

infrastructure

Because many desktop applications can incur a great deal of administrative costs and are often difficult to maintain in a global environment, the iCost system was developed as a web-based system and currently support more than 2000 users worldwide. For the platform, the Intel-based ProLiant 6500 servers were chosen, running at 450MHz with 2Gb RAM and 1Tb disk space. Additionally, an Oracle database was chosen to support the application, and Microsoft IIS was selected for the web servers.

"We chose ProLiant servers because we had a massive amount of data and many transactions to be handled in a short period of time," said Harry Jones, Principal of ADC. "The ProLiant platform had the reliability, scalability, and adaptability suited for our needs, which contributed to a system platform result that people initially said we could not reach."

Tim Wojtkowski, the IT Manager who owns the iCost system responsibilities, said the ProLiant 6500 server was selected because "the ProLiant 6500 server is more flexible in managing data and identifying what needs to be done as the data changes. The servers also run great volume on the six-way servers with 450MHz, 2GB RAM, and 1TB (soon to be upgraded to 2TB) of drive space, he added. "There are batch processes that run multiple times a day on the ProLiant 6500, keeping over 10 million cost records up to date."

the proven success of iCost

Summary of iCost Benefits

- Global decision support tool for cost optimization of the entire enterprise
- Enhanced visibility and control of enterprise costing data including customers, OEM's, partners, and suppliers to all affected global business units
- Faster time to market by bridging gap between sales, finance, procurement, and engineering
- Granular real-time product costing that drives revenues and lowers product cost by providing a global view of materials, LOH, logistics, warranty, royalties, etc.
- Increased accuracy of supply chain "wide" costs
- Extensive "What if" modeling and impact analysis capabilities
- Improved product profitability
- Improved customer service levels

the success of iCost at HP

Thanks to iCost, HP realized a return on investment of 500 percent with an estimated \$35 Million in annual savings.

Key drivers contributing to both the realized ROI and annual savings include:

- Consolidation and replacement of nine costing systems into one system has led to savings in both system administration and maintenance costs.
- The creation of buying synergies among manufacturing sites resulted in HP saving millions of dollars annually, in "best cost" purchases and configuration of saleable SKUs.
- Improved bid/no-bid ratio, resulting from accurate and timeline costing information, allowed HP to dramatically cut losses due to unprofitable sales.
- Enterprise-wide visibility to total product cost data enabled HP to begin managing products and costs from fewer key locations and to reallocate resources to save on the overhead previously incurred with managing global costs and contracts.

the partnership

Since its deployment, both HP and ADC have recognized the value of a cost system such as iCost and have formed the joint venture i4Cast to take the software to market as a commercial product.

"The entire system and response time have exceeded our expectations," said Pete Ginouves, the original project sponsor for the iCost project, "Once the system was developed and was so successful, other companies showed an interest. We figured 'Hey, it's marketable - let's sell it'."

i4Cast is focused on providing leading edge product costing, financial modeling, e-procurement, and collaboration tools for the supply chain. i4Cast now offers three products: iCost, xCost, and CCS, and continues to develop software applications in conjunction with customer requirements.

the future of iCost

The i4Cast "best of breed" collaborative costing, e-procurement, and financial modeling solutions will allow customers to reduce cost through real time product and vendor costing and supply chain product management, thereby maximizing existing ERP infrastructure to deliver measurable and sustainable ROI.

All those who have witnessed the success of iCost at HP are certain of its bright future as a commercial product. Ginouves believes iCost is one of a kind, saying, "Nobody, but nobody has a faster, easier cost system than iCost... Nobody."

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alliance data
corporation and hp
present: iCost



i n v e n t



“Nobody, has a faster, easier cost system than iCost.”



teamwork

keeps the project going



“The iCost system is the product of a joint application design effort and partnership between Alliance Data Corporation (ADC) and pre-merger Compaq (the new HP). Upon identifying a need for a forecast costing system that integrates with several established systems within HP, including an Activity-based Costing system and an Enterprise Resource Planning system, HP and ADC worked together to collect requirements from the appropriate business groups and to design the system that is now iCost.”

executive summary

iCost is a Product Cost Forecasting and Financial Modeling system that allows HP internal business groups, as well as HP alliance partners, to enter forecast costs for base-level manufactured parts. The system features detailed views of the material cost, labor and overhead, royalty, warranty, rebates, and any other applicable costs associated with the total cost of manufacturing a specific part. The system also sets current standards and calculates transfer price for specific parts and organizational levels.

iCost also gives HP a view into the real time, line-item details that make up total product cost and therefore, provides HP the ability to accurately cost new products and negotiate new part contracts for the lowest cost possible. As a result, iCost has yielded a 500 percent return on investment for HP.

Currently, iCost is used by the finance, quote review, procurement, engineering, marketing, product pricing, and sales teams of HP, as well as by their external alliance vendors. The ability of all these groups to share the latest costing and assembly information gives HP a more efficient and successful supply chain integration, thereby reducing purchasing costs and expediting the time to market of new products.

The success of iCost at HP has led to the inception of the joint venture i4Cast, between HP and ADC, where the two companies have joined forces to enhance the iCost application and offer it as a commercial software product.

the challenge

HP recognized the need for a product cost forecasting system as disconnects among both corporate systems and various business units were identified. HP needed a system that could integrate into existing ERP systems, would consist of multiple instances of SAP, and could provide visibility of detailed costing data to all necessary business units.

HP also needed an enterprise decision support tool to house all aspects and factors of total product costing data and to allow for worldwide access at multiple organizational levels, such as plant, region, and sales distribution locations. To meet the needs of HP, this application had to provide open data sourcing and supply chain-wide costs, as well as facilitate the maximization of alliance relationships.

Previously, HP sacrificed valuable time and resources in a highly competitive marketplace due to inaccurate and disparate costing information. In many instances, HP had inaccurate and/or outdated cost data to use for pricing decisions. Additionally, HP was unable to take full advantage of alliance vendors’ best costs across the entire company. As a result, in some cases, the HP sales force was losing bids and submitting bids that were ultimately proven unprofitable and sometimes resulted in a financial loss to the company.

According to Linda Bankerd from HP Corporate Cost Finance, “Before iCost was available, developing forward and standard costs was manual, difficult, involved a lot of guess work, and was extremely time-intensive. There were many days we worked until well after midnight.”

the decision

HP evaluated several existing and established systems, but found that none met all of their requirements for a new system. HP determined that a new system would have to be custom built to meet both functional requirements and time constraints.

After considering proposals from some of the larger, Tier 1 consulting firms, HP determined that budget and time constraints could not be met by such entities. An established Houston area software development firm, Alliance Data Corporation, was asked to submit a proposal for the project.

ADC impressed HP with their technical expertise, their understanding of the project as demonstrated through a system prototype, their appreciation for the limited time frame for system development, and for their ability to develop the system at almost one third the cost of the larger consulting firms.

ADC also presented HP with an impressive list of exceptional reference accounts. “ADC had outstanding internal and external references,” said Pete Ginouves, the original project sponsor of the iCost project, who is currently the Director of Finance for HP Global Services. Ultimately, HP determined that ADC provided the most value for their consulting and development dollars, and ADC was selected to take on the project. HP and ADC began work immediately with only one year to design, develop, test, and deploy the system, as well as train the users.

the result

After several months of working out the finer points, heads-down development, and relentless system and end-user testing, the iCost system was deployed to the HP production environment.

iCost is a web-based product costing application that integrates current and forecasted engineering, manufacturing, and supplier cost information to drive lower costs and more rapid product pricing and design decisions. The system provides real time updates for all shippable and configurable product modules, visible over the web. iCost also provides the functionality to model and analyze the cost impact of product configuration changes to system-level costs.

functionality

The primary purpose of the iCost system is to accurately forecast the standard cost of base level parts based on site, labor and overhead, and contracted material cost associated with the part while rolling those costs upward to all part assemblies, and ultimately, to all saleable SKUs. Additionally, the system allows HP product and pricing managers to conduct cost modeling for individual and assembly parts. As a result, HP users are able to adjust any of a part’s line-item costs and see how those adjustments affect the total forecast cost of the part as well as any top-level assemblies that involve the part. The system is designed to run complex calculations and preferencing logic, accounting for all data feeds, user updates, and triggered events so users have access to real time part costs and details.

system interaction

To conduct the necessary costing calculations and allow for cost modeling, the iCost system interfaces with a number of external systems operating within the HP environment. Among these systems are OROS (the Activity-based Costing system), SAP (the Enterprise Resource Planning system of HP), xCost (the iCost add-on for vendor bid quoting), and CCS (the iCost add-on for manual entry of contract and forecast costs). Likewise, the iCost system passes data back to the same systems any time changes are made and when standard costs are set.

In short, the iCost system was developed to provide:

- Total cost visibility
- Advanced cost modeling
- Cost impact analysis
- Real time costing data
- Forward costing to 18 periods
- Cost management throughout the product lifecycle
- Transfer price calculations
- Current standard costs