

Lecture No 10

The Economic of a Processor Project

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The project may be broken up into time phases

Phase 1: Development

Phase 2: Early manufacturing

Phase 3: Production

Phase 4: All good things must come to an end

Phase 1: Development

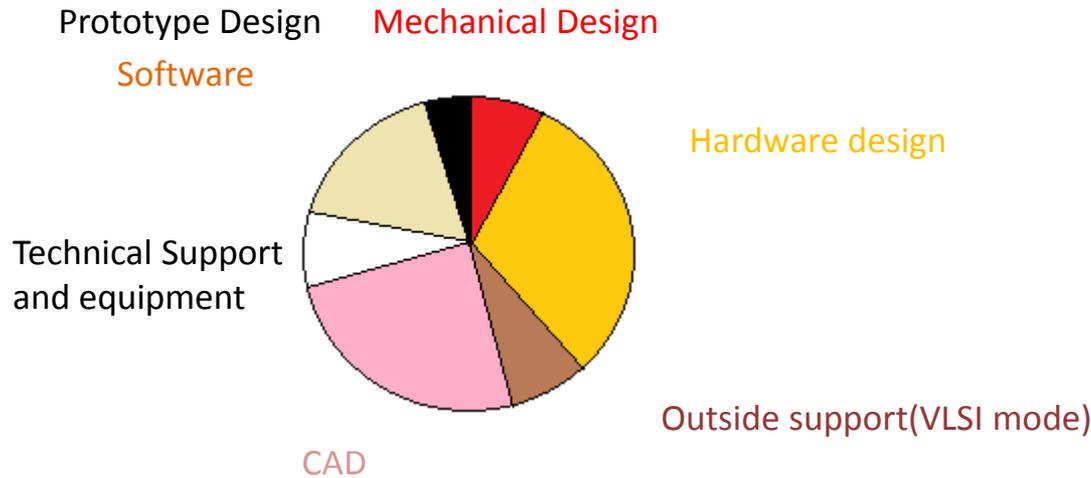


Fig. Initial development cost- total \$18 million



Fig. Phase 1 (Initial Phase) Fixed Cost estimate – total 33 Million

Phase 2: Early manufacturing

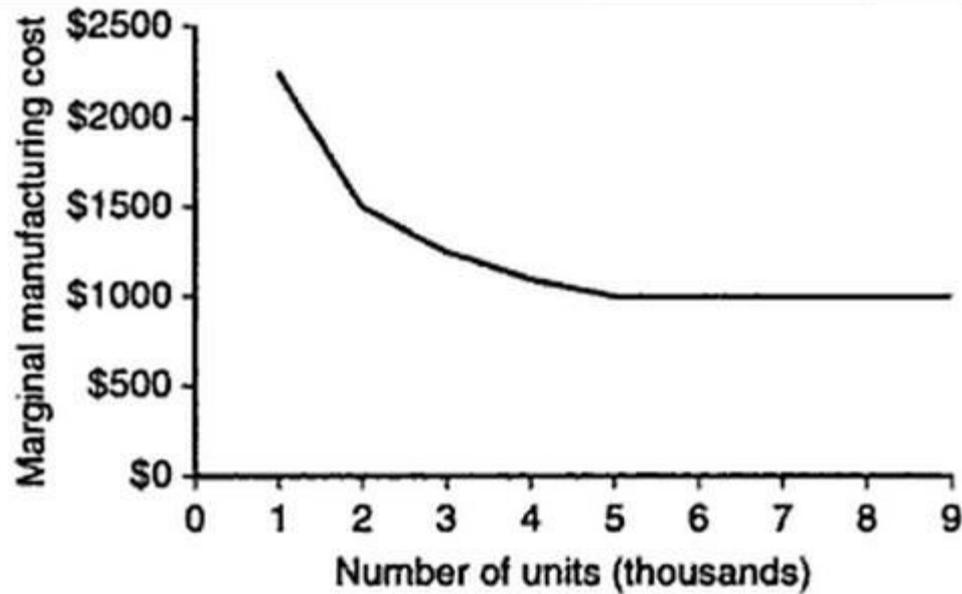


Figure 2.34 Manufacturing learning curve.

Phase 3: Production

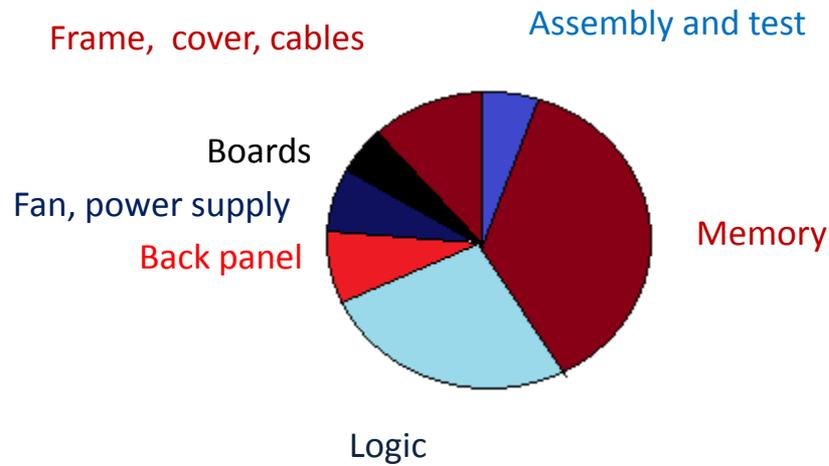


Figure 7. Marginal (Ultimate) cost to produce processor system

Phase 3: Production

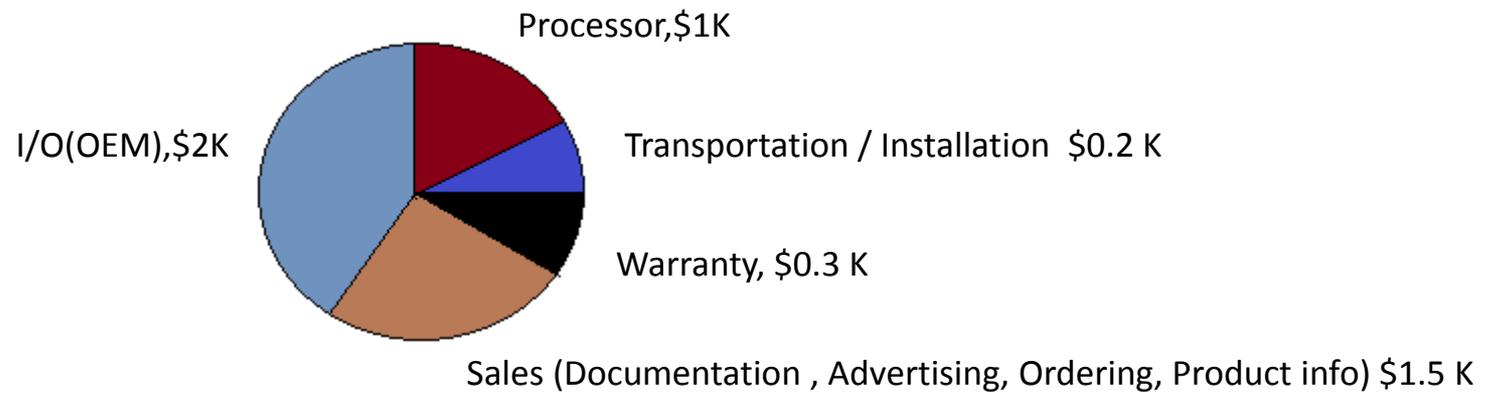


Figure 8. Ultimate processor cost in dollars

Phase 4: All good things must come to an end

- Product cycle closes when new product have been introduced that generally superset the capacity/ functionality, performance of the existing products.
- Customers purchase service either through a contact or as a required, throw this service calls the service department remain a profitable sub venture.
- Long after the last machine has been shipped from the factory, the service department retains a part inventory to support the product.
- The bottom line says: Did the project make profit?
- If market forces a competition as aggressive & produce rival system with expanded functionality the project life may be shortened and deliver only 5000 units.
- If competition is not aggressive and flow on team is successful in enhancing the product continue its attractiveness in the market place, it brings smile on the designer and stockholder face.