Lesson 2 - Lecture 2: Reducing Cost
Instructor: Mr. Reyes

Goals for this lecture

For the student to gain an introductory understanding of Productivity & Production, and how it relates to automation.

Key Terms
> Production
> Cost Reduction
> SWOT Analysis

Key Formulas
> Labor cost = Hourly rate x labor hours
> Total cost savings = Labor costs − Automation cost savings
> Productivity = Output / Input

I.   Improving Productivity & Production

> **(TERM) Production:** the action of making or manufacturing from components or raw materials, or the process of being so manufactured.
> **(TERM) Cost Reduction:** Cost reduction is the process used by companies to reduce their costs and increase their profits.

> **(FORMULA)** Labor cost = Hourly rate x labor hours
> **(FORMULA)** Total cost savings = Labor costs − Automation cost savings
> **(FORMULA)** Productivity = Output / Input

   A. Productivity
   B. Labor Costs
   C. Time Loss

II.   Understand your market and competitors
   A. Conduct market research
   B. Assess what competitors offer
   C. SWOT Analysis

> **(TERM) Cost Reduction:** A SWOT analysis is a simple tool to help you work out the internal and external factors affecting your business. It is one of the most commonly used business analysis and decision-making tools.

III.   Bringing it all together
   A.   Improving Productivity & Production at the Caw Wash
       1.   Tommy's Labor Costs
       2.   Reducing costs at the wash
       3.   Productivity

IV.   Car Wash Example
   B.   Understanding the Car wash market and competition
       1.   Conduct market research
       2.   S.W.O.T. Analysis