

Cost Card Analysis

Food Manufacturer Company

Partnered with the client to analyze the quarterly cost cards, shared by the co-manufacturers, to identify revenue leakages by tracking the variance in BOM (bill of materials) and associated COGS at the SKU level, flagging any potential discrepancies with respect to contract terms

Food manufacturer company needs to stir-up cost card analysis

Picture this...

You’re looking for centralized reporting for quarterly cost cards, shared by the co-manufacturers, to identify revenue leakages by tracking the variance in BOM and associated COGS at an SKU-level to flag any potential discrepancies with respect to contract terms

You turn to Accordion.

We partner with your team to analyze and identify revenue leakages by tracking the variance in BOM (bill of materials) and associated COGS at the SKU level, including:

- 1) Creating a consolidated BOM by aggregating the cost cards, received from various co-manufacturers, through customized VBA-based automation by applying necessary transformations. Also, aggregating the contracts data (‘Ingredients’, ‘Tolling’, and ‘Packaging’) to create a single repository for reporting
- 2) Creating business rules to identify variance in BOM and associated COGS at an SKU-level, beyond the defined threshold limit. Additionally, comparing the cost charged for ingredients, tolling, and packaging with the contract tracker to flag any potential discrepancies
- 3) Building an Excel-based centralized cost card tracker across co-manufacturers to track QoQ trends, ingredients wastage, contract compliance and flagging any potential discrepancies so that the client can take necessary corrective actions

Your value is enhanced.

You have centralized company-level cost card reporting providing visibility into revenue leakages to take real-time corrective actions with the help of triggers set up. You have also automated consolidation and analysis of cost cards translated to ~75% reduction in person-hours that otherwise collate data manually on a quarterly basis.

COST CARD ANALYSIS

KEY RESULT

- ~2% cost reduction by contract reinforcement
- ~75% reduction in person-hours

VALUE LEVERS PULLED

- Cost Card Analysis

Cost card analytics for a breakfast products provider

Situation

- Client outsources its manufacturing to multiple co-manufacturers and had limited visibility into SKU-level BOM, ingredients pricing, etc. There was an opportunity to create a centralized reporting and analysis of cost cards
- Partnered with the client to analyze the quarterly cost cards, shared by the co-manufacturers, to identify revenue leakages by tracking the variance in BOM and associated COGS at an SKU-level and flag any potential discrepancies with respect to contract terms

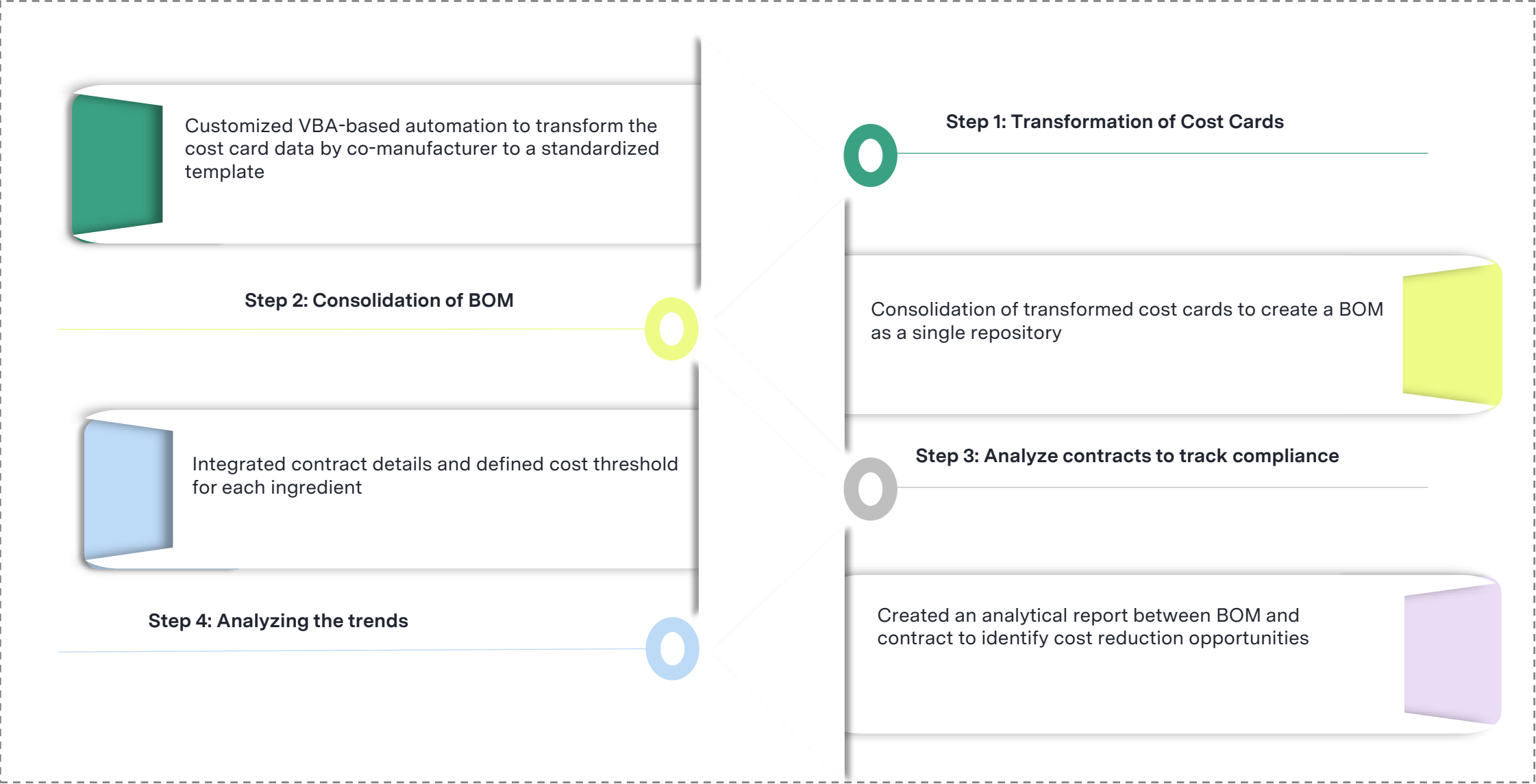
Accordion Value Add

- Created a consolidated BOM by aggregating the cost cards, received from various co-manufacturers, through customized VBA-based automation by applying necessary transformations. Also, aggregated the contracts data ('Ingredients', 'Tolling', and 'Packaging') to create a single repository for reporting
- Created business rules to identify variance in BOM and associated COGS at an SKU-level, beyond the defined threshold limit. Additionally, compared the cost charged for ingredients, tolling, and packaging with the contract tracker to flag any potential discrepancies
- Built an Excel-based centralized cost card tracker across co-manufacturers to track QoQ trends, ingredients wastage, contract compliance and flag any potential discrepancies so that the client can take necessary corrective actions

Impact

- Centralized Company-level cost card reporting provided visibility into revenue leakages and enabled the team to take real-time corrective actions with the help of Centralized Company-level cost card reporting provided visibility into revenue leakages and enabled the team to take real-time corrective actions with the help of triggers set up
- Reconciliation of contracts with the cost cards highlighted inconsistencies in ingredient costs and wastage (~2%) due to mismatch in contract price vs. the cost considered in the cost cards
- Automated consolidation and analysis of cost cards translated to ~75% reduction in person-hours that went into collating the data manually on a quarterly basis

Methodology/ Approach



Bom consolidation – Single repository for reporting

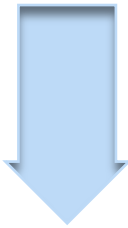
SKU#1

Case Weight	2.80
Net Case Weight (lbs.)	2.80

Ingredients							
Item ID	Description	% of formula	qty	um		\$/um	Final cost \$
ID1	Ingredient 1	19.86%	0.5556	lbs.		\$1.95	\$1.08
ID2	Ingredient 2	68.82%	1.9247	lbs.		\$1.88	\$3.61
ID3	Ingredient 3	11.32%	0.3165	lbs.		\$42.65	\$13.49

Cost card for individual SKUs and Ingredients

Packaging							
Item ID	Description		qty	um	loss %	\$/um	Final Cost \$
ID4	Bottle		1	ea	0%	\$1.66	\$1.66
ID5	Lids		1	ea	0%	\$0.14	\$0.14
ID6	Label		1	ea	0%	\$0.13	\$0.13



Consolidated cost cards into BOM

Item ID	Description	% of formula	qty	um	loss (%)	\$/um	Final cost \$	Ingredient type	Case weight (lbs.)	SKU ID
ID1	Ingredient 1	19.86%	0.5556	lbs.		\$1.95	\$1.08	Ingredients	2.80	SKU#1
ID2	Ingredient 2	68.82%	1.9247	lbs.		\$1.88	\$3.62	Ingredients	2.80	SKU#1
ID3	Ingredient 3	11.32%	0.3165	lbs.		\$42.65	\$13.50	Ingredients	2.80	SKU#1
ID4	Bottle		1	ea	0%	\$1.66	\$1.66	Packaging	2.80	SKU#1
ID5	Lids		1	ea	0%	\$0.14	\$0.14	Packaging	2.80	SKU#1
ID6	Label		1	ea	0%	\$0.13	\$0.13	Packaging	2.80	SKU#1