

# Product Cost Management

A Single Source of Insight for Costs

To accurately and quickly predict the cost of new products, brand owners must maintain cost data for millions of parts across thousands of suppliers. This challenge is compounded by fast-changing specifications and the likelihood of future cost fluctuations. E2open Product Cost Management consolidates and analyzes time-phased cost data from all tiers of supply, enabling brand owners to maximize margins on new products and ensure supplier invoices are accurate.

Having accurate product cost data — not just at the unit level, but for the components in each unit — is critical for ensuring the viability of new offerings. However, when brand owners rely on hundreds or thousands of contract manufacturers and suppliers, they cannot predict their costs from month to month. This is because they often store the raw data in spreadsheets, making it nearly impossible to do the kind of scenario-based analysis needed to identify the lowest-cost combination of suppliers. As a result, they are not able to maximize margins for new products and end up overpaying their suppliers and missing rebates that could dramatically reduce the unit cost of their finished goods.

Product Cost Management enables brand owners to design, build, price and launch new products with the confidence they are doing so with the lowest cost and highest margins. Equipped with the right data and analytics, they can manage the cost lifecycle of all components, using multiple costing scenarios — including volume-based and date-based — to negotiate discounts with suppliers. They can define rebate programs efficiently and monitor progress against them, reducing product costs even further.

## Key Features

- Collects current and future cost data for parts and bills of material (BOMs) spanning all tiers
- Enables in-depth analysis of multi-tier data by financial reporting period
- Provides knowledge of supplier-level cost data to reveal the optimal combination of suppliers
- Manages rebates and volume discounts to ensure supplier offers are captured before they expire
- Directly integrates with sources of cost data across suppliers and establishes process governance to improve operational efficiency

## Key Benefits

- Improves brand owner ability to price new products by making it easy to predict unit costs
- Lowers unit costs by identifying alternate suppliers to reduce product and logistics spend
- Helps proactively identify shifting market conditions by analyzing forward-looking cost data provided by suppliers
- Reduces invoice overpayment by enabling easy reconciliation with supplier cost projections
- Improves supply assurance by equipping brand owners to negotiate between multiple suppliers

## Insight for End-to-End Cost Management

Organizations can now efficiently predict the cost of new products, enabling them to meet margin and growth objectives while gaining crucial insights to improve future operations.

### **Record of Item and BOM Costs Across All Supplier Tiers**

With Product Cost Management, suppliers, manufacturers and logistics providers upload the cost data — such as landed cost, negotiated item cost, actual item cost, market item cost, freight, insurance and taxes — to the e2open network either through business to business (B2B) integration or through the web user interface. This data also includes all the relevant contextual information such as the customer, the site where the customer will use the item, the supplier of the item or service and the supplier's location. When suppliers upload new cost information, the system alerts the brand owner, so they no longer have to manually search for updates or sift through emails to find the most current data.

### **Data Analysis to Eliminate Excess Cost**

Once the brand owner receives the data, they can use the application to analyze it in detail. To gain the most powerful insights, they examine the costs of not only individual parts but also assemblies at a group level, drilling down to identify the root causes of cost variances between different partners or regions. This capability increases brand owners' leverage during negotiations. They can also compare negotiated costs with market costs to identify more opportunities to reduce spend.

### **Cost Forecasting for Future Planning**

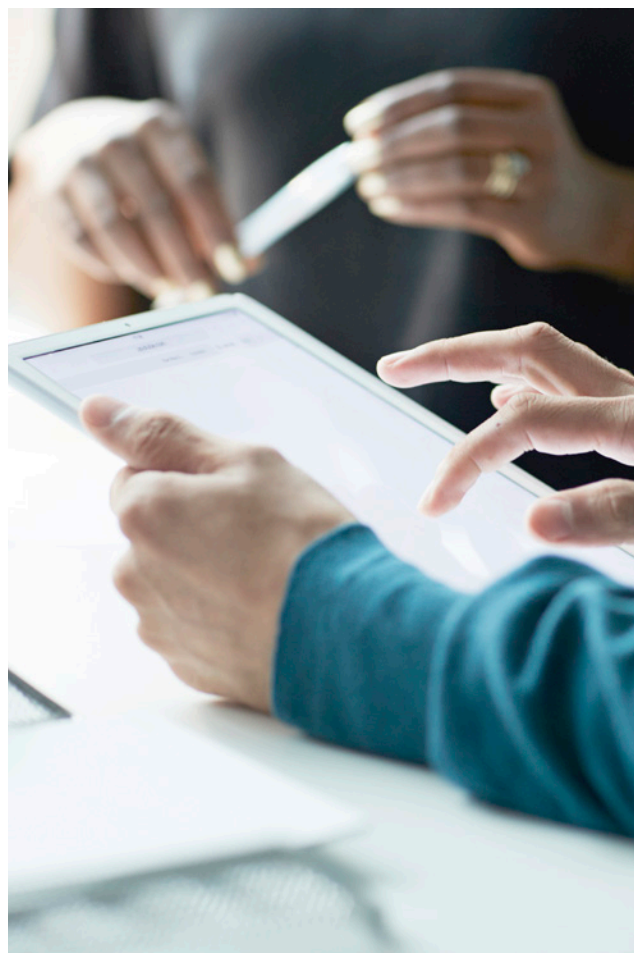
With Product Cost Management, brand owners use variables such as fiscal calendars, negotiated costs, rebates, discount schedules and arbitrary events to forecast their supplier costs — either individually or as a group. They can adjust settings to view each period's cost data by item or item group, laying the groundwork to meaningfully analyze the data for crucial insights.

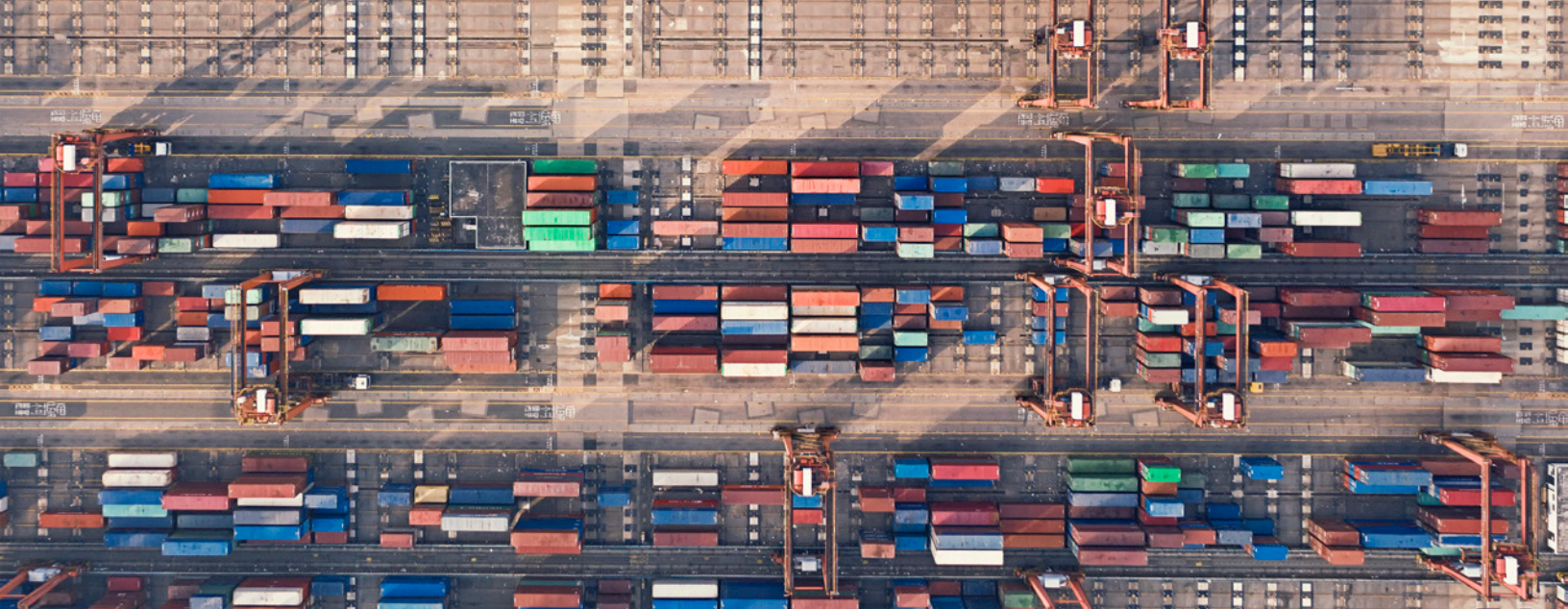
### **Cost Analytics to Optimize Work Allocation**

The application analyzes present and forecasted cost data and recommends how the brand owner should distribute future work to suppliers and logistics providers to maintain the lowest costs. Users can analyze the data based on the same variables they used to create the forecast: negotiated rates, rebates, discount schedules and arbitrary events.

### **Management of Rebates and Volume Discounts**

Suppliers often offer rebates for certain items in certain volumes for a specified period of time. This application captures all parameters of this rebate data — including rates, triggers, payment terms and effective dates — and enables procurement teams to efficiently take advantage of supplier offers.





Price goods for maximal margins or growth by capturing and analyzing cost projections from all upstream partners. Cost visibility and predictability improves negotiating power and enables data-driven sourcing decisions.

## About e2open

E2open is the connected supply chain software platform that enables the world's largest companies to transform the way they make, move, and sell goods and services. With the broadest cloud-native global platform purpose-built for modern supply chains, e2open connects more than 400,000 manufacturing, logistics, channel, and distribution partners as one multi-enterprise network tracking over 12 billion transactions annually. Our SaaS platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste, and operate sustainably. Moving as One™. Visit [www.e2open.com](http://www.e2open.com).

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