

White Paper

# Component Cost Estimator



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### Component costing and alternate component sourcing saves both time and money

Component Cost Estimator (CCE) is a BoM costing and alternate sourcing application developed for designers, product line managers and procurement professionals.

CCE is web based, easy to use and effective. It provides estimates of market leading, average and “sweet spot” pricing of each matched electronic component submitted for analysis and identifies alternate sources for high probability, drop in replacements for the components specified.

This application is intended to shorten the new product introduction process by providing valuable cost and sourcing information to development teams and management. With it, a clear picture of your new product’s material cost competitiveness is made available. CCE characterizes the pricing of commercial components, not custom ones. Development teams will understand the cost potential of their designs as built by them, as built by an average company as well as by a market leader. At the component level they will know which components are disproportionately priced for their company. Management will see their product costs positioned in marketplace terms and purchasing professionals will have per component price targets for negotiation. No need to waste time on internal debates when market pricing and second source information is at your fingertips.

In order to assess component price points which help you to understand your design’s competitiveness CCE, a licensed product available from Lytica Inc., makes use of our Freebenchmarking.com application which contains the world’s largest independent database on current electronic components. It is a benchmarking service, not a quotation. No suppliers will be calling as a result of using this application. CCE does not collect any of your company’s pricing data; it is a one way exchange of information based on the manufacturing part numbers that you submit, you do not release price or volume information on your product. CCE does monitor match rates as a system quality metric.

CCE helps answer the questions:

1. What might the material cost of my product be if made by my most aggressive competitor?
2. What is the material cost if made by an average company?
3. What should my material cost be?

The CCE estimation process uses the Freebenchmarking.com database as a reference from which statistical estimations are made. For each matched commercial component it estimates the market leading commercial price, the average commercial price and the price your company should be paying for that component based on your company’s demonstrated procurement performance (referred to as competitiveness).

Lytica characterizes a company’s competitiveness by analysing the spending performance against spending based on statistical reference prices in our database. This characterization is expressed as a ranking percentile where higher values represent greater competitiveness. Users of Lytica’s Freebenchmarking.com reports will have access to a competitiveness level which they can use as a setting in the CCE application. Free freebenchmarking.com Silver reports are available through the freebenchmarking.com website.

The competitiveness setting allows the user to estimate company specific “sweet spot” prices and have them reported along with the average and market leading values. The sweet spot price is the price you company should be able to obtain for these components.

## Component Cost Estimator

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There is no need for designers and supply management to argue about suitable component pricing or struggle to identify reliable second sources. This information is quickly accessed in CCE, which performs a real-time analysis of 500 unique components in about 4 minutes and provides 80% or better component match rates. Find out how some of the world's premier companies and your competitors are gaining competitive advantage in new product introduction time and cost. The CCE BoM costing and alternate sourcing application is a must have tool for electronic designers.



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