

Cost Analysis

Learning Goals

The objective of this module is to provide participants with the basic knowledge to understand how suppliers calculate their costs and their selling price. The following topics will be discussed:

- Functional analysis basics.
- Fundamentals of product cost structure.
- Should cost & cost breakdown analysis.
- TCO principles.

Target group

- Buyers at any level who wish to learn how to use cost breakdown and TCO decision-making tool to better negotiate price reductions with suppliers.

Methods and tools

- A business case study is used.
- Enables participants to analyse each major category of cost.
- Participants constantly challenge the current paradigms and take innovative decisions.
- The participants work in small teams of three.
- They share experiences.
- They learn by making smart decisions and some errors.

Credit for



The first part of the two-day session will be based on a series of exercises to understand how suppliers build up their cost to generate their price to customers.

This fundamental knowledge will provide buyers with the background to build-up the cost structure of a supplier.

Secondly, a TCO model will be presented - which is a decision-making tool to help buyers to identify cost improvement opportunities that go beyond supplier price.

At the end of the training course the participant should be able to:

- Conduct simple product functional analysis
- Develop should cost & negotiation strategy
- Create a TCO for a given product or service.

DAY 1

- Functional analysis principles.
- Functional specification.
- Introduction to VA / VE.
- Redesign to cost.

DAY 2

- Fundamentals of cost and financial approach.
- Product and services cost drivers.
- What should be the true cost and comparison.
- TCO basics and principles.
- TCO case study.



This module can also be taken on an independent basis.