A Proven Method for Achieving Operating Cost Leadership

What is Cost Cutter?

A simple, but profoundly effective method to dramatically reduce operating cost in 90 days.

- <u>Proven Approach</u> - Cost Cutter is based on Cost of Quality (COQ), the world's most effective cost reduction methodology, developed by internationally acclaimed Armand V. Fiegenbaum, the originator of TQM.
- <u>Rapid Results</u> - Avanulo has taken the rock-solid principles of COQ and interwoven them with employee engagement and the Avanulo Way$^©$ to create a highly effective process that reduces cost by 5-7% in 90 days or less, with the people and processes already in place
- <u>Lasting Results</u> – Once in place, Cost Cutter stays in place, and enables organizations to sustainably achieve Operating Cost Leadership (a COQ of 8-10%) in 12-24 months.

What are the Governing Concepts?

1) The Cost of Quality (COQ) equals the actual cost, minus the cost, if nothing went wrong, and nothing were sub-optimized.
2) Most companies have a COQ of 25-40% of revenue. Operating at 8-10% of revenue is possible.
3) Managing Cost is always hands-on, sometimes creative, but almost always tedious and detail oriented.
4) To achieve Operating Cost Leadership (a COQ of 8-10% of revenue), engage all employees who spend or consume.
5) Establish a deeply penetrating, process-centered Chart of Accounts, and make those who spend or consume accountable to realize the actual budgetary impact at the decision point, thereby enabling them to meet or exceed cost goals.
6) The Avanulo Way$^©$ provides a time savings that enables leaders to direct this process without losing focus in other areas.
7) Following this approach will sustainably reduce cost by at least 5-7% in 90 days and ultimately result in a COQ of 8-10%.

How does Avanulo provide support?

- After learning enough about your situation to recommend a path forward, Avanulo will submit a proposal with at least three options.
- Avanulo can teach your people how to implement our processes, we can work along-side your team to achieve the intended results, or we can serve in an interim position reporting directly to your designee.   No matter what delivery approach you select, your organization will be fully able to achieve and sustain your goals using our proven methods.

How does an organization get started?

- Schedule an initial meeting (60-120 minutes) with an Avanulo Partner. At this meeting, the Avanulo Partner will learn about your needs, gaps, and goals, and will begin to understand your culture and your challenges.
- Provide the Avanulo Partner some basic information at the meeting (you can provide all of this verbally).
    - o What you hope to achieve by implementing Cost Cutter.
    - o Your annual budget (goal and actual for this year YTD and the last three years).
    - o Your throughput history for this year YTD and the last three years (if you have a month by month view, of this, that would be best).
    - o The organization's current challenges.
    - o A history of any cost reduction or continuous improvement programs implemented or attempted in the last three years.
- Within 72 hours of our initial meeting with you, we will submit a proposal and be ready to go once agreement is reached.