

Analyzing Costs Using TCO

Using the Total Cost of Ownership Approach to Identify and Reduce Costs

In this course, learners use the Total Cost of Ownership (TCO) framework to identify a cost analysis project that has the potential to return significant value. They'll learn how to evaluate possible projects, assemble a cross-functional TCO project team, and map process activities to find cost areas requiring analysis.

Participants will learn how to:

- Calculate Total Landed Cost, with consideration for tariffs, countervailing duties, and more use TCO methods to conduct competitive bid analysis, including global sourcing contracts
- Create a cost database
- Estimate costs by applying the 3As – Actual, Approximate, and Assumption

The course also explores the value of working closely with suppliers to develop should cost models in order to better understand pricing strategies and improve how the the organization negotiates with its suppliers. Analyzing Costs Using Total Cost of Ownership offers an important set of tools for creating competitive advantages.

Developed in Partnership with



Learners will:

- Understand basic financial principles involved in calculating TCO components
- Learn how to identify TCO projects that have the greatest potential to impact the company's bottom line
- Use the 3As—Actual, Approximate and Assumption—to model costs when faced with imperfect data
- Learn how to create and manage a useful cost database

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Course Outline

WEEK 1

Selecting and Managing TCO Projects

- Understanding the TCO Process
- Managing a TCO Project
- Phase 1 of The TCO Process
- Phase 2 of The TCO Process
- Exploring Costs that Impact TCO
- Overcoming Barriers to Data Collection

WEEK 2

Preparing for TCO Analysis

- Comparative TCO Analysis
- Using the 3As to Model Costs
- Landed Cost Analysis
- Global Sourcing and Competitive Bid Analysis
- Understanding Tradeoffs in Global Sourcing

WEEK 3

Should Cost Modeling and Success Factors

- Should Cost Analysis
- Building Should Cost Models
- Collecting and Building a Cost Database
- Understanding Target Costing
- Creating Win-Win Supplier Outcomes Using Should Cost Models