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## Overview

This standard is about the skills and knowledge needed for you to carry out cost analysis for new product development in a food and drink business. The development of new and revised food products is essential for many food and drink businesses to compete in the fast moving food and drink manufacturing sector. Product development can be time consuming and require large amounts of resources and materials. Planning the product development process and calculating the costs of the development of a new food product is essential in ensuring budgets are adhered to, profit margins are maintained and the food business achieves financial success.

You will need to be able to plan the food and drink product development process and determine the costs for the product, assess the direct and indirect requirements for resources and materials and calculate the total costs of the food and drink product development.

This standard is for you if you work in food and drink manufacture and/or supply operations and are involved in carrying out cost analysis for new product development in a food and drink business.

## Performance criteria

### *You must be able to:*

#### \* *Determine operational requirements\**

1. confirm the objective and specification of the operational requirements
2. identify the organisational method for achieving the required operational objective
3. identify innovative alternatives to achieving the objective when problems arise
4. liaise with colleagues to confirm the preferred method of achieving the operational objective
5. check the availability of direct and indirect resources and their capacity to achieve the required objective to the required specification

#### \*\*Assess operational requirements

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6. identify the specific requirements for materials and resources
7. consult information sources to establish and confirm current and future availability of materials and resources to ensure continuity
8. source materials and resources in accordance with organisational procedures
9. source quotations for the procurement of materials and resources in accordance with organisational procedures
10. liaise with colleagues to determine the most suitable material or resource accounting for cost, quality, availability and other factors important to your food and drink business

#### \*\*Establish costs

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11. calculate the direct cost of carrying out the operational objective to the required specification
12. calculate any indirect costs relating to the material or production process
13. report costs to relevant people in the food business
14. provide support and feedback to those responsible for evaluation and management of costs

## Knowledge and understanding

### *You need to know and understand:*

1. the organisational and regulatory requirements for the carrying out of cost analysis for new product development
2. the importance of liaising with colleagues when assessing costs and how to do this
3. how to determine the specific requirements for materials and resources
4. why it is important to build in some contingency planning when you are determining requirements for materials and resources
5. what the variable factors are affecting the cost of raw materials and how to account for this
6. why it is important to liaise with colleagues to determine the most suitable material or resource accounting for cost, quality, availability and how to do this
7. what the organisational procedures for the sourcing of quotations for the procurement of materials and resources are and why it is important to adhere to them
8. how to calculate the total cost of carrying out an operational objective to a specification
9. the implications of changes to product size, raw materials, equipment, production site or other factors on the cost of a new product
10. the difference between direct and indirect costs and how to calculate them
11. why it is important to provide costing information, in the required format, to relevant people in the food and drink business
12. why it is important to confirm the specification and processing requirements for the product development
13. the methods of communication and information technology available in your organisation and how to make best use of them

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Carry out a cost analysis for new product development in a food and drink business



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