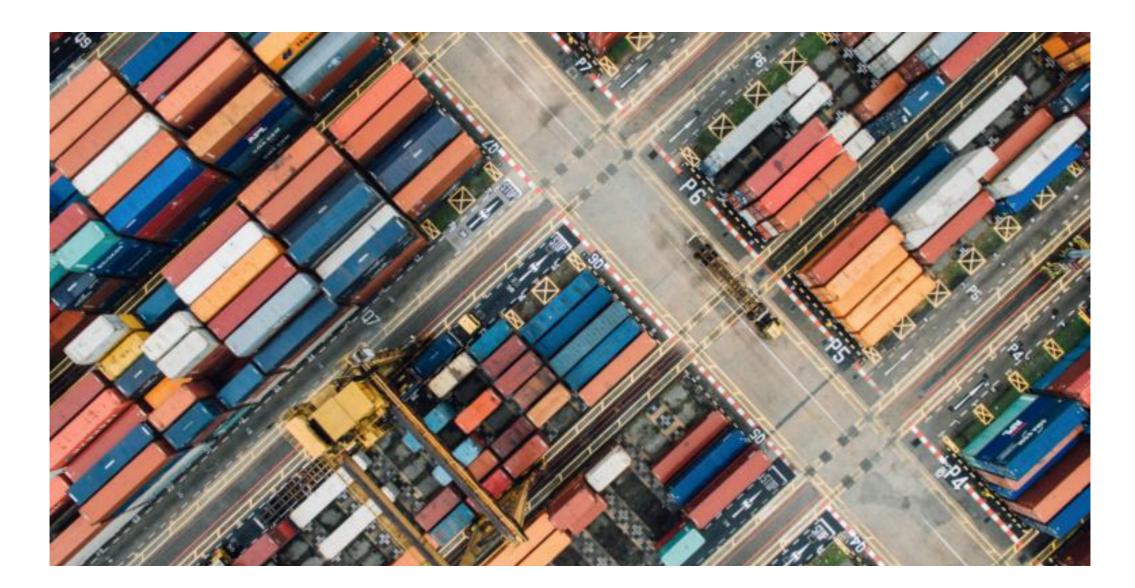# Should Cost Estimating in the Supply Chain

Value Engineering identifies targets for potential cost reductions. Generally, the major operating expense of contractors in the Aerospace and Defense market is the procurement of materials, products and services. The Supply Chain organization is a logical choice to own and drive Value Engineering initiatives in the organization.

The Challenge

The Supply Chain management of a major Aerospace and Defense contractor was directed to implement Value Engineering for all the Supply Chain organizations across multiple business sectors in the company. The company staffed a corporate Value Engineering Center of Excellence. The contractor had the internal engineering and contract resources, but the client needed to develop the capability to generate defendable Should Cost estimates.

Our Solution

The contractor's engineering team chose Galorath Engineering Services to train internal resources to use SEER-H and SEER-MFG to generate estimates. The team chose to outsource should cost estimating to Galorath Engineering Services while developing internal estimating capabilities.

The Result

Outsourcing the estimating produced significant savings over a 3-year period of performance.

Should Cost Performance	Year 1	Year 2	Year 3
Client Total Cost (SW, Training & Services)	$355,680	$390,602	$348,144
Total P.O. Value of Hardware, Estimated	$44,785,898	$107,616,037	$226,264,637
Net Savings with (SW, Training & Service Cost)	$2,725,901	$8,722,089	$7,967,283
Savings is based on a 50% success rate (half of the estimates saved at least 10% of the vendor's proposed cost)			

Outsourcing was self-funding. The savings in the first quarter of year 1 paid for the expenses in that quarter. The cost model was the deliverable for each estimate. Outsourcing produced a library and source of real world estimates for the client's current and new internal estimators.

If you're poised to redefine your industry standards and elevate your organization's potential, the journey begins with SEER. Visit galorath.com to request a complimentary cost analysis assessment.