

Total Cost of Ownership in Procurement

Delivery Format: LIVE Webinar

Course Structure: 90 Minutes

Price: \$3,500 for up to 25 participants

Drafting and conducting a fair and transparent procurement process during times of fiscal constraints, requires organizations to better control their ongoing costs and to manage the costs of new acquisitions. Examining total cost of ownership (TCO) in the procurement planning phase is an approach that uncovers 'hidden' costs previously unaccounted for, to ensure the organization is receiving best value. Procurement professionals try to estimate the total cost of owning or operating a product, equipment, or service as long as it is meeting the intended fit for use or fit for purpose needs. It can be a complex computation, taking into account product life cycle costs and disposal or remediation costs over several years where many of the variable costs are unknown or may be out of our direct control – legislated requirements for example.

To introduce TCO as a routine part of procurement planning, you need to understand how to calculate TCO, the impact it may have on the procurement outcome, and how to use it as a strategy – for example, to level the playing field when dealing with an incumbent supplier.

What should be included or excluded in the cost estimates from a procurement perspective? What are internalized costs versus externalized costs? How do cost and volume fluctuations affect a business case? Who should be at the table in these discussions? How does TCO affect our behaviour and reward systems?

An organization may encourage autonomous decision-making in its reporting structure, which invites a dilemma over lowest cost versus best value. Can an understanding of TCO remove the subjectivity in these decisions?

This webinar will use case studies and provide a template to examine the TCO analysis in various procurement contexts and provide quantitative tools for procurement staff to evaluate options and make business recommendations based on objective cost assessments.

Learning Objectives

- Review the key issues which affect TCO for goods, services and equipment
- Examine internalized versus externalized costs
- Explain how fixed and variable costs impact decisions
- Discuss the importance of a business case based on objective costs
- Relate our decision-making to information bias



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About

Since 1980, The Procurement School has been helping Canadian public sector organizations realize maximum value through their procurement and contracting activities.

Incorporating the latest developments in adult education and curriculum design, our online and blended learning options capture the latest legal, practical, and business developments to empower procurement professionals to improve contract outcomes.

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