



# Costimator®

## CASE STUDY

### IBM

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#### The Client

IBM, with 2013 revenues exceeding 99 billion, is the largest technology and consulting employer in the world with more than 400,000 employees serving clients in 170 countries. The company offers a wide range of technology and consulting services; a broad portfolio of middleware for collaboration, predictive analytics, software development and systems management. IBM also manufactures and markets the world's most advanced servers and supercomputers.



#### The Problem

IBM was in the midst of a massive, ongoing transformation of its supply chain, which included product design, component sourcing, and manufacturing. As a key component of that effort, IBM determined that it needed a way for their procurement organization implement uniform and predictable costing strategies as a means of comparing manufacturing costs on a global basis. The estimating team determined that in order to accomplish this task, they needed to replace their homegrown Procurement Item Cost Estimating Software (PICES), developed in the 80's with one that could be supported by a 3rd party software developer. After an extensive search of cost estimating solutions, IBM selected the Costimator product cost management software because it was customizable, included industry validated manufacturing data and best fit their overall needs and requirements.



#### The Solution

After receiving a "should cost" estimate from Costimator, IBM purchasing agents are able to use the information to set realistic target prices for formulating and sending out RFQs to their suppliers. The end result is a more efficient and cost-effective RFQ process and ultimately, lower purchase part costs. Kagan adds that the estimates from Costimator give their purchasing team cost benchmarks to help negotiate with our suppliers. Plus, we can compare whether it's better to go with multiple suppliers or to consolidate vertically with one supplier. We can also evaluate functional or design differences to determine whether one design might be better than another. "Costimator has become an integral part of IBM's procurement process due to its customizable functions and features. It has enabled the company to: Establish target or "should cost", Facilitate procurement organization, Provide support in supplier negotiations, Through quantifiable, documented explanations of estimates, Identify Cost Reduction Opportunities/Savings/Avoidance, Development Engineering - design/function opportunities, Procurement - acquisition opportunities, Provide "what if" cost estimates, and much more. John Kagan, PC Cost Management, Manager, IBM estimated that in the first year and a half of using Costimator, IBM has saved "tens of millions of dollars".



## MTI SYSTEMS

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