Taking the cost out of custom product configuration and pricing

Many industrial manufacturers pride themselves on their ability to create product to meet just about any customer need. In some markets custom product capability is simply required to compete and retain customers. However, custom products often come with baggage that cataloged products do not. One of the most significant issues is that each new custom product must be configured and priced.   To perform the configuration and pricing for these custom orders, many manufacturers employ a small army of engineers.

What many organizations fail to recognize is that typically 50%-80% of their non-catalog orders are not truly custom. Although they might be longer, slower or smaller; they are simply variants on cataloged products. In these situations, the role of the engineer can be automated.

Automating configuration and pricing requires three core elements:

1) *Configuration and pricing software* - The software required depends to a large extent on product complexity.   Determining whether parts can connect to each other requires only simple configuration/pricing software; while changing part sizes, materials or performance characteristics may require more complex software.
2) *Product rules development and management practices* - It seems obvious that configuration and pricing rules must be created and loaded into the software before it can be used. What is not so obvious is that developing and managing these rules can be quite complex. Most companies without automated configuration and pricing software do not have experience setting rules for products that have not yet been created.   New practices must be put in place.
3) *Business process changes* - The software loaded with product rules must be incorporated into how customers and employees work with quotations, orders, invoicing and other processes. Business processes must change.

One of the best aspects of configuration and pricing automation is that quantifying the benefits is relatively easy compared to other software implementations. Configuration and pricing automation typically has very clear implications for engineer redeployment, consistency improvements and error reductions.   At Schwartz Consulting, we helped a manufacturer eliminate $3MM annually in configuration and pricing costs in addition to improving the accuracy of configurations which led to a significant sales lift, an increase in sales per rep and decrease in scrap.

Now is the time to take action. Industrial manufacturers cannot afford to configure and price modifications to cataloged products manually.   Schwartz Consulting has helped many clients solve these challenges.   Please feel free to contact us if you would like to discuss how we can help your organization improve.

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