

## Total Cost of Ownership

The Total Cost of Ownership (TCO) method is a set of related concepts that allow for the quantification of costs for every activity along the supply stream. TCO takes into consideration all costs related to the acquisition, transportation, storage, and selling of purchased goods or services, so that sourcing decisions may be made strategically. Use of the traditional Piece-Part Variance method of costing has been shown to underestimate these visible and hidden costs by more than 15%.

The TCO calculator introduced in the session facilitates the side-by-side comparison of up to four suppliers. It also permits the analysis of multiple sourcing scenarios. TCO focuses on minimizing the total costs while maximizing value to the customer. It encourages a sharper focus on the big-picture concept of compete supply chain optimization.

Objectives of the program:

- Provide participants with an overview of Total Cost of Ownership concepts
- Review key elements of TCO
- Contrast Piece-Part Variance method with TCO costing
- Understand the importance of implementing an effective TCO strategy
- Recognize the differences between single organization and TCO decision-making
- Demonstrate the use of the TCO calculator
- Learn how to input data, interpret results, and use the output of the analysis to make strategic sourcing decisions

This working session is comprised of the following key educational items:

- Defining common TCO terms and concepts
- Learning to identify and measure TCO costs
- TCO cost categories and elements – using the TCO data collection form
- Using the TCO calculator
  - Overview of TCO calculator input & output screens
  - Discuss alternate sourcing decisions based on TCO results

Who should attend:

- Financial Managers
- Program Managers
- Supply Chain Managers

What you will gain:

Sound sourcing decisions based on analysis of Total Cost of Ownership factors to help to achieve overall supply chain strategic objectives.