

## **Evaluating Overall Cost**

SMC is well known for our attention to detail and “value add” beyond simply providing plastic components. One of our major customers, a Medical Device OEM, found SMC to have the best “overall cost” in the industry using their current supply chain as a sampling. They used a formula to calculate a factor that would then be applied to an estimated unit price based on the following criteria.

Internal Cost of:

1. Quality
2. Returns
3. Scrap
4. Expedites for late deliveries
5. Assembly line interruption
6. Rework
7. Product recall
8. Lost time on the market to competitors

A score of 1 would be considered a perfect score meaning that your unit price would not be adjusted for comparison purposes. A score of 2 would mean that your unit price would be doubled when compared to your competitors. The range of the customers' previous suppliers ranged from scores of 1.25 to 2.35. After having done a thorough evaluation, SMC was awarded a score of 1.17 which was the lowest that had been awarded to any supplier. After applying these factors to the quoted pricing, and assessing the overall cost, SMC was awarded a substantial program that is still manufactured here today.

Though many companies do this exercise intuitively, this is an example of one customer using a method which proved awarding SMC to be the best decision for their program.