

Cost Value Analysis (CVA)

Cost Value Analysis (CVA) is an effective way to reduce the costs of a business' own products by evaluating all cost aspects of a product or service to determine if cost-improvement opportunities are available.

In other words:

- Are individual material / components sourced at the best possible price and have alternatives been considered?
- Is the design in line with market requirements, or does the product include redundant features, which drive cost?
- Can standard components be substituted for custom manufactured components?
- Are there still opportunities for improvement the manufacturing process?
- Is our sales concept cost effective and are the most cost effective logistics channels being used?

CVA is a continuous improvement activity and applies to both existing and planned products, although in the early development phase both design-to-cost and target costing are possibly more appropriate, whereas for significant post launch changes, a re-design-to-cost process should also be followed.

In the Automobile Industry, some leading companies use CVA very effectively in the area of sourcing. In this case a cost value analysis team operates together with the purchasing organization.

This has considerable benefits in the world of high-tech products, where the “buyers” do not always have the competence to judge the “real cost” of the components or sub-systems, which they are sourcing.

By integrating CVA into the purchasing process, in-house engineers analyse and estimate the real production cost of the component or sub-systems being offered, and provide the buyers with guidance on an acceptable pricing corridor for negotiation.