

# CASE STUDY

## 'Cost management in plastics processing'

### The task

Plastics processing companies have focused on cost reduction as a method of remaining viable but they have focused on the wrong elements. Unfocused cost reduction is possible in the short term but it is ultimately fatal in the long term. True cost management takes a broader view than the traditional 'reduce labour costs' view of cost reduction - it involves looking at all the elements that contribute to costs in the company and reducing all these elements.

The result is a company structure and management that is both efficient in the use of resources and also 'works smarter' in all ways.

### What we did

Tangram took a fresh view of cost management in plastics processing to find the basis for the real costs in the traditional plastics processing business. Too many businesses in the UK blame the migration of profitable work to other countries on 'lower labour costs'. This is a simplistic argument and is also wrong.

Most of the costs in plastics processing are not due to simple labour costs (and reducing these will have little or no effect on profitability but can affect the viability of the company) - the real costs are hidden in the overheads and ineffective practices that many businesses accept as normal.

It doesn't have to be this way.

Changing to new methods is difficult but is essential for survival.

Tangram produced a book (Cost Management in Plastic Processing: targets, techniques and tools - *Second Edition*. PID Books – 2007, ISBN 978-1-906479-00-8) detailing all of the changes required and giving clear step-by-step instructions for implementation.

Plastics companies throughout the UK are using the book as a template for revitalising their business.

### The benefits

- A clear understanding of the elements making up the cost of plastics products.
- A fresh look at the process of cost management. This is not to be confused with the more common, less rewarding task and often ultimately fatal task of cost reduction.
- Provides clear models, guidelines, checklist and structures for achieving real and permanent control of cost in plastics processing.
- Presented in easily copied A3 format for each topic - for easy distribution and use throughout the company.

### More details?

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