Impact of product configuration systems on product profitability and costing accuracy

This article aims at analyzing the impact of implementing a product configuration system (PCS) on the increased accuracy of the cost calculations and the increased profitability of the products. Companies that have implemented PCSs have achieved substantial benefits in terms of being more in control of their product assortment, making the right decisions in the sales phase and increasing sales of optimal products. These benefits should have an impact on the company's ability to make more accurate cost estimations in the sales phase, which can positively affect the products' profitability. However, previous studies have not addressed this relationship to a great extent. For that reason, a configure-to-order (CTO) manufacturing company was analyzed. A longitudinal field study was performed in which the accuracy of the cost calculations and the products' profitability were analyzed before and after a PCS was implemented. The comparison in the case study revealed that increased accuracy of the cost calculations in the sales phase and consequently increased profitability can be achieved by implementing a PCS.

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