

PRODUCT COST LEADERSHIP ASSOCIATES

*It's not just about **Cost Reduction**.....it's about delivering **Increasing Value** to your Customers.*

- **Introduction**
- **The Opportunity**
- **Our Results**
- **Our Offerings**
- **Our Experience**
- **Summary**


Our Mission is to create **Cost Advantage** for our clients and **Value** for their customers through Best-In-Class product delivery

The Opportunity

Companies are often challenged to deliver leading products to market at the best cost and value position. These issues are compounded when faced with rapid growth, globalization, and expansion through acquisition.

TYPICAL MARKET CHALLENGES

- Over spending on product and component costs
- Increasing SKUs and inventory
- Lack of understanding of competitor product structure and costs
- Escalating number of components and part numbers
- Delays in time to market
- Over-budget, over-cost, post-launch quality issues
- Failure to understand what customers' value
- Decreased customer satisfaction and market share



Product Cost Leadership can turn these challenges into opportunities that **Deliver Cost Advantage and Add Customer Value**

PCL Value Delivered

Real Companies...Real Programs...Real Results*

CONSUMER GOODS

- Gross direct material savings **5% YOY**
- Supply base and negotiation leverage **2% + YOY**
- Total material cost take out for all products in production **1%**
- Pilot project **31%** Production Cost Reduction (9 weeks)*
- 3 Programs **13%** Production Cost Reduction (3-4 months)*

AUTOMOTIVE

- 4 Programs **44%** avg. reduction Development Costs
- 4 Programs **15%** avg. reduction Production Costs

MILITARY WEAPONS

- 4 Programs **34% - 67%** Production Cost Reduction

AEROSPACE

- Pilot project **71%** Production Cost Reduction*
- 4 Programs **21% - 40%** Production Cost Reduction

INDUSTRIAL COMPRESSORS

- Program **18.4%** Development Cost Reduction*
- Program **25.2%** Production Cost Reduction*

* Results achieved in
less than 12 months

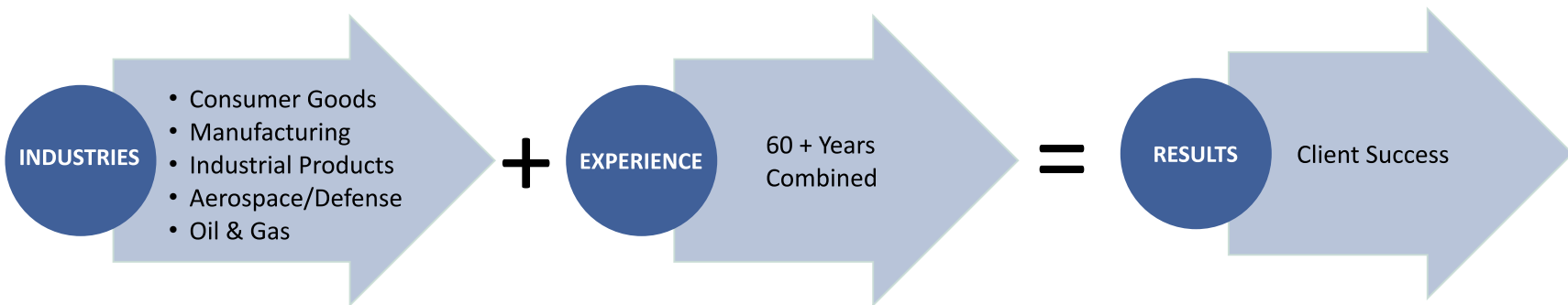
* Results shown represent a snapshot of cost savings resulting from work done by this team – additional benefits include speed to market, increased market share, revenue and supply base improvements

Your Future is Our Future

Our Success is Ultimately Measured by the Success of our Clients

We focus on creating value for our clients in the following ways:

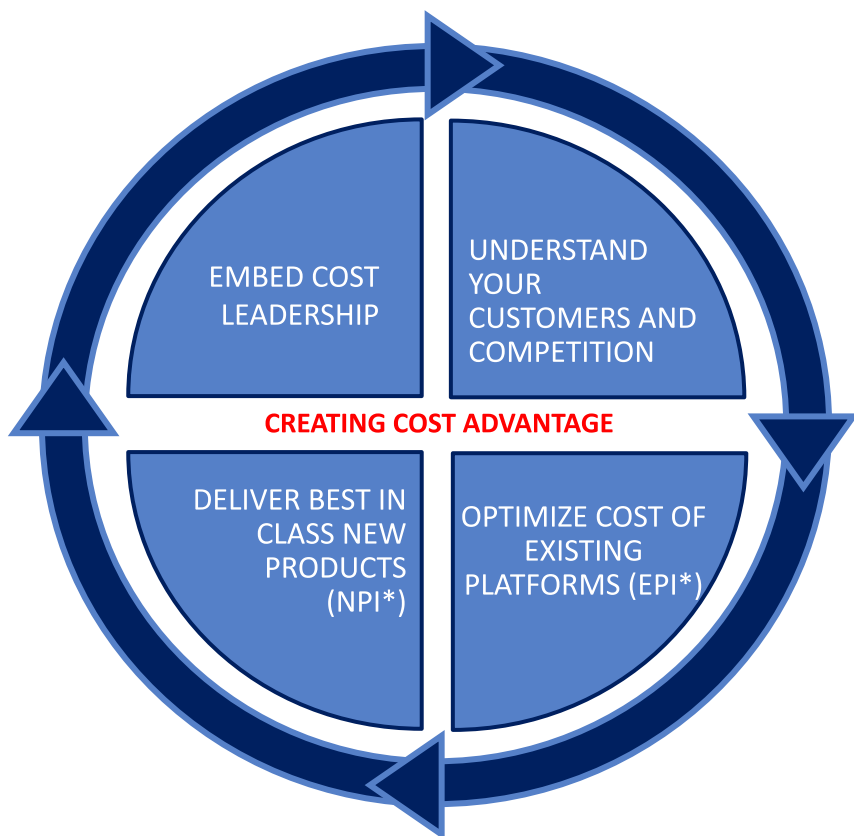
- Cost savings and value optimization
- Customer value creation
- Competitive advantage
- Innovative product delivery
- Speed to market
- Revenue generation



PCL allows you to provide exceptional Value to your Customers and Shareholders by designing products that are at the Best-In-Class cost for the functionality delivered

Product Cost Leadership Strategy

We Can Help You ACHIEVE COST ADVANTAGE and DELIVER UNPARALLELED CUSTOMER VALUE by delivering solutions that will enable you to.....

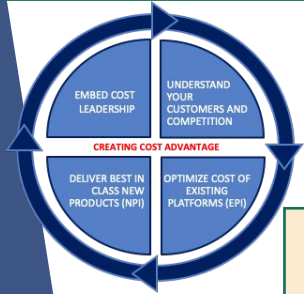


*NPI = New Product Introduction

*EPI = Existing Product Improvement

- **Lead with the customer.** VOC is critical
- Understand and **leverage the design and cost position of competitor products**
- **Continuously evaluate and optimize** the design, cost and quality of your existing product platform
- **Deliver more innovative products to market** at optimal cost and quality levels
- **Rationalize your component architecture** and develop a strategic supply base to reduce complexity and costs
- **Align your organization** and ramp up internal capabilities to ensure sustainable results

PCL Core Offerings



Primary Capabilities

<p>Existing Product Improvement (EPI)</p> <ul style="list-style-type: none"> • Incremental Cost Improvement • Idea Pipeline Development & Delivery • Target Costing – Plan, Manage, Achieve • Project Management 	<p>New Product Introduction (NPI)</p> <ul style="list-style-type: none"> • Step Function Cost Improvement • Integrated Development Process • Target Costing – Plan, Manage, Achieve • Program/Project Management
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Supporting Capabilities

<p>Component Architecture</p> <ul style="list-style-type: none"> • Part Classification • Price Alignment • Part Consolidation • Supply Base Rationalization 	<p>Competitive Cost Analysis</p> <ul style="list-style-type: none"> • Product Teardowns • Comp. Cost Modeling • Design Ideation • Subsystem Comparisons 	<p>Product Cost Analysis</p> <ul style="list-style-type: none"> • Cost Modeling – CAD • Material Cost Libraries • Subsystem Cost Rollups 	<p>Design for Value</p> <ul style="list-style-type: none"> • Value Methodology • Design for Mfg. and Assembly • Cost/Function Analysis • Quality Function Deployment
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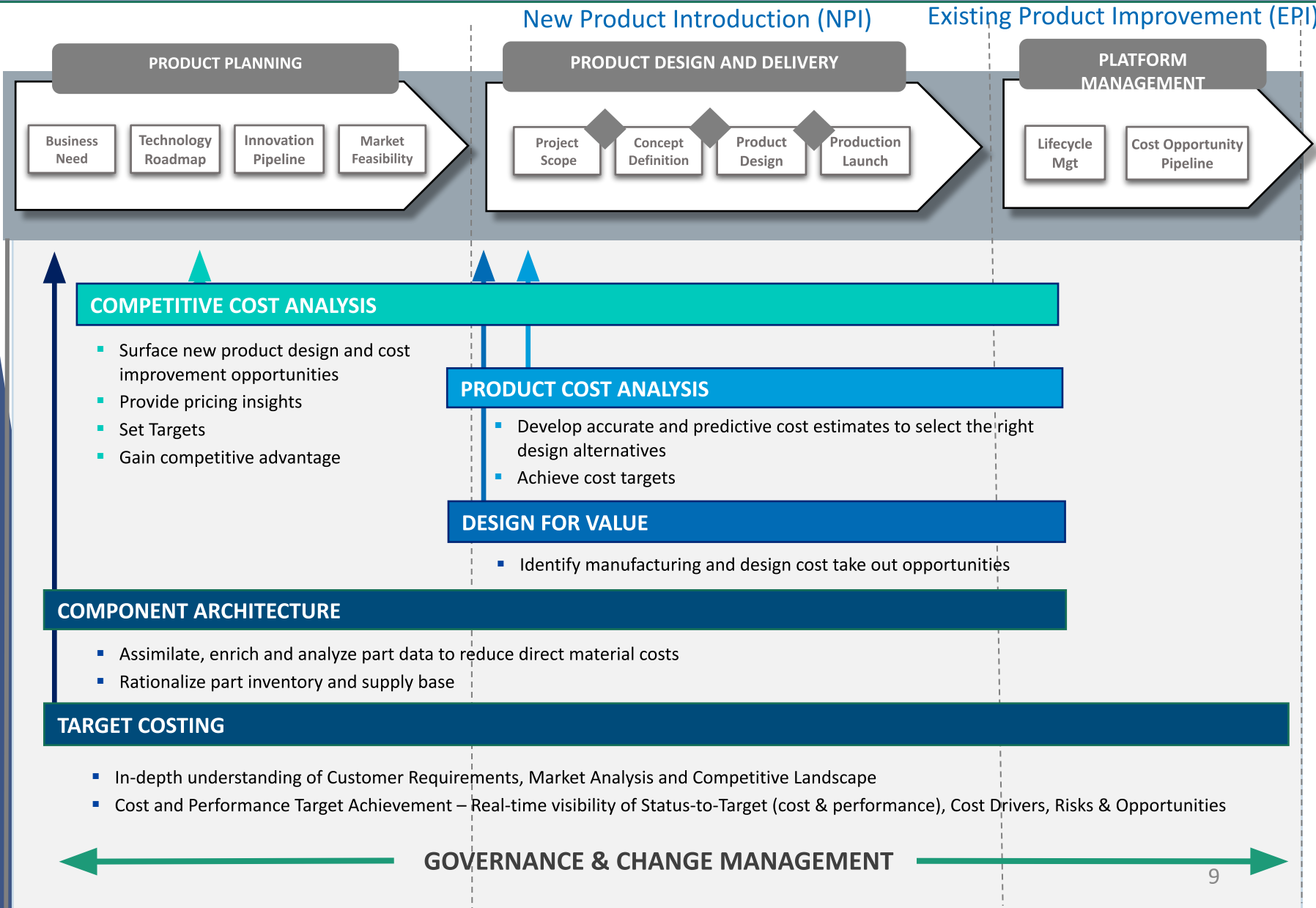
Supporting Operating Model

<p>Governance & Change Management</p>

Financial results can be realized in less than 12 months from any of these Capabilities through targeted application

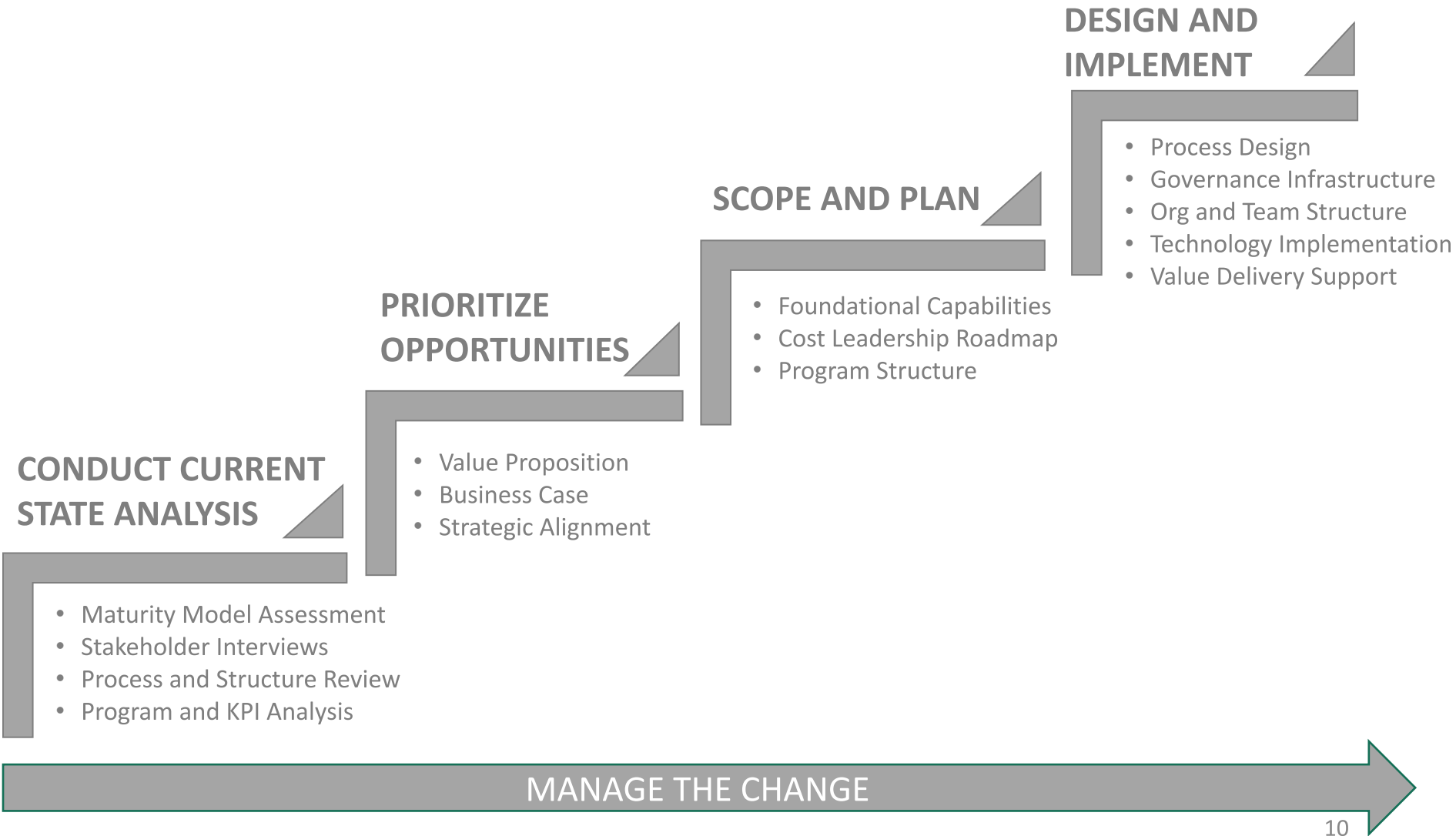
Lifecycle Aligned Delivery

PORTFOLIO STRATEGY



Approach

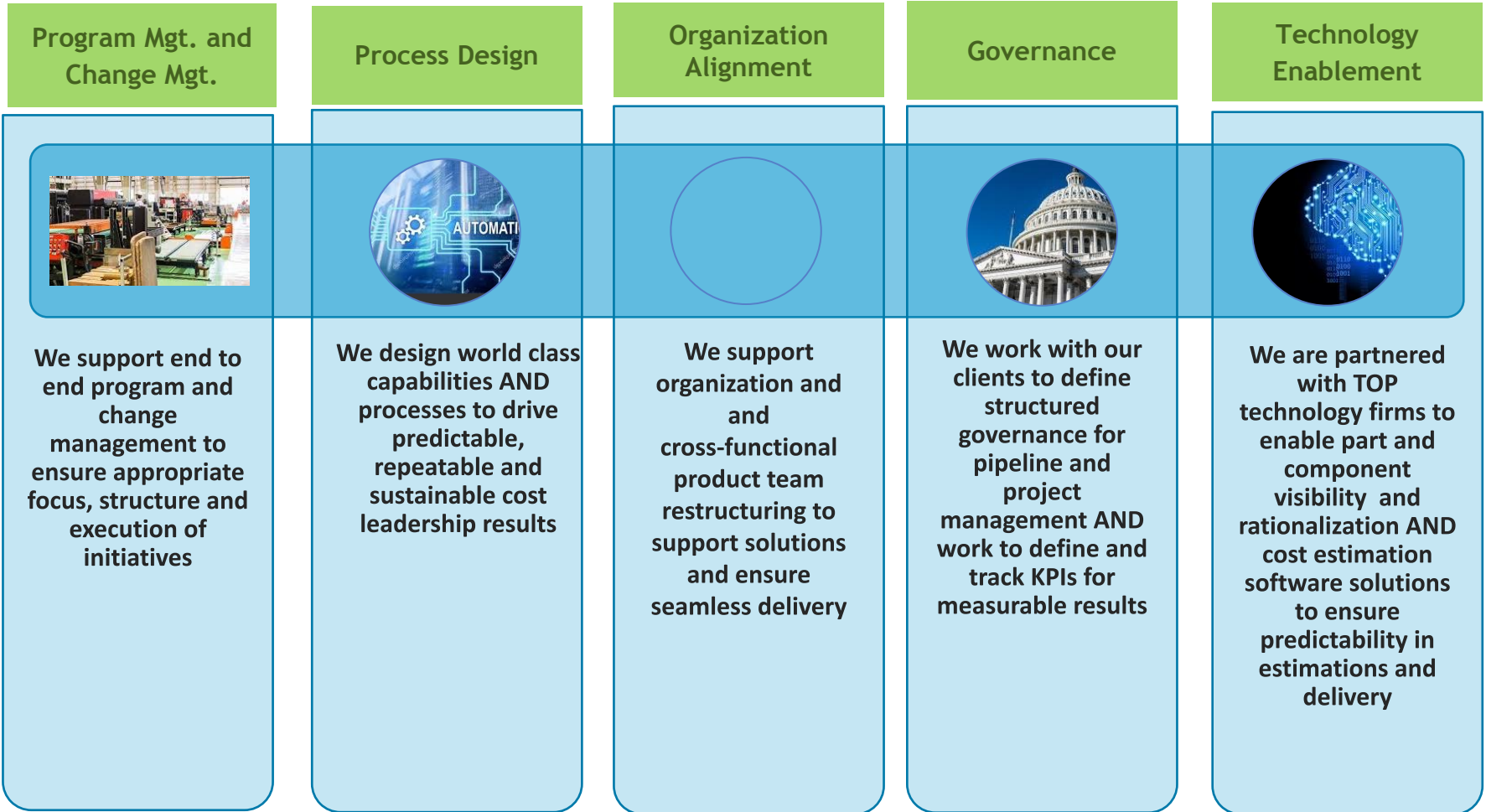
Customized to Meet Your Needs....



Making Product Cost Leadership

We employ a holistic solution to ensure that your PCL Capabilities are effective and sustainable

OPERATING MODEL – DESIGN AND IMPLEMENT



Why PCL Associates?

- CLIENT FOCUSED
- Best-in-class knowledge and applied, practical expertise in product cost leadership
- Proven results through global design and implementation; value driven solutions
- Certified expertise in Process Re-Engineering, Design for Value / Value Engineering, Target Costing,
- Significant cross-industry AND cross-functional expertise
- Niche firm, focused on product cost leadership
- High caliber, Senior level talent with executive level engineering experience and expertise
- Focused on sustainable results - proven track record with F500 clients over the past, combined **60 +** years
- WE DELIVER RESULTS

Select Client List

DRESSER-RAND.

Bringing energy and the environment into harmony.®



SVPWORLDWIDE

Partner – Ed

ANDERSON
Edward A. Anderson

Principal Consultant with 35+ years of combined experience in Product Design, Sourcing, Project Management, and Construction Management. Key areas of expertise include Cost Leadership, Product Delivery, Program and Change Management, Process Re-engineering and Organization Design, Global Teaming

Education/Certifications

- Bachelor's of Science in Engineering, BSCE, Marquette University
- Certified Professional Engineer
- Member of American Society of Civil Engineering

Industry Experience

- Consumer Goods
- Manufacturing
- Construction

Previous Employment

- GE Appliances
- Haier America
- Building Consultants, Inc.
- Whirlpool Corporation
- Biagi & Associates Consulting

Representative examples of engagements:

- **Global Restructure (Consumer Goods/Engineering & Sourcing)** - Made a part consolidation & price/supplier alignment proposal to a new global appliance company that was approved and resourced. Led the global team that successfully implemented this proposal which has resulted in significant material cost productivity.
- **Product Design and Delivery (Consumer Goods/Engineering)** – Provided consulting support to a global sewing machine company by helping them to develop and implement an effective cost leadership strategy. Worked with teams in the USA, Vietnam, China, and Brazil.
- **Org Effectiveness and Change Management Initiative (Consumer Goods/Engineering)** – Provided engineering leadership for a major global appliance company in the creation & implementation of a global product cost leadership strategy that built new capability around target cost management, should cost analysis, competitive cost analysis, and value engineering.
- **Product Design and Delivery (Consumer Goods)** – Managed a 300 person refrigeration engineering team for a major global appliance company through a successful merger integration process. Built engineering capability that ultimately led to a leadership position in the marketplace
- **Global Restructure (Consumer Goods)** – Led the creation of a new 150 person global refrigeration sourcing team for a major global appliance company. Created joint engineering & sourcing teams organized around product subsystems. Drove new organizational alignment and supply base leverage through benchmarking & supplier partnership that resulted in significant new global productivity savings.
- **Project Management (Consumer Goods/Manufacturing)** – Project Manager for a 15 person global engineering team that successfully transferred new leading edge energy saving manufacturing technology from Europe to North America.
- **Project Management & Engineering (Construction Industry)** – Served as a consulting engineer for an engineering design firm. Provided civil engineering expertise in the areas of structural design and site utility design.

Partner – Keith

Hallin
Keith C. Hallin



Principal Consultant with 35+ Years of combined experience in Product Development, Engineering, Finance and Procurement in the Aerospace, Consumer Goods and Oil and Gas Industries. Key areas of expertise include: Program/Project Management best practices, International Collaborative Ventures, Product/Organizational strategies and the application/implementation of Advanced Cost Management Processes

Education/Awards

- BA Economics – Operations Systems Analysis, University of Washington
- Industry Chair/Board of Directors – Consortium for Advanced Management International (CAM-I)
- Robert A. Bonsack Award for Distinguished Contribution in Advanced Cost Management

Industry Experience

- Aerospace
- Consumer Goods
- Oil & Gas

Previous Employment

- Resilience 2020 Inc. – (Vice Chairman)
- Baunoch & Associates
- Dresser-Rand
- Whirlpool
- The Boeing Company

Representative examples of engagements:

- **Program/Project Management (Oil & Gas/Engineering R&D)** - PMO Director, responsible for the creation and direction of the Global R&D Program Management Office, including new global processes for Baseline Management/Project Change Control, Risk Management, Target Costing, Design Reviews, Release-to-Quote, Value Engineering/Analysis and Standard Deck of program performance metrics . Increased project cost performance 5.1%, Schedule performance 24.4 % and Forecast accuracy 60.5% in first 6 months
- **Advanced Cost Management Implementation** - Operational Accountability for \$12 M, 76 person multi-national Product Cost Leadership Org.. Established offices and deployment capability in support of regional Mega-Product Dev projects Globally. Resulting in \$16.7 M in annualized cost savings to existing contracts, with projected global production cost savings in excess of \$700M
- **Product Design and Delivery (Aerospace- Department of Defense)** –Drove the development, implementation and management of Target Costing and Lean Enterprise implementation advanced practices on two multi-billion dollar Department of Defense Programs. Reduction of acquisition contract for Development/demonstration phase of \$196 M with Life Cycle Program Cost reductions of \$1.625 Billion.
- **Financial Analysis/Program Viability (Commercial Aerospace/Finance)** - Led the Estimating and Financial Analysis for all Boeing Commercial Airplane New Product Introductions. First four programs achieved developmental cost savings of 29-40% from initial estimates. Developed Decision Analysis methodology to prioritize all Engineering and Advanced Manufacturing R&D Projects worth over \$650 M.
- **Product Cost Leadership (Commercial Aerospace/Engineering/Finance)** – Working with Tier 1 & 2 suppliers, developed a new supplier relationship working model and set of integrated operational processes achieving savings of 24% in Development and Production costs.
- **Business Process Redesign (Aerospace/ Product Development)** – Recognized by the Engineering and Program Management Councils as the Boeing Subject Matter Expert in Target Costing. Routinely reviewed major programs across the corporation for application of Program management best practices including Risk and Requirements Mgt, Baseline Mgt and Performance Measures. International Program audit for 777 Japan Team.

Summary and Next Steps

- We are experts in delivering innovative Product Cost Leadership (PCL) solutions.
- PCL will Help You **Achieve Cost Advantage** and **Deliver Unparalleled Customer Value**.
- We are committed to and measured by our Clients' Success.
- You do not need to do it all at once. Select the PCL area(s) that will drive the greatest benefit today.

How Can We Help Your Company?

Contact our team and set a time to discuss opportunities to address your most critical needs

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Keith Hallin (253) 243 - 4488 khallin@pcl-associates.com