TARGET COSTING FOR
PRODUCT RE-DESIGNING

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Abstract

Increased competition and increased costs of designing made it important for the firms to identify the right products and the right methods for manufacturing the products. Firms should focus on customers and identify customer demands accurately to design the right products. Several management methods and techniques that are currently available improve one or more functions or processes in an industry and do not take the complete product life cycle into consideration. On the other hand target costing is a method / philosophy that takes financial, manufacturing and customer aspects into consideration during designing phase and helps firms in making product design decisions to increase the profit / value of the company. It uses various techniques to identify customer demands, to decrease costs of manufacturing and finally to achieve strategic goals. Target costing does not replace any technique that is currently in practice for product design. But it forms an integral part of total product design / redesign based on strategic plans. The current report details the process of target costing along with some associated techniques and applies the process to the designing of the Caterpillar’s D10 tractor in the late 70s.