TOCO2010 - Total Cost of Ownership-Tool

The state of the art TCO method was initially developed by Texas Instruments and implemented for the Total Cost Analysis of electronics circuit in the mid 1980s.

**Total Cost of Ownership is the most powerful tool in Global Sourcing** and its implementation represents the supreme discipline and core competence in determining possible savings in strategic procurement.

The basic approach is:

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\text{TOCO (Total Cost of Ownership)} = \text{Quotation} + \text{Conditions} + \text{One time Costs} + \text{Proportional Costs}
\]

- additional cost due to delivery and payment conditions and freight
- additional one time charges (in absolute terms), i.e. tooling costs
- additional proportional charges (in percent), i.e. quality inspection

In comparison of several suppliers, apparently on a similar level of price, additional procurement costs, technical status, quality, delivery reliability and confidentiality, it becomes clear, which is really the optimal one from total cost and strategic view. In Global Sourcing is it similar to buying a car: You will not just buy it due to being the cheapest one, but most likely have also a look at reliability, availability of service, spare parts and other issues.

In TOCO2010 we have implemented this approach in a simple, logical and for every company adaptable way. It was introduced by Global Procurement Services and Global Sourcing Tools during the Hanover Fair 2010.
Entry of the Basic Data → TOCO Analysis → Strategic Supplier Assessment → TOCO Evaluation + Strategic Evaluation = Total Evaluation