



**Australian Government**

# **MSS405030 Optimise cost of a product or service**

**Release: 1**

# MSS405030 Optimise cost of a product or service

## Modification History

Release 1. Supersedes and is equivalent to MSS405030A Optimise cost of a product or service

## Application

This unit of competency covers the skills and knowledge required to examine the costs of a product or service and determine methods of reducing costs. This unit applies to an individual who is required to undertake a detailed study of a product or service's costs, including analysing it by its cost components to determining the best method of lowering the cost overall. This unit differs from *MSS405031 Undertake value analysis of a product or process costs in terms of customer requirements*, in that it looks at all costs, including overheads and takes a wider and more traditional approach to the cost of the product. Information and cost reduction strategies gained from the application of this unit may support other cost approaches in the enterprise, including value stream costing.

This unit primarily requires the application of skills associated with communication in gathering, analysing and applying information. Problem solving, initiative and enterprise, and planning and organising are required to calculate cost components and determine cost optimisation strategies. This unit also requires aspects of self-management and learning to ensure feedback and new learning is integrated into costing methods.

No licensing, legislative or certification requirements apply to this unit at the time of publication.

## Pre-requisite Unit

Nil

## Competency Field

Competitive systems and practices

## Unit Sector

Not applicable

## Elements and Performance Criteria

Elements describe the essential outcomes.

Performance criteria describe the performance needed to demonstrate achievement of the element.

1 **Analyse total cost** 1.1 Identify all cost components of product or service.

- |   |     |   |
|---|-----|---|
| <b>components of a product or service</b> | 1.2 | Allocate cost components to major categories, such as overhead, depreciation, energy, consumables and labour.           |
|   | 1.3 | Distinguish between costs which directly deliver customer features/benefits and muda (waste).                           |
| <b>2 Optimise costs</b>                   | 2.1 | Analyse causes of costs which lead to customer features/benefit.  |
|   | 2.2 | Determine methods of increasing the customer benefit/cost ratio.  |
|   | 2.3 | Analyse causes of muda costs.   |
|   | 2.4 | Determine methods of reducing/eliminating muda costs.   |
|   | 2.5 | Analyse interactions between cost components.   |
|   | 2.6 | Check that one method of reducing costs does not cause an increase in another cost/reduction in consumer benefit.       |
|   | 2.7 | Check that cost reduction plans do not reduce required levels of regulatory compliance or work health and safety (WHS). |
| <b>3 Implement cost optimisation</b>      | 3.1 | Develop cost optimisation plans.  |
|   | 3.2 | Negotiate with relevant people to agree on implementation plans.  |
|   | 3.3 | Take actions to implement the cost optimisation.  |
|   | 3.4 | Monitor the implementation of the cost optimisation.  |
|   | 3.5 | Make adjustments to the plan, as required.  |

## Foundation Skills

This section describes those required skills (language, literacy and numeracy) that are essential to performance.

Foundation skills essential to performance are explicit in the performance criteria of this unit of competency.

## Range of Conditions

This field allows for different work environments and conditions that may affect performance. Essential operating conditions that may be present (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) are included.

**Competitive systems and practices include one or more of:**

- lean operations
- agile operations
- preventative and predictive maintenance approaches
- statistical process control systems, including six sigma and three sigma
- Just in Time (JIT), kanban and other pull-related operations control systems
- supply, value, and demand chain monitoring and analysis
- 5S
- continuous improvement (kaizen)
- breakthrough improvement (kaizen blitz)
- cause/effect diagrams
- overall equipment effectiveness (OEE)
- takt time
- process mapping
- problem solving
- run charts
- standard procedures
- current reality tree.

**Muda (waste) includes all of:**

- excess production and early production
- delays
- movement and transport
- poor process design
- inventory
- inefficient performance of a process
- making defective items
- activities which do not yield any benefit to the organisation or any benefit to the organisations customers.

**Cost includes all of:**

- the monetary value of expenditures able to be directly identified for supplies, services, direct labour, materials, components, cost of inventory, faults and reworks, rejects/scrap, equipment and other items used in the production of the product
- allocations and estimates for indirect costs (e.g. indirect labour, rent, energy, water and cost of capital) where a direct monetary

value cannot be identified.

- Cost optimisation plans include all of:**
- application scope (e.g. product/s, services, areas, employees and suppliers included in plan)
  - target costs and target cost reductions
  - implementation period
  - method of monitoring
  - method of communicating progress to stakeholders.

## Unit Mapping Information

Release 1. Supersedes and is equivalent to MSS405030A Optimise cost of a product or service

## Links

Companion Volume implementation guides are found in VETNet -

<https://vetnet.gov.au/Pages/TrainingDocs.aspx?q=5b04f318-804f-4dc0-9463-c3fb9a3fe998>