

How to calculate the profitability of a platform strategy

This infographic describes the key input parameters to consider, provides an overview of relevant levers, suggests how to verify the calculation framework, and finally shows how to evaluate the profitability of the platform strategy.

1. Define input parameters of the platform business case

Income

Expenses



Market Projection

- portfolio volumes
- transition from current to platform portfolio



Selling Price Projection

- current and future product selling prices
- product discount rates over lifetime



Product Cost Projection

- per product
- material costs
 - labor costs
 - overhead costs



Investment Projection

- R&D effort & expenses of portfolio
- capital expenses of portfolio

2. Identify relevant levers



enlarge portfolio volume due to customer specific niche requirements



increase selling price due to modularized refurbishing



reduce purchase cost due to higher volumes



minimize overall investment due to deflation of the amount of modules

3. Setup and verify the calculation framework



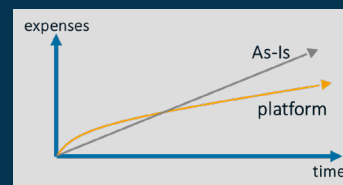
prove by sensitivity analysis



prove by impact simulations

4. Evaluate the results

break even (As-Is vs. platform)



overall savings

