

Cost Savings in Outsourcing: Costs Not Included in Burden

www.axenics.com





In today's economy product companies need to reduce their unit costs of manufacturing to stay competitive in the world market. Axenics has become a valued partner in achieving and surpassing these goals, enabling customer to realize efficiencies and deliver products to the end-users at lower costs and premium quality.

When customers come to Axenics to have their product built for the first time outside their operation a detailed bill of materials and construction schedule are created. When the bid is compared to the customers' in-house cost model it is not unusual that the customer has not accounted for all Cost of Goods Sold (CGS), nor Sales and General Administration (SGA) costs.

Generally, product companies have an excellent sense of financial accounting for their organizations. However, overall burden numbers on a macro scale do not typically represent a true sum of the burdens from each product. We call the difference between the macro burden and the sum of the product burdens: CNIB, Cost Not Included in Burden. That is, the expenses of the operation are not fully covered by the burden allotted to each of their products. This figure often represents 10% to 15% of the total costs. Two examples of CNIB are: 1) companies may not completely account for transfer costs (internal costs between divisions or subsidiaries) and 2) shipping and delivery costs are often not in the product managers' control and thus are not included in the product burden. Customers often become aware of these challenges only during detailed discussions of Axenics' bid.

When Axenics and a customer have the opportunity to fully evaluate the option of out-source manufacturing the customer gains two benefits immediately. First, the customer has a better understanding of actual costs to produce their product in quantity, and second the customer has a viable option for production that is typically less expensive and of equal or better quality to their in-house manufacturing.

Once Axenics becomes the out-source manufacturing partner, customers are able to grow their organizations more rapidly and with increased efficiency. By utilizing Axenics, our customers are then able to reallocate their trained workforce and fixed Real Estate assets to concentrate on the higher margin portions of their business. Ultimate efficiency is reached when Axenics manages the entire production operation and ships direct to the end-user. This allows our customers to increase profitability by concentrating on customer relationships, engineering, sales, and marketing.

For more information contact us at
603-595-9939 or email sales@axenics.com