The 12 Steps of Target Costing

Understand Customer Needs

1. Who is the customer?
2. Match customer needs to product features
3. Customer satisfaction

Understand Customer Value

4. Specification to meet customer need
5. Customer value weighting
6. Customer value of product & service

Target Costs

7. Value & features/characteristics
8. Target costs for product/service
9. Target costs for major components

Drive to Customer Value

10. Value/Cost in the value stream
11. Match Target Cost to processes
12. Continuous Improvement

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