

TOTAL COST OF OWNERSHIP ANALYSIS

Some businesses choose suppliers based on short-term pricing in hopes of reducing costs. However, this approach can underestimate product costs by as much as 20 percent. Many companies tend to be intuitive in the way they make decisions about purchasing, focusing only on short-term costs instead of analyzing objective data over the long term to calculate the total cost of ownership.

Costs often overlooked include:

- Missed opportunities resulting from longer lead times
- Missed deadlines resulting from delays or defective products
- Travel for auditing
- Inventory carrying costs
- The cost of obsolete inventory
- Costs associated with the loss of trade secrets or intellectual property

Are your methods of determining cost accurately capturing the total costs involved with your decision to offshore sourcing or production?

Does the supplier force you to carry a lot of excess inventory, because the supplier requires a minimum order?

If your business currently is engaged in offshore sourcing or production, a Total Cost of Ownership Analysis can help you identify, calculate and compare all of the costs, risks and strategic impacts of your decisions and help you to:

- Reduce your total cost of ownership
- Reduce your lead time to market
- Improve the quality and reliability of your products
- Improve your access to a readily available, skilled workforce
- Reduce freight costs
- Reduce your inventory and related capital stock and franchise taxes
- Improve your brand image (Made in the USA)
- Reduce the risk of intellectual property and supply chain interruption
- Enhance innovation by clustering manufacturing near R&D facilities

Total Cost of Ownership can also be used as a tool to better position the value of your product to your current or future customers.

GETTING STARTED

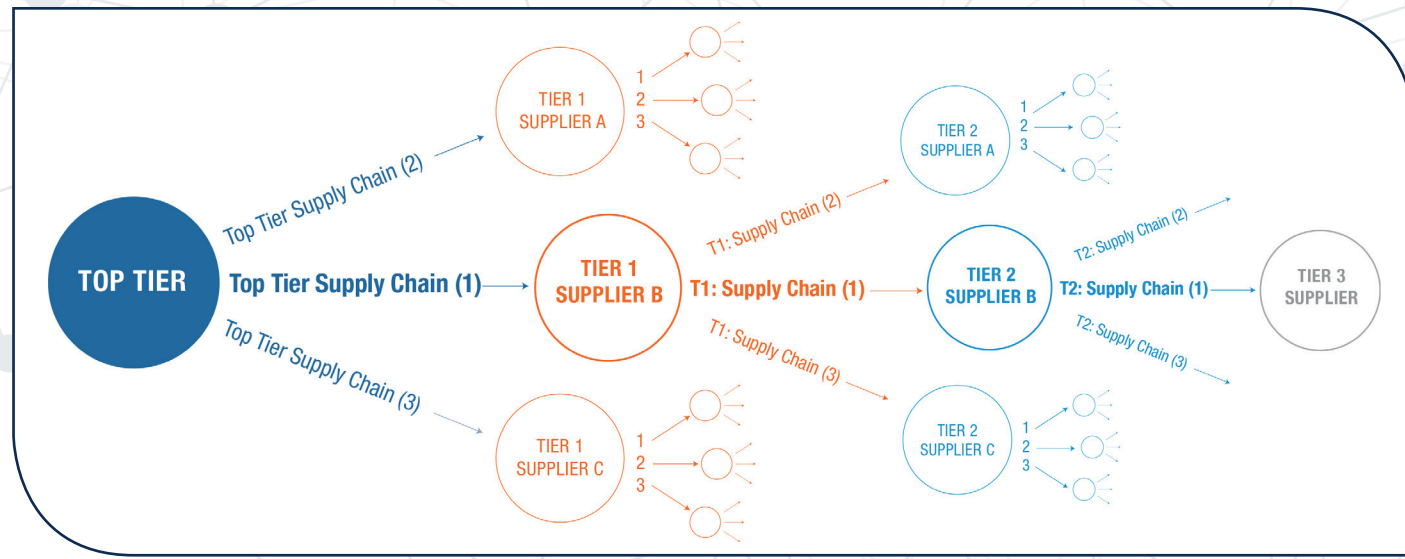
Central Pennsylvania manufacturers can receive a consultation and review of your procurement and supply chain processes at NO-COST. The consultation includes a demonstration of a Total Cost of Ownership tool, which can assist you in your procurement and supplier decisions. To schedule a consultation for your company, contact an IMC business advisor at 1-800-326-9467 or by email at info@imcpa.com.

“Two things are often crippling to a company's baseline - lead time (you may not get the delivery on time) or shipment (the product may arrive defective.) Companies need to be strategic in the way they look at their suppliers and choose suppliers based on bottom line costs.**”**

- Dr. Steve Brady, IMC Consultant

OUT-OF-STOCK *SUPPLIES?*
LATE *DELIVERIES?*
TOO MUCH *INVENTORY?*
REJECTED *LOTS?*
OVERTIME *LABOR COSTS?*
EXPEDITED *SHIPMENTS?*
HIDDEN *COSTS?*

If any of these challenges sounds familiar, your business has a supply chain problem. **IMC can help.**



UNDERSTANDING YOUR COMPANY'S ROLE IN A COLLABORATIVE SUPPLY CHAIN

Focus Internally, Collaborate Externally

Effectively managing relationships with your suppliers and customers is essential to the success of your business. Even if you're a smaller contributor to an industry or the only manufacturer in a niche market, you still have to produce a product that you can deliver on time, without defects and at a price your customers are willing to pay.

Your supply chain represents everything from the raw materials you use to the finished products you ship. Properly understanding – and managing – your role in a collaborative supply chain is vital, not only to your company's profitability, but also, in today's highly competitive environment, to its long-term survival.

Managing the Disconnects

In many small businesses, there is a disconnect between the marketing and sales departments (which interface with customers and sell products with the promise of a certain delivery time) and members of the company's purchasing and procurement staff (who manage the company's supply chain function) as well as the production managers and workers who produce and ship the products. To optimize a company's supply chain, everyone must be on the same page.

To avoid sacrificing the quality of products and services you provide to your customers and increasing your costs, your business must be able to obtain the parts you need when you need them. And delivery is only as fast as the slowest supplier in your chain.

Improving Your Processes

IMC works with local manufacturers like you to help you gain a greater understanding of your procurement costs and your relationships with your suppliers and customers so you can better understand your business. We work with you to assess your costs and inventory levels in light of customer demand and lead times so that you can meet customer expectations without having to carry excess inventory that results in increased costs and taxes and can also lead to obsolescence. And, we help you do that without your having to sacrifice quality or service.

“You need to understand your business, your process and your material and labor requirements. By understanding your business really well, you can share that information with your customers and suppliers so that you can meet the needs of everyone.”

- Dr. Steve Brady, IMC Consultant

“Who has the product in inventory at any given time? Ideally, you want to deliver the piece at exactly the right time. If you're carrying it on your balance sheet, you have to pay capital stock and franchise tax on it. The tax burden is there, because it's considered to be an asset to your company.”

- Dr. Steve Brady, IMC Consultant

IMC CAN HELP YOU IMPROVE YOUR PROCUREMENT PROCESSES, OPTIMIZE YOUR SUPPLY CHAIN, ACHIEVE JUST-IN-TIME PLANNING AND UNDERSTAND YOUR TOTAL COST OF OWNERSHIP

IMC knows that for manufacturers to meet the constantly changing market forces in today's global economy, they first must learn to manage their procurement and supply chain processes, including inventory management and warehouse operations.

IMC's business advisors, instructors and consultants offer expertise and services many small businesses need but can't afford to employ or purchase at market rates. As a public-private partnership, IMC's mission is to help educate central Pennsylvania manufacturers and assist them in increasing their innovation, productivity and profitable growth to help drive economic impact. IMC fulfills that goal by offering educational programming to local manufacturers and connecting them with experienced industry consultants who can help companies learn new strategies to survive and compete in a continually changing, global economy. And, because of the investment of our sponsoring agencies, we are able to provide these services at prices below the market rates charged by major consulting firms.

Our Supply Chain and Just-in-Time Planning seminars are designed to help companies learn to manage their inventory as well as their relationships with customers and suppliers, while maintaining a profitable operation. These programs help small and medium-sized manufacturers become more competitive through a reduction in operating costs resulting from supply chain management and just-in-time planning.

Topics include:

- An overview of supply chain management (definitions, relationship to business outcomes, risk management, best practices)
- Key concepts, including forecasting, inventory, transportation, lead time, metrics, collaboration, demand planning and communications
- Cycle counting strategies and techniques, and
- Advantages and disadvantages of just-in-time planning

Programs are geared toward managers, directors and C-level executives – anyone who is engaged in the management of supply chain functions, including procurement, warehouse management and inventory operations, transportation operations, production operations and/or management.

IMC will help you learn how to identify which portions of your business require more aggressive supply chain management and which can be managed more routinely to save you time and money. And, we'll show you that hoping to make up in sales the amount of money you can save through supply chain management and just-in-time planning is a far less-effective way to manage costs since, all things being equal, every dollar saved is a dollar that goes directly to your bottom line.

IN THE WORLD OF SUPPLY CHAINS, WHAT MATTERS MOST?

Many things matter when you own and operate a business, but when dealing with supply chain issues, these are paramount:

Speed, Agility and Responsiveness of Your Company

- How fast are you?
- How flexible are you?
- How adaptable are you?

Reliability and Integrity of Your Brand

- Can you tell your customers what you will do for them?
- Can you actually do what you've promised?

Cost

- How much does your product cost relative to the competition and what prospective customers are willing to pay?
- What do you need to invest to be able to deliver on what you've promised?

An Effective Supply Chain:

- Decreases production costs
- Decreases risks
- Protects your trade secrets and intellectual property
- Increases the quality and reliability of your products
- Increases efficiencies
- Shortens lead times
- Decreases delivery times
- Boosts productivity
- Sparks innovation
- Highlights the surprising cost savings of using domestic suppliers
- Improves your profitability
- Decreases inventory and applicable capital stock and franchise taxes
- Drives exports