



Target Costing



- Price Led Costing
 - How the customer values the company's products, services, & other attributes
- Focus on Customers and Markets
 - Integration with marketing
- Focus on Design
 - Integration with product design
- Cross Functional Improvement Methodology
 - Company-wide integration for increasing customer value
 - Operations, marketing, product design, customer service
 - Work closely with suppliers and other partners
- Improvement comes through the Value Stream
- Contrast costs to customer value

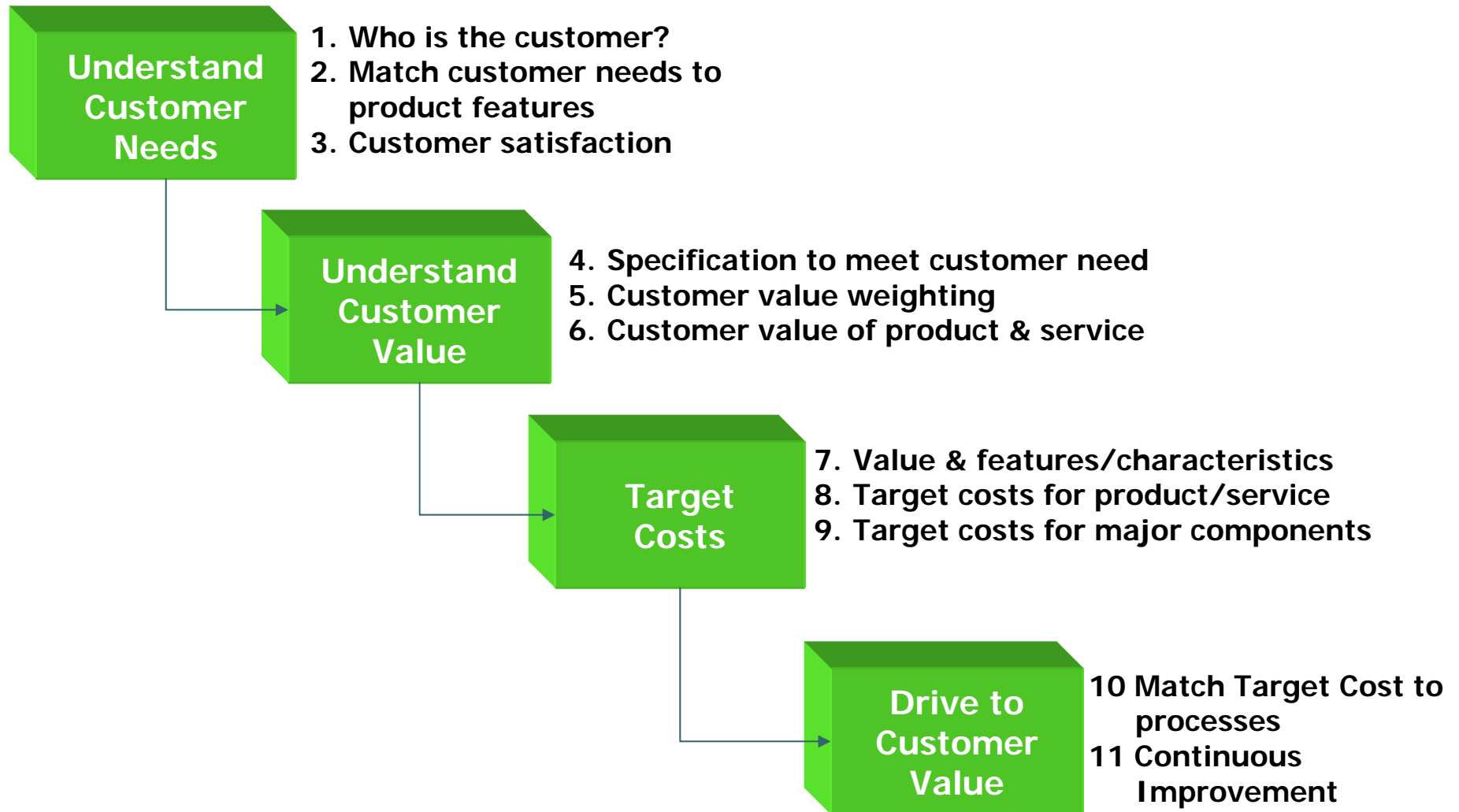
The Mature Lean Organization Drives Continuous Improvement from a Profound Understanding of Customer Value.



Target Costing Used in Three Ways

- Developing new product & process
 - Design to customer value
 - Target cost to design a value-effective value stream
- Introducing new products to existing value stream
 - Design to achieve maximum contribution from the value stream
- Current products in current value streams
 - Create more value and achieve target cost

How Does Target Costing Work?





Outcome of Target Costing

Intangible

- Everyone in the value stream is focused on customer value as a driver of the business.
- The whole value stream team must work cooperatively; sales, marketing, product development, operations, finance, purchasing, etc.
- Understanding of the broader value stream & how each step creates value.

Tangible

- Action plan to bring the costs of the value stream into line with the needs of the customer.
- Focus our efforts and our money on the value steps that create customer value.
- Kaizen and continuous improvement plan designed to maximize customer value across the value stream.