

TOTAL COST OF OWNERSHIP APPROACH

Category: Total Cost of Ownership Approach

Course Name: Total Cost of Ownership

Course Length: 2 Days

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About this Course:

Price is only one element of the total cost of ownership and in many instances only a small part of owning and operating the product or using and paying for the service. Understanding the total cost of ownership will ensure better sourcing decisions, identify cost improvement opportunities, reduce total cost, harness stakeholder support and mitigate risk.

Total Cost of Ownership (TCO) is the total cost incurred through the acquisition, use, support, maintenance and ultimate disposal or disengagement of a product or service. TCO considers both direct and indirect costs and should be determined to ensure like for like comparisons when evaluating proposals and quotes. TCO is also a useful tool to identify cost improvement opportunities through uncovering the hidden cost in the supply chain and during the lifecycle of the product or service. Typically, many of the cost factors that need to be identified are hidden in the price. Uncovering the hidden cost elements requires skill and an understanding of supplier pricing policies and all the cost elements to deliver informed sourcing decisions and effective outcomes.

Recommended for: procurement and sourcing specialists, category managers and procurement managers looking to move beyond price to total cost improvement.

Objectives:

- To provide delegates with tools and techniques to make better comparisons between supplier prices
- To strengthen sourcing and contracting strategies through assessment of all the cost elements
- To support negotiating value-added partnership arrangements rather than focusing solely on price reduction (e.g. joint process improvements)
- To identify and remove non-value added activities during a product or service's life cycle

Benefits:

Improved sourcing decisions, cost savings, value improvement and risk reduction.

Delegates will be able to use this knowledge to do the following:

- Identify when to apply TCO models
- Identify the cost drivers and establish the hidden costs
- Understand how to use TCO during negotiations
- Develop cost improvement plans
 - Manage costs and risk