

# Value Analysis

Value Analysis is used to determine and improve the value of a product or process and is used during the design phase, to understand and optimize the value of each component of a product or service.

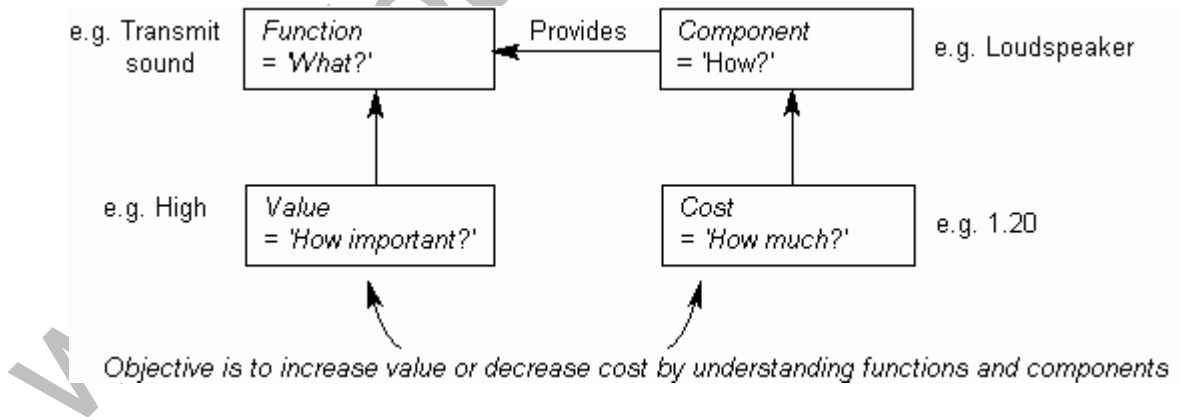
## I. When to use it

- ❖ Use it when analyzing a product or process, to determine the real value of each component.
- ❖ Use it when looking for cost savings, to determine components that may be optimized.
- ❖ Use it only when the item to be analyzed can be broken down into sub-components and realistic costs and values allocated to these.

## II. How to understand it

All commercial activities are performed with the objective of providing value of some kind, where the value is a combination of the benefits gained from the activity and the cost of achieving these benefits.

Value Analysis is an approach to improving the value of an item or process by first understanding the *functions* of the item and their value, then by identifying its constituent components and their associated costs. It then seeks to find improvements to the components by either reducing their cost or increasing the value of their functions.



## **Value Analysis**

### **III. Example**

A product manager at a company that produced nails had received several requests from customers for a nail that could not work loose. Identifying this 'improved nail' as a possible new product line, he decided to do a Value Analysis to help identify costs and values.

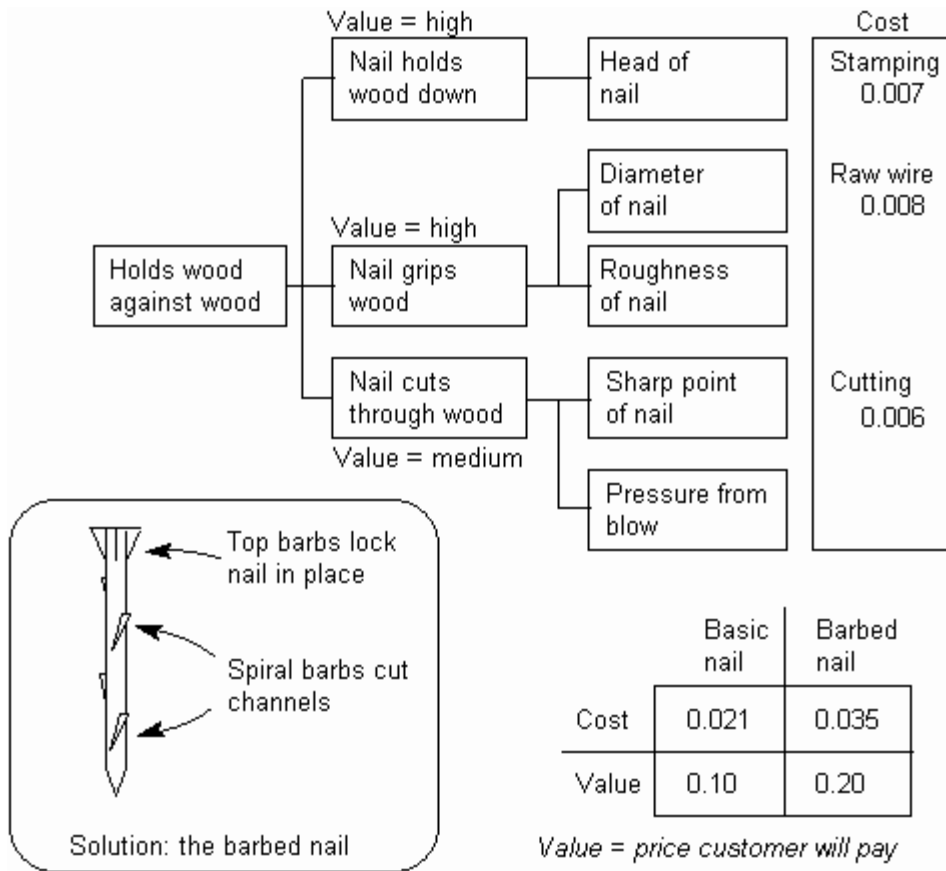
Working with a major customer in the building industry, he first identified the basic function and measure of an ideal nail as holding two 1cm battens together, such that when the battens were twisted, the wood would break before the nails moved.

With an engineering team, this was broken down into secondary functions, which were evaluated and related to components and costs as below. During this process, the concept of how the nail gripped the wood was discussed. They brainstormed alternative ways of gripping wood, and an engineer, who was also an amateur fisherman, came up with the idea of putting barbs on the nails.

The initial prototype was partially successful, but did become a little loose after a period. Spiral barbs helped, and straight barbs on the top of the nail resulted in the nail being locked in place by the final hammer blow.

The solution was produced as a specialist nail, and sold well at twice the price of a normal nail, more than covering the increased production costs.

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