

Course No. 1989

Total Cost of Ownership (TCO) & Procurement Cost Optimization Training Course

PROCUREMENT STRATEGY & STRATEGIC SOURCING
PROCUREMENT, CONTRACTS & SUPPLY CHAIN

DURATION

5 Days

DELIVERY

Classroom



Course Overview

The Total Cost of Ownership (TCO) & Procurement Cost Optimization Training Course provides a strategic and practical framework for understanding the complete cost associated with acquiring, operating, maintaining, and eventually replacing goods, services, equipment, and supplier solutions. The program moves beyond purchase price analysis to help procurement and supply chain professionals evaluate the broader financial and operational factors that determine the true economic value of a sourcing decision.

Participants will examine the components of total cost of ownership across the procurement lifecycle, including acquisition costs, transportation, installation, implementation, inventory, financing, maintenance, energy consumption, labor, quality, downtime, disposal, and lifecycle-related risks. The course emphasizes structured cost analysis and the ability to identify hidden and indirect costs that may significantly influence procurement outcomes.

The program also focuses on procurement cost optimization without compromising quality, operational continuity, supplier performance, or organizational requirements. Participants will explore spend analysis, cost-driver identification, supplier cost structures, should-cost analysis, specification optimization, demand management, sourcing strategies, contract terms, supplier negotiations, and lifecycle cost reduction opportunities.

Through practical TCO models, sourcing case studies, cost analysis exercises, supplier comparisons, and optimization workshops, participants will develop the ability to quantify procurement decisions, compare alternatives using a complete cost perspective, identify sustainable savings opportunities, and support evidence-based procurement decisions.

Objectives

- By the end of the course, participants will be able to:
- Explain the principles and strategic importance of Total Cost of Ownership in procurement.
- Identify direct, indirect, hidden, and lifecycle costs associated with procurement decisions.
- Develop structured TCO models for products, services, equipment, and supplier solutions.
- Analyze procurement cost drivers and their impact on total expenditure.
- Evaluate supplier proposals beyond initial purchase price.

- Apply lifecycle costing techniques to sourcing and procurement decisions.
- Conduct should-cost and cost-structure analysis.
- Identify sustainable procurement cost optimization opportunities.
- Evaluate the financial impact of specifications, demand, quality, logistics, and inventory decisions.
- Compare sourcing alternatives using TCO-based evaluation methods.
- Integrate TCO analysis into supplier selection and negotiation strategies.
- Assess the cost impact of contract terms, payment conditions, and supplier performance.
- Identify opportunities to reduce avoidable procurement and lifecycle costs.
- Balance cost reduction with quality, risk, service, and operational continuity.
- Establish procurement cost performance indicators and reporting mechanisms.
- Develop a practical procurement cost optimization roadmap.

Who Should Attend

This course is designed for procurement managers, strategic sourcing professionals, category managers, purchasing managers, buyers, supply chain professionals, cost analysts, and contract and commercial specialists involved in procurement decisions and cost management.

It is also suitable for finance professionals, operations managers, project managers, asset and maintenance professionals, supplier relationship managers, procurement analysts, contract administrators, and senior leaders responsible for controlling expenditure and evaluating major sourcing decisions.

The program is particularly relevant to government entities, ministries, banks and financial institutions, oil and gas organizations, manufacturing companies, construction and engineering organizations, utilities, telecommunications companies, healthcare organizations, multinational corporations, and large enterprises seeking sustainable procurement savings and improved lifecycle cost management.

Learning Outcomes

- Upon completion of the course, participants will be able to:
- Define the cost elements that should be included in a TCO assessment.
- Map procurement costs across the complete product or service lifecycle.
- Build practical TCO models using relevant cost categories and assumptions.
- Identify major cost drivers and their contribution to total expenditure.
- Compare suppliers using total economic value rather than purchase price alone.
- Evaluate logistics, inventory, maintenance, quality, and operational costs.
- Conduct lifecycle cost comparisons between competing procurement alternatives.
- Analyze supplier cost structures and identify potential cost reduction opportunities.
- Develop should-cost estimates to support sourcing and negotiation decisions.
- Identify specifications and demand patterns that unnecessarily increase costs.
- Quantify the financial impact of procurement optimization initiatives.
- Integrate TCO analysis into sourcing, supplier evaluation, and negotiations.
- Assess trade-offs between cost, quality, risk, service, and operational continuity.
- Develop cost optimization initiatives with measurable financial outcomes.
- Establish indicators for monitoring procurement cost performance.
- Prepare a prioritized roadmap for sustainable procurement cost optimization.

Course Outline

DAY 01

Foundations of Total Cost of Ownership in Procurement

- Principles and strategic value of Total Cost of Ownership.
- Purchase price versus total economic cost.
- Direct, indirect, hidden, and lifecycle costs.
- Acquisition and procurement-related costs.
- Transportation, logistics, and handling costs.
- Installation, implementation, and commissioning costs.
- Inventory and warehousing costs.

DAY 01 — CONTINUED

- Financing and payment-related costs.
- Quality-related costs and cost of poor quality.
- Maintenance, service, and operating costs.
- Downtime and business interruption costs.
- End-of-life, disposal, and replacement costs.

PRACTICAL APPLICATION

Map the complete cost lifecycle of a selected product, service, or equipment category and identify the major TCO components.

DAY 02

TCO Analysis, Cost Drivers and Supplier Evaluation

- Developing a structured TCO methodology.
- Identifying and classifying cost drivers.
- Collecting reliable cost data.
- Cost assumptions and analytical boundaries.
- Supplier cost structures and pricing components.
- Analyzing supplier proposals beyond quoted price.
- Comparing supplier commercial models.
- Lifecycle cost and operational performance.
- Quality, reliability, and service-related costs.
- Logistics, inventory, and lead-time considerations.
- Supplier risk and its financial implications.
- Using TCO in supplier qualification and selection.

PRACTICAL APPLICATION

Build a TCO comparison model for multiple suppliers and determine the economically preferable option based on lifecycle costs.

DAY 03

Procurement Cost Optimization and Should-Cost Analysis

- Principles of procurement cost optimization.
- Spend analysis and cost reduction opportunities.
- Identifying cost drivers and avoidable expenditure.
- Should-cost analysis and cost estimation.
- Benchmarking prices and cost structures.
- Specification and requirement optimization.
- Demand management and consumption analysis.
- Standardization and consolidation opportunities.
- Supplier competition and sourcing strategy.
- Logistics and inventory cost optimization.
- Process efficiency and transaction cost reduction.
- Sustainable cost reduction versus short-term savings.

PRACTICAL APPLICATION

Analyze a procurement category, identify its key cost drivers, develop should-cost assumptions, and create a prioritized cost optimization plan.

DAY 04

TCO in Sourcing, Negotiation and Contract Management

- Integrating TCO into strategic sourcing.
- Using TCO to evaluate sourcing alternatives.
- TCO-based supplier negotiations.
- Negotiating price and total lifecycle cost.
- Commercial terms and their impact on TCO.
- Payment terms and financing implications.
- Contract duration and volume commitments.
- Service levels, warranties, and performance obligations.
- Maintenance and lifecycle service agreements.

DAY 04 — CONTINUED

- Managing supplier performance and cost leakage.
- Total cost implications of contract changes.
- Balancing savings with supplier risk and business continuity.

PRACTICAL APPLICATION

Conduct a supplier negotiation simulation using TCO data to improve commercial terms while maintaining quality, service, and operational requirements.

DAY 05

Procurement Cost Governance, Performance and Continuous Improvement

- Establishing procurement cost optimization governance.
- TCO policies, methodologies, and decision criteria.
- Procurement cost performance indicators.
- Measuring savings versus sustainable value.
- Tracking realized and avoided costs.
- Cost transparency and management reporting.
- Identifying recurring cost leakage.
- Monitoring supplier and lifecycle cost performance.
- Building cross-functional cost optimization teams.
- Developing data-driven procurement decisions.
- Prioritizing and sustaining cost improvement initiatives.
- Building a continuous procurement cost optimization framework.

FINAL WORKSHOP

Develop an integrated TCO and Procurement Cost Optimization model for a selected procurement category, covering cost mapping, TCO analysis, cost drivers, supplier comparison, should-cost analysis, optimization opportunities, sourcing strategy, negotiation priorities, contract considerations, performance measurement, and continuous improvement.



Register or Request More Information

Course page: <https://quest-training.com/courses/total-cost-of-ownership-tco-procurement-cost-optimization-training-course>

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