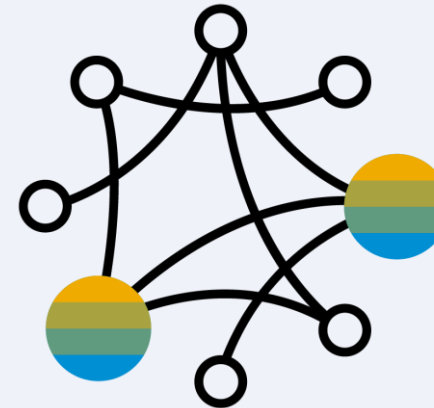
Challenges in the Early Costing in SAP

1

Multiple Transactions

2

No real time calculation

3

Integration to other source systems

4

Master Data is required

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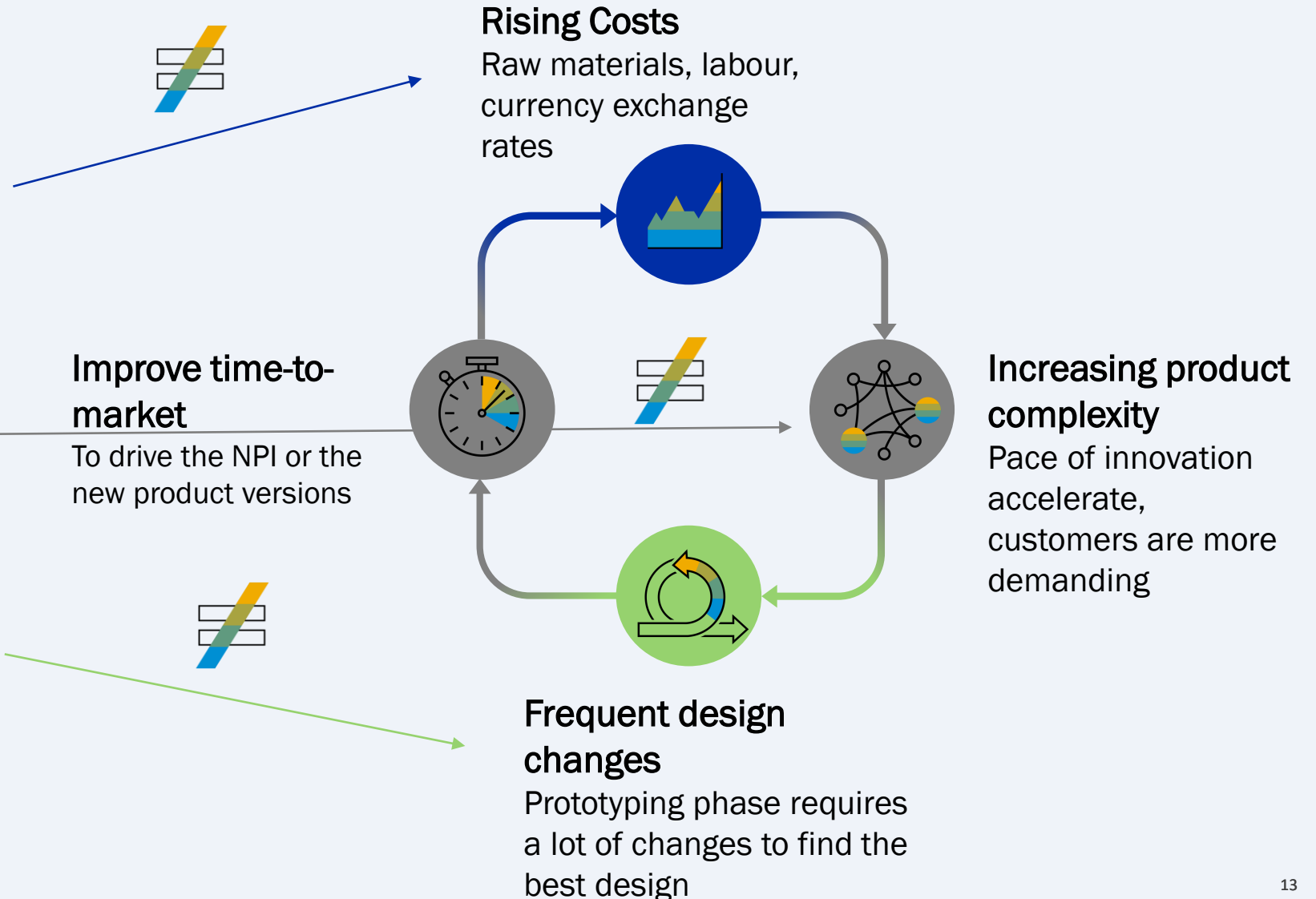# Challenges from both worlds

No real time calculation

Cost impact of rising costs couldn´t be display directly

Integration

Not all the required cost information at one place to improve the time-to-market
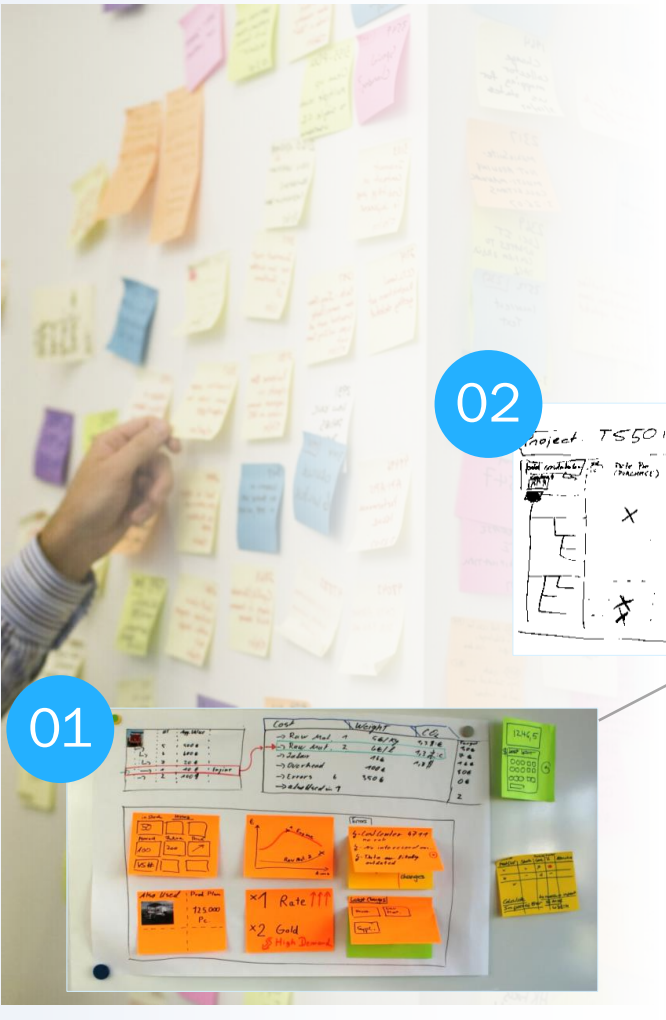
Multiple Transactions

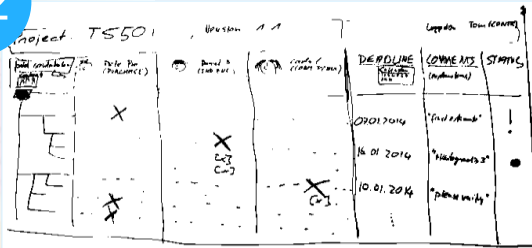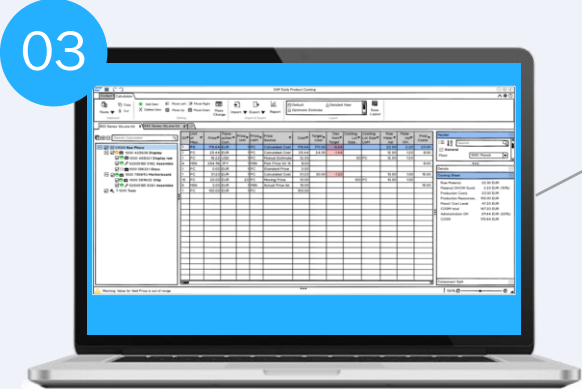Can´t manage easily frequent design changes (Master Data)

Rising Costs
Raw materials, labour, currency exchange rates

Improve time-to-market
To drive the NPI or the new product versions

Increasing product complexity
Pace of innovation accelerate, customers are more demanding

Frequent design changes
Prototyping phase requires a lot of changes to find the best design

SAP Product Lifecycle Costing

Meet customer requirements

01

02

...and an initial draft on paper...

From Design Thinking Co-Innovation....
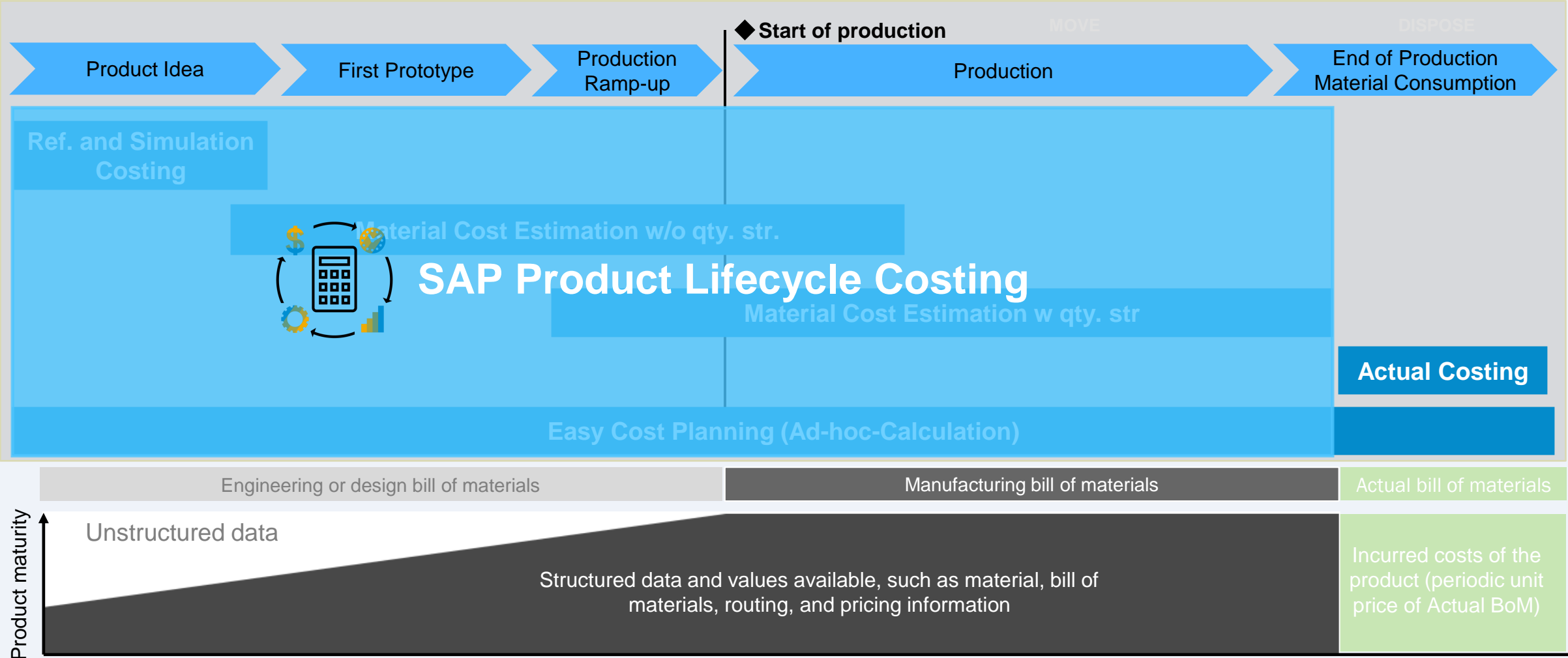
03

...over a first full mockup...

04
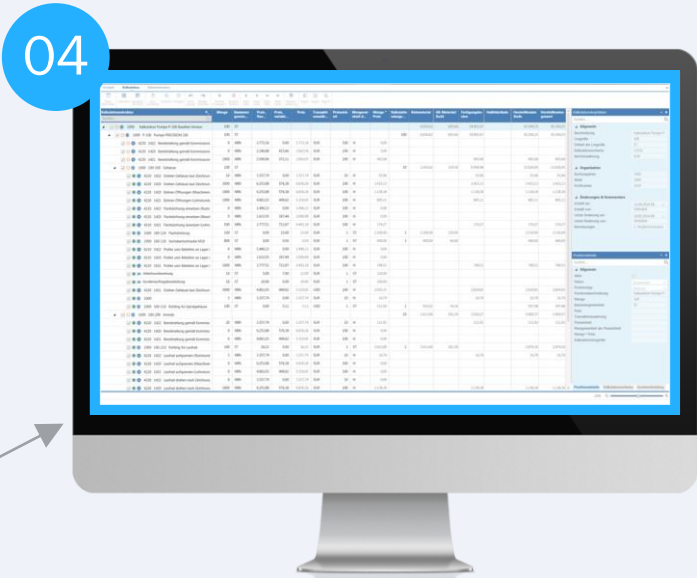
...to a completely developed solution.

SAP Product Lifecycle Costing

| Product Idea | First Prototype | Production Ramp-up | ◆ Start of production | Production | MOVE | End of Production Material Consumption | DISPOSE |

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SAP Product Lifecycle Costing

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Time

Solution Definition

SAP Product Lifecycle Costing is a solution to calculate costs and other dimensions for **new products or quotations** in an **early stage** of the product lifecycle, to identify cost drivers along the lifecycle quickly, and to simulate and compare alternatives easily.

Real time	User centric	Open	Flexible
SAP HANA	Microsoft Excel–like UI	SAP ERP or S/4HANA, Microsoft Excel, non SAP	Cost structure

On-Premise & Cloud

High **performance**

Integration with SAP ERP or SAP S/4HANA

Demonstration of the System

Demonstration of the System

What did we covered:

- ✓ One single source of truth (One transaction)

- ✓ Real time calculation

- ✓ Integration

- ✓ Master Data isn´t required

Wrap up

Wrap up -
Customer References

AGCO

Leading agricultural machinery manufacturer
- 10 different cost roll-up solutions
- Zero cost transparency

**1 Global** cost roll-up solution

**15 Sites** implemented

**30% improvement** in cost roll-up efficiency

Mercedes

One of the biggest manufacturer of vehicles
- Less collaboration between different areas
- Missing standardization in costing processes

**1 Consolidated** landscape for costing

**120 Users** company-wide

**Reuseability** of existing data

Bühler

Leading provider of machineries for processing grains/noodles
- Missing accuracy and simulation of figures
- No cost monitoring options

**Deviation** of estimated costs and the real cost are much smaller

**Lower** risk of profit loss

**Faster** Processing and response times

Varian

Leading provider for medical devices
- Complex products with multilevel BOMs and up to 35,000 line items
- Store and track product costs throughout the product lifecycle
- Integration with S/4HANA and SAP ERP

**Time savings** through elimination of complex excel processes

**Real time** cost estimation

**Only 3 months** to implement

Key Points to Take Home

Straightforward integration with SAP and third-party applications

One single source of truth/standardization

High performance/ reuse of existing data

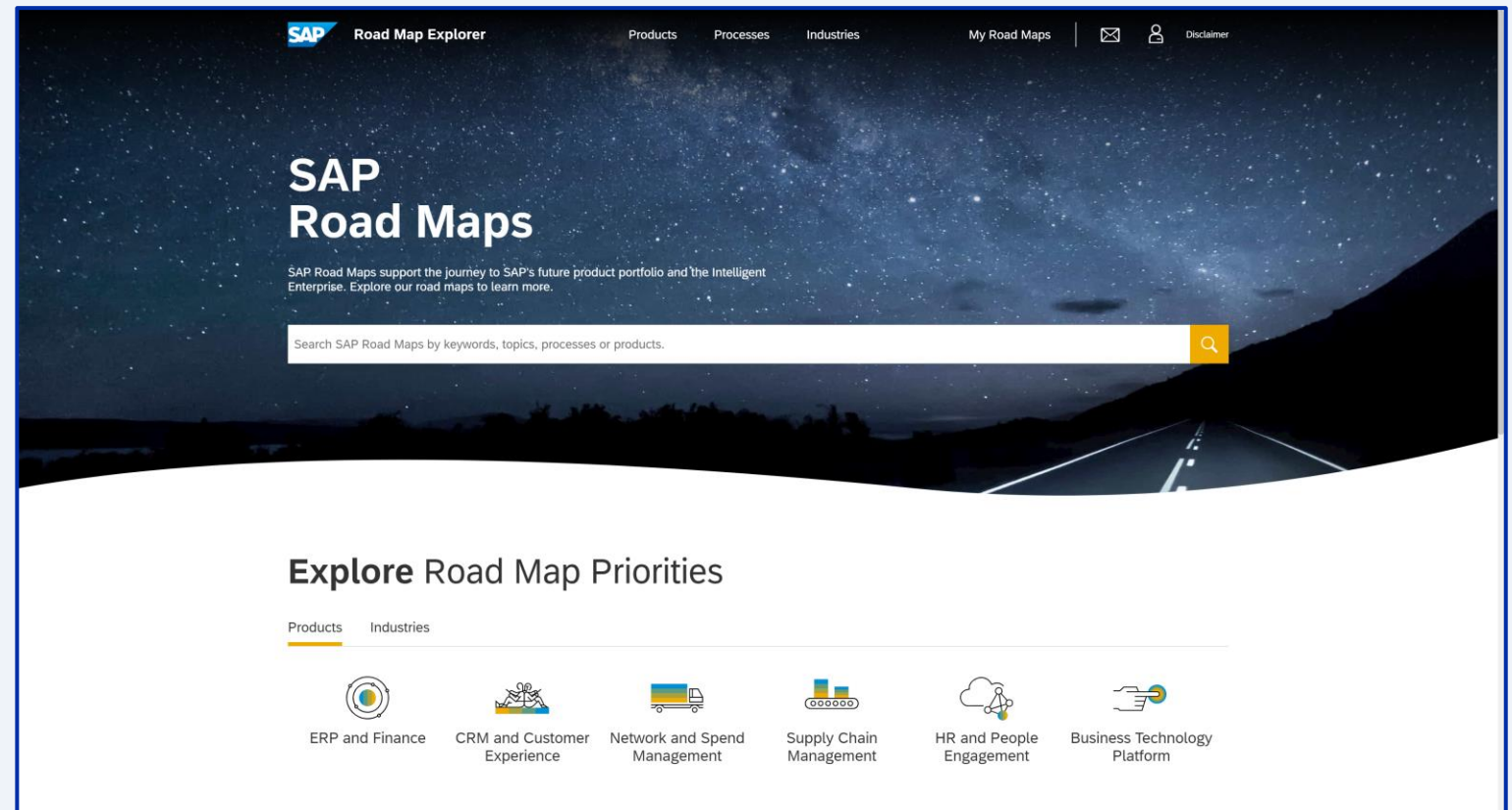Extensibility that is made for customers and is easy to apply

First-class user experience

Where to Find
More Information

SAP Product Lifecycle
Costing – Roadmap

Stay up to date with our latest innovations in
the SAP Roadmap Explorer

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Where to Find More Information

Product Introduction Video

Solution Overview Brochure

Solution in Detail Brochure

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Where to Find
More Information
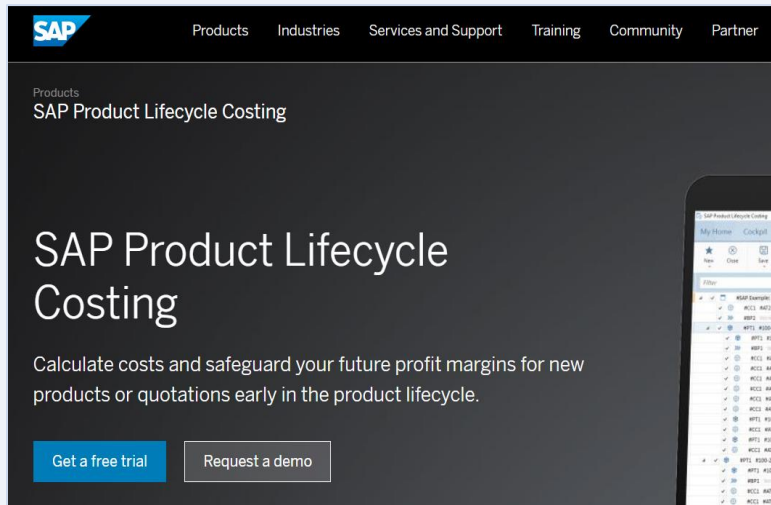
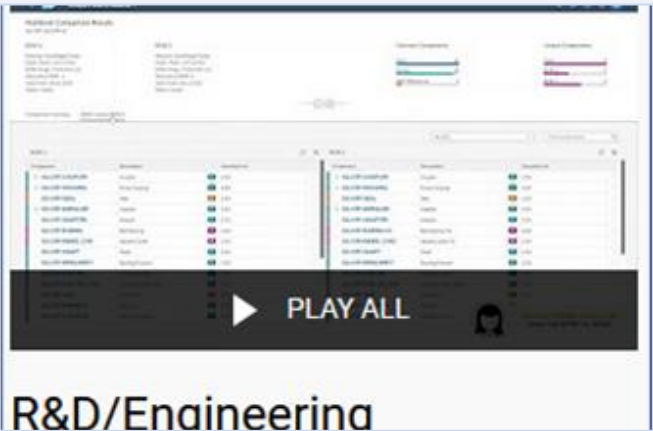**Product Page on sap.com**
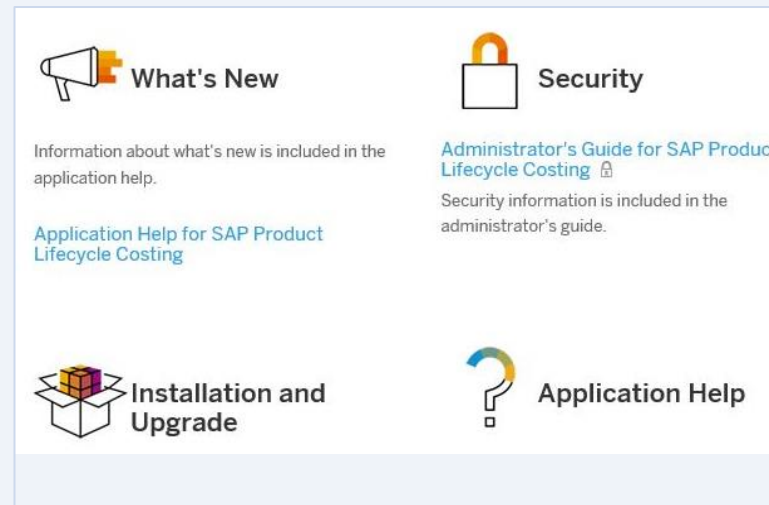
SAP Help Portal

Free Trial System
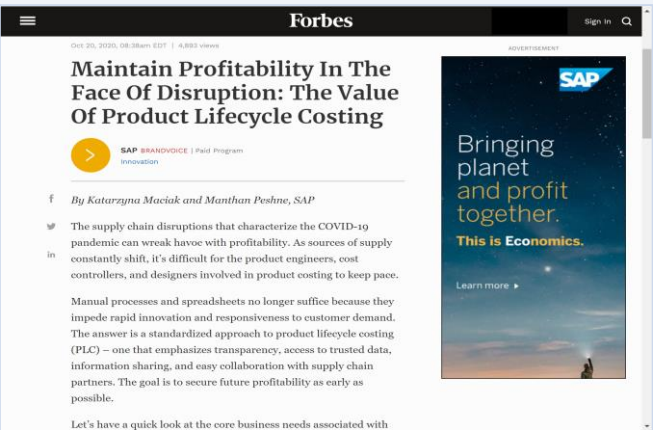
Where to Find More Information
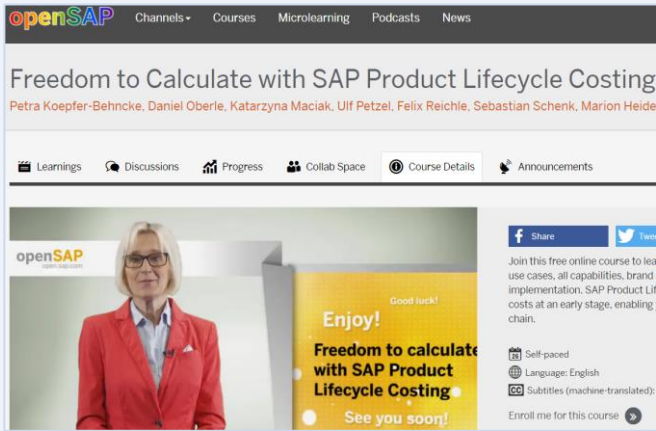
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[Blog - Maintain Profitability in Face of Disruption](#)

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Thank you! Any Questions?

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