Increased accuracy of cost-estimation using product configuration systems

This article describes an approach for utilizing Product Configuration Systems (PCS) for quantifying project costs in project-based companies. It presents a case study demonstrating a method of quantifying costs in a way that makes it possible to configure cost- and time estimates. Piecework costs, material costs and sub-supplier costs are used as principle cost elements and linked to structural and process elements to facilitate configuration. The cost data are used by the PCS to generate fast and accurate cost-estimates, quotations, time estimates and cost summaries. The described cost quantification principles have been used in a Scandinavian SME (Small and Medium-sized Enterprise) since the 90’s, but have since 2011 been adopted to be used in a configuration system. A longitudinal case study was conducted to compare cost and time-estimation accuracy before and after implementation. We conclude that the proposed method for grouping costs, combined with a PCS, can be used in project-based construction industries to make more accurate estimates of project costs. Reasons for improved accuracy are, according to company experts, the increased documentation and visibility of cost-estimates, dynamic allocation of variable costs, version control of cost-agreements and the ability to handle an increased level of cost details.

General information
Publication status: Published
Organisations: Department of Mechanical Engineering, Engineering Design and Product Development, Department of Management Engineering, Management Science, Operations Management
Contributors: Rasmussen, J. B., Hvam, L., Mortensen, N. H.
Number of pages: 7
Publication date: 2017
Peer-reviewed: Yes
Electronic versions:
Increased_accuracy_of_cost_estimation_using_product_configuration_systems.pdf
Research output: Contribution to conference › Paper – Annual report year: 2017 › Research › peer-review