

Money and/or \$\$\$

**Issue**

A sensor assembly has a net negative material and labor variance over an equivalent product of \$86/unit. The line COPQ drives this loss to nearly \$100/unit. These losses, at current line ship rate of 1200/week, result in \$500,000 lost profit per year.

**Breakthrough Strategy**

<b>Measure</b>	Significant cost drivers for the line were documented. The amount of field returns were investigated as an indicator of customer satisfaction.
<b>Analyze</b>	A cost analysis for the product was completed and studied. Sales order data for this product was utilized to cross correlate with overall sensor sales to determine any leverage. A matrix plot showed the only sales leverage can be found in a different product.
<b>Improve</b>	Complete throughput costing analysis was completed to assure that the losses in manufacturing were not compensated for by profitability in sales. The configuration for the sensor line was evaluated to have approximately \$30 profit at sale. A recommendation was made to senior management to retire the product.
<b>Control</b>	A focus on Champion involvement is necessary. The prevention of "end runs" and the attempts to propagate misinformation is also critical.
<b>Results</b>	Retiring a product line that was causing a net loss in sales will save overall profit for the company. The recommended action had yet to be taken, but senior management was reviewing.
<b>Savings</b>	\$500,000 in profit before tax. This represents the loss in sales due to returns and defects.