

Total Cost Management

Program overview

As companies in supply chains look for ways to differentiate themselves in the 21st Century, technology, quality, service and timely delivery may not be the full answer. Providing all of these at a lower cost than that of a rival supply chain is also essential to ensure long-term profitability and survival. Therefore the supply chain costs need to be continuously monitored and challenged.

This 3-day program provides procurement professionals with the essential tools in finance and cost analysis. First step is getting acquainted with the essentials of analysing financial statements from procurement point of view and extract relevant supplier cost information. Next step in this program is providing participants with tools and techniques to perform cost analysis and learn to understand the costs behind the price (Should Cost).

Next to cost models to analyse the supplier's price and to define what a product/service should cost Value Analysis (VA) is included. VA is a methodology for identifying and dealing with the factors that cause un-contributing cost or effort in products, processes, or services.

- Selection of e-learning modules
- 3 day classroom

Target Audience

This program is intended for:

- With a bachelor or master degree (or on equivalent level via work experience) with at least 2 years of procurement/supply management experience, mastering core purchasing management skills and at least 3-5 years of business experience
- Who are involved in discussions internally and with suppliers to reduce overall cost in the supply chain

Deliverables

As a result of attending this program, participants will be able to:

Financials

- Understand the key elements of a Annual Report from Procurement point of view;
- Know how to determine the supplier's financial health
- Use cost knowledge from the Annual Report and risk impact to understand the price

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- Calculate the value and cost structure of a product of service;
- Understand the importance of cross functional and cross company approach to strategic cost management;
- Recognize sustainable cost reduction potential;
- Construct a product or service flow diagram;
- Identify cost drivers and cost levers;
- Identify in-efficiencies related to the value chain;
- Drive action planning for cost reduction: measure, track and drive improvements and cost reduction.

Content

Selection of E-learning modules

Content: Classroom, 3 days

During the 3 day program, several case studies are included to practice application in practice, based on which participants are challenged to work on their own cost models.

Topics covered during the three days classroom are as follows:

Financials

- Annual reports – valuable information for procurement
 - Balance Sheet
 - Profit & Loss
 - Cash flow statements
- Financial ratio analysis to evaluate financial health

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- Introduction to Total Cost Management and Integrated Supply Chain Management
- Market Intelligence for Cost Management
- Cost Analysis Techniques
 - Should Cost technique
 - Total Cost of Ownership technique
- Price indexation
- Value Analysis
 - Mapping/cost & activity breakdown
 - Analysis (cost drivers & benchmarking)
 - Improvement opportunities
- Identifying Cost Reduction opportunities
- Personal Action Plan

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|------------------------------|---|---|--------------------|
| Ongoing | Leverage Cost Analysis Focus | Strategic Continuous Improvement Focus | |
| Frequency of Purchase | <ul style="list-style-type: none"> ● Estimate cost relationships ● Value Analysis ● Analysis of supplier cost breakdowns ● Cost estimate/"Should Cost" ● Industry Analysis ● Total Cost modeling | <ul style="list-style-type: none"> ● Open books ● Target Cost analysis ● Competitive assessment/teardowns ● TCO analysis ● Total Cost modeling of the supply chain | |
| | Routine Price Analysis Focus | Critical Projects Life Cycle Cost Focus | |
| One time | <ul style="list-style-type: none"> ● Competitive bids ● Comparison price list/catalogues ● Comparison to established market ● Comparison to history ● Price indices ● Comparison to similar purchases | <ul style="list-style-type: none"> ● TCO analysis/life cycle costing ● TCO analysis of supply chain | |
| | Arms-length | Type of Relationship Sought With Supplier | Strategic Alliance |