Topic: Cost

Course: **COST MANAGEMENT**

General information

◆ **Aim of the course**

To be able to act as internal entrepreneurs to reduce and avoid costs and to improve the value obtained for a given cost.

◆ **Learning goals**

- Understand cost drivers and their impact on product / service cost
- Generate functional specifications
- Understand principles of value analysis
- Design product or service to fit an intended cost
- Develop TCO models including key-drivers and parameters.

◆ **Audience**

Procurement professionals who wish to learn how to use cost breakdown and TCO methodology to better negotiate price reductions with suppliers.

◆ **Prerequisites**

- A good command of English or French
- Have the necessary technical equipment to follow online courses.

◆ **Learning mode & pedagogy**

1) **Theoretical e-learning** through individual self-paced sessions. This first step has to be considered as the essential pre-work for:

2) Learning **application in online group classes**. Participants use actively their knowledge and put it into practice in workshops, role-plays, case studies, presentations and debates.

Theoretical learning content - Estim. duration 2,5 hrs

7 e-modules:

1. **Functional Analysis - Level 2**
   Product lifecycle - Functional analysis - Functional specifications

2. **Total Cost of Ownership (TCO)**
   What is TCO? - Locating costs - Handling costs.

3. **Cost Breakdown Analysis**
   Cost drivers - Specificities - Negotiation & follow up.

4. **Advanced Cost Breakdown**
   Cost structure - Cost Breakdown Analysis - Method for allocation of Overheads - Cost models.

5. **Target Costing & Concept of Value**
   Target costing:
   process & selling price - Should costing - Value-based costing - Brief on Value Analysis / Value Engineering.

6. **Costing Methods & Design to Cost**
   TCO - Process Costing - Project Costing - Design to Cost.

7. **Key Performance Indicators**
   Introducing SRM KPIs - Measuring KPIs - KPI measuring process - Challenges when measuring KPIs.

Programme of the trainer-led classes | 3,5 hrs x 2

I. Cost Management

- Cost management introduction and Framework
- Value analysis: Value analysis vs Value Engineering, Cost efficiency in design, Value Stream mapping, Types of Wastes
- Case study on Value analysis
- Functional analysis: Drivers of customer satisfaction (kano matrix)
- Key components of a functional specification
- Examples of Functional specifications
- Case study on Functional analysis

II. Cost Breakdown, TCO and KPIs

- Cost breakdown: an analytical approach
- Workshop: Components of an analytical Cost breakdown
- Identifying improvement actions through Supplier Cost models
- Total Cost of Ownership (TCO)
- Lecture: Generic TCO model explanation along with discussions around some sample TCO models
- Workshop on identifying Cost drivers in a TCO model
- Key Performance Indicators (KPIs)
- Workshop on KPIs

EIPM