

# Client Reference



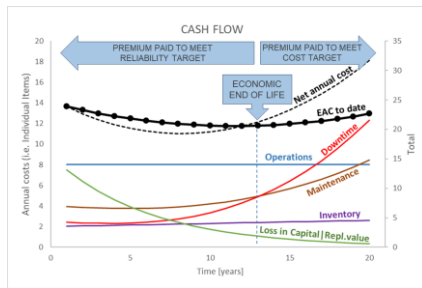
## Manufacturing | Global Beverage Producer Using Lifecycle Costing for Financial Decision-making

### Client Background

Our client is a global producer of beverages. They package various products on various lines all over the world. This specific case speaks to a production facility in Mexico.

### Methodology

Lifecycle Costing was used to determine the most opportune time to replace the equipment.



### Key Challenges

- The client experienced availability problems and maintenance cost overruns on their "Hydro-Jet bottle cleaner" (ie their bottle washing machine). They had refurbished it several times, but it was now not performing in line with expectations.
- They were faced with three options:
  - refurbish it again,
  - run it for another year or
  - replace it.
 As it is a costly piece of machinery, expertise was sought to advise on the most cost-effective decision.



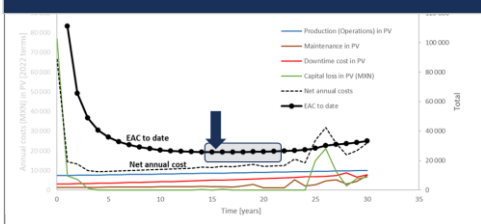
### Value Add

- A definitive answer could be given as to which option was best, while the opportunity cost of doing any other options was quantified.
- It could also be shown that the previous refurbishment was cost-ineffective.
- The optimum replacement period for the equipment could be quantified.
- A model was developed to enable the client to do simple LCC examples by themselves in future.
- The effectiveness of their maintenance could be analysed as to its efficacy.

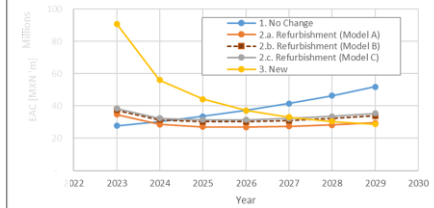
### Pragma Intervention

- Pragma obtained all the relevant financial and performance information as input.
- This was modelled and analysed.
- Feedback was given to the client in terms of the following:

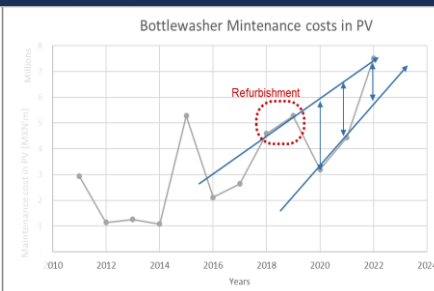
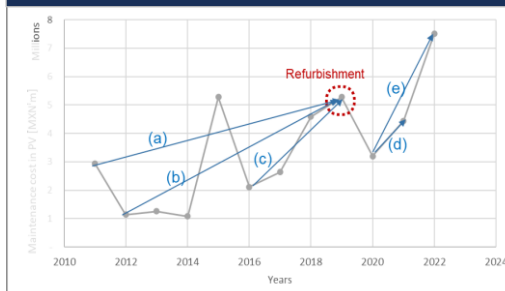
#### a) The most opportune replacement period.



#### b) The EAC of all the possible options, mapped over time, with the NPV for each over six years.



#### c) Why refurbishment was not cost-effective.



### Tools and Technology

- Lifecycle costing and modelling
- MS Excel and PowerPoint