

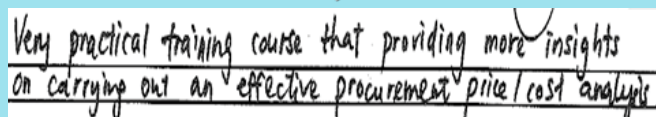
# COST PRICE ANALYSIS - THE WAY TO GREATER SAVINGS IN NEGOTIATIONS

23 - 24 September 2020  
Kuala Lumpur, Malaysia

## 3 REASONS WHY THIS IS THE ONLY PROGRAM THAT WILL SHOW HOW TO EXECUTE COST & PRICE ANALYSIS WITH EASE?

### 1. TESTED, PROVEN & PRACTICAL!

Purchasing & Procurement Center has been conducting this training program for the past 5 years, once a year without fail, usually sold-out in advance. It has been attended by literally hundred over participants who in turn have recommended other colleagues to attend. The course consists of techniques & strategies that have stood the test of time and been **proven to work in real life.**



*Very practical training course that providing more insights on carrying out an effective procurement price/cost analysis.*

~L.S. Mei - Procurement Project Specialist - Xyratex

### 2. 100% RECOMMENDATION FROM PAST PARTICIPANTS!

100% of participants who attended this program, indicated that they will recommend others to attend. Below are some organisations that have attended previously.

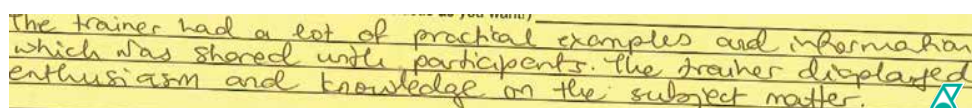


### 3. CONDUCTED BY THE TRUE GURU OF PURCHASING!



#### Robi Bendorf - CPSM, MCIPS, Lifetime CPM

This training program is conducted by Robi Bendorf - CPSM, MCIPS, Lifetime CPM - who has been called "True Guru of Purchasing" from one of our Clients. Here's what another client says about Robi:



*The trainer had a lot of practical examples and information which was shared with participants. The trainer displayed enthusiasm and knowledge on the subject matter.*

~Sharifah Shahira Syed Husni - Business development Manager - Prime Sourcing International

### OTHER TRAININGS

- Strategic Procurement Management
- Leading & Managing For Procurement
- Expert Strategic Sourcing
- From Tactical to World Class Procurement
- Implementing Global Sourcing
- Procurement Category Management
- Procurement Best Practices
- Mini MBA for Procurement
- Reducing Costs & Resisting Price Increases in Procurement
- Cost /Price Analysis in Procurement
- Effective Purchasing Negotiations
- Advanced Procurement Negotiations
- Advanced Strategies To Negotiate Lower Prices
- Competitive Bidding
- RFX & Tender Management
- Strategic Contract Management
- Technology Contracting
- Contract Administration
- Contract Terms and Conditions
- Supplier Selection & Qualification
- Supplier Performance Management
- Supplier Relationship Management
- Supplier Risk Management

# COST PRICE ANALYSIS - THE WAY TO GREATER SAVINGS IN NEGOTIATIONS

## 6 KEY TAKEAWAYS FROM THIS PROGRAM!

### 1. Where To Focus Your Efforts When Doing Cost-Price Analysis?

You're busy with a lot of work - that's why you first learn what is effective in procurement & what is not effective. Then we show as to where should you do direct your Cost-Price analysis endeavours so that you don't waste time doing things that do not affect the bottom line.

### 2. The Difference Between Price Analysis & Cost Analysis?

There's a time when you do Price Analysis and there's a different time when you do Cost Analysis. We'll show you the difference and when you should do each of them!

### 3. How To Perform Price Analysis?

This session is jump-packed with exercises where you're going to understand how suppliers mark up their prices, margin pricing & using purchase price index to determine the price suppliers should charge.

### 4. How to Perform Cost Analysis?

This is where you learn all you need to know about cost analysis accompanied with exercises, for example ... cost estimation, major elements of cost, effects of direct & indirect costs on suppliers costs/pricing, getting suppliers to provide cost breakdowns and should cost analysis.



### 5. Price Analysis & Adjustment During Uncertain Times

This is a more advanced concept which is illustrated through a hands on exercise by applying an 8 steps process to determine an economic price adjustment.

### 6. Overall Simple, Easy & Down-To-Earth Explanation & Application of All Cos-Price Analysis Concepts

Despite the fact that cost and price analysis is complicated, we introduce all concepts in a practical, realistic & coherent way so that you can absorb all the concepts in an easy way & go back ready to apply these concepts in your day to day activities.

## TRAINING METHODOLOGY!

This course will combine a variety of instructional methods including lecture by an experienced practitioner and consultant, exercises, and group discussions covering current practices and their relationship to the implementation of new concepts.



## CONTINUING EDUCATION CREDITS

This program qualifies participants for 14 hours of continuing education credits which qualify for many trade groups' requirements for professional certifications.

*"The examples are very clear, it really helps a lot in understanding the subject"*

*~Fadzillah Md.Fadzil - Lead Procurement Analyst - Tenaga Nasional Berhad*

## WHO SHOULD ATTEND?

Managers and professionals in:

- Purchasing, Procurement, and Contracts and
- Those involved in operations, engineering, maintenance, quality, projects, and other company activities that expose them to suppliers and buying activities for production, maintenance, equipment, MRO, services, and other outside purchased requirements.

*"I like very much the way Robi introduced the subject. It is very clear, very easy to understand complicated concepts which I can apply in my work."*

*~ Nguyen Thi Minh Phuong - Procurement Secretary - CUU Long Joint Operating Company, Vietnam*

## ON-SITE/IN-HOUSE TRAINING

This training program can be conducted exclusively for you/your organisation, if there are 9 or more people who would benefit from attending.

Contact us at [onsite@ppc-inc.com](mailto:onsite@ppc-inc.com) or go to <http://ppc-inc.com/onsite>

# COST PRICE ANALYSIS - THE WAY TO GREATER SAVINGS IN NEGOTIATIONS

## 2 MORE REASONS WHY THIS PROGRAM!

### 1. LEARNING THROUGH EXERCISES

There are exercises for every important concept explained. Here's some examples & what we do in the course ... mark up pricing, margin pricing, price volume relationship, using historical data from purchase price index, should cost estimation.

#### Exercise: Mark Up Pricing

Your supplier has told you that his cost is \$1,000 per unit. He advises that his indirect cost is 20% of his cost. What is his selling price?

#### Exercise: Margin Pricing

Your distributor has given you a price of \$1400 per unit. Your distributor has told you that 40% of his price is total margin. What is the supplier's cost per unit?

#### Price-Volume Relationship

Estimating a Quantity Price Discount

You know that the unit price for 100 units is \$2,500. You are asked to estimate cost given information on 250 units? Approach this question by using the available information to estimate cost given information on 250 units. The only difference is the cost data in the analysis.

Step 1. Calculate the variable element  $V = (C_2 - C_1) / (Q_2 - Q_1) = (\$1,250,000 - \$300,000) / (250 - 100) = \$6,666.67$

Step 2. Calculate the fixed element unit data points.

$C = F + V_1(Q)$   
 $\$300,000 = F + \$2,375(100)$   
 $\$300,000 - \$2,375(100) = F$   
 $\$300,000 - \$237,500 = F$   
 $\$62,500 = F$

#### Economic Price Adjustment

If several elements of the price are adjustable based on changes in the price index, you can develop a "Should Cost" estimate.

Your supplier has quoted \$105,000 to perform a project. You have estimated from past studies that the project should cost \$100,000. Determine the percentage change in the price index between January 2007 and December 2007.

Discipline	Rate
Project Manager	
Consultant A	
Consultant B	
Administration	

#### "Should Cost" Estimate Consulting Project

Cost Elements	Cost Estimates	
	Est. Cost	Source
1. Direct Materials (D.M.)		
1.1 Materials Purchased		
1.2 Services Purchased		
Total Direct Materials & Purchased Services		
2. Direct Labor (D.L.)		
2.1 Project Manager	Est. Hrs	Rate/Hr
2.2 Consultant A		
2.3 Consultant B		
2.4 Administration		
Total Direct Labor		
3. Other Direct Costs		
Total Other Direct Costs		
4. Total Direct Costs (1 thru 3)		
5. Overhead-Sales, General and Administrative ( % X # 4)		
6. Total Cost (#4 + #5)		
7. Profit ( % of Number 6)		
8. Estimated Price (#6 + #7)		

### 2. SAMPLES, TEMPLATES & CHECKLISTS

You will take away all the necessary samples and templates you need when it comes to doing cost & Price Analysis. Here's some of them ... should cost sample & checklist, Cost estimating Summary sheet, Indirect Cost Pool template cum checklist.

The collage includes several key documents:

- Cost Estimate Summary:** A detailed spreadsheet for tracking costs, categorized into Direct Materials, Direct Labor, and Other Direct Costs, with sub-categories for materials, services, and labor.
- "Should Cost" Estimate Consulting Project:** A structured form for estimating costs, including a table for labor rates and a summary table for total costs and profit.
- Economic Price Adjustment:** A form explaining the formula for adjusting prices based on changes in the price index, with a list of variables (1-7) for different cost elements.

# COST PRICE ANALYSIS - THE WAY TO GREATER SAVINGS IN NEGOTIATIONS

## OVERVIEW

Managing and reducing cost continues to be one of the primary focal points of business and governments today. In many organizations, more than half of the total revenue is spent on goods and services - everything from raw material to overnight mail. Maintaining a competitive position and even survival will depend on the organization's ability to use all of the continuous improvement strategies which have been developed to reduce cost across the entire supply chain for the life of the product or service. Fundamental to developing and implementing these strategies is knowledge of Cost/Price Analysis, Supplier Pricing Models, Economic Price Adjustments, Cost-Volume relationships, and developing "Should Costs for parts and services".

### COURSE OBJECTIVES

- The Importance Of Price/Cost Analysis In Continuous Improvement Programs
- The Difference Between Price And Cost Analysis
- Criteria For Selecting The Analysis Type
- 7 Methods Of Price Analysis
- 10 Supplier Pricing Models
- 8 Steps in using Economic Price Adjustment Clauses to deal with Volatile Markets
- Methods Of Cost Analysis
- Development Of "Should Cost"

### ORGANIZATIONAL & PERSONAL IMPACT

- Reduced Cost Of Purchased Material, Equipment, And Services
- The Benefits Of Continuous Improvement
- Higher Productivity Of Purchasing And Contract Personnel
- Greater Strategic Focus Of Those Involved In Supply Management
- Increased Skill Sets In Finding Savings Opportunities
- The Ability To Analyze Supplier Cost Structures
- Increased Recognition By The Organization Due To Improved Performance

## OUTLINE

### Session 1: Getting Time to be More Strategic

Purchasing personnel must move from the tactical focus of most purchasing operations to a much more strategic focus that brings continuous improvement results to all aspects of the organization.

#### EXERCISE

Developing The Spend Profile  
How To Perform The ABC Analysis

### Session 2: Defining Price and Cost Analysis

World class purchasing operations understand how their suppliers develop their prices and are able to justify the price they are paying by formally documenting why they consider a price or price increase to be fair and reasonable.

- Difference Between Cost And Price Analysis
- Selection Tool

### Session 3: Ways of Performing Price Analysis

Price analysis is the most common form of price justification and performed properly can generally give the organization confidence that a reasonable price was obtained

- Methods Of Price Analysis
- Competitive Bidding
- Using Price Indexes for Historical Analysis
- Regression Analysis or Cost Estimating Relationship

### Session 4: Understanding the Elements of Cost that Make up a Supplier's Price

This session will focus on typical methods of cost analysis and look at the elements of cost that make up the price as well as Supplier Pricing Mode.

- Methods Of Cost Analysis
- Major Elements Of Cost
- What should determine the Supplier's Profit
- What And How Important Are Supplier Overheads
- Requesting and Evaluating Supplier Cost Info
- Supplier Pricing Models
- Cost Volume Analysis

### Session 5: Developing "Should Costs" for Services and Parts

The development of a "should cost" is an important step in determining if the supplier has quoted a fair and reasonable price.

#### CASE

Develop a "Should Cost Price for a manufactured part"

#### CASE

Develop a "Should Cost Price for a service and determine the composite and overtime rate for labor.

### Session 6: Dealing in Volatile Markets

To avoid financial risk in long term price agreements suppliers usually build in contingencies based on the supplier's worst nightmare of what might happen to their cost of volatile cost drivers. Removing these contingencies is an important method of reducing prices.

- Step by Step of Applying Economic Price Adjustment Clauses

# COST PRICE ANALYSIS - THE WAY TO GREATER SAVINGS IN NEGOTIATIONS

## World Class Instructor Profile



### **ROBI BENDORF** CPSM, MCIPS, Lifetime C.P.M., M.ED

Robi has over 35 years of purchasing and sales experience, involving domestic and international activities, for a broad range of manufacturing and service businesses. He has extensive experience in consulting & training in purchasing,

contracts, reengineering the supply management process, the management of procurement functions, global sourcing of materials and components, reducing cost of purchased materials and services, and negotiation of complex transactions and contracts.

He has held purchasing and contracts management positions in high volume manufacturing, subcontract, job shop, and service operations, involving gas turbine manufacturing, power generation, nuclear and fossil power plants, electrical distribution and control, air conditioning equipment and global sourcing services.

Prior to becoming a full-time consultant in 1994, he served as Manager of Customer and Supplier Development for the Westinghouse Trading Company. He has given presentations on numerous purchasing and contract management topics to the Institute for Supply Management (ISM/NAPM), major universities, and numerous in-house seminars for industrial & services clients in the US and over 170 public seminars internationally.

He was selected to present seminars at the last 17 Institute for Supply Management International Conferences and is the contributor of numerous articles published in Purchasing Today and Inside Supply Management. Robi was selected as ISM's National Person of the Year in both Global Resources and in Education/Learning.

#### Some of Robi's numerous clients are:

Clients include Ethicon Endo Surgery (Division of J&J), Knoll Furniture, Florida State University, Duquesne University, American Air Filter, Tippins Steel, Dormont Manufacturing, Medrad Medical, Westinghouse Electric Corporation, The Elliot Company, IDEX, Blue Cross Blue Shield of Minnesota, SAE International, Bettis Atomic Power, Industrial Scientific, C-COR Electronics, Allegheny Teledyne, Duquesne Power & Light, Ferno-Washington, Johnson & Johnson Medical, Human-I-Tees, Sony, American Video Glass, Stanley Furniture, Mannesmann Rexroth, Atlantic Packaging Company, The Walt Disney Company, Total Safety Inc, Calgon Carbon, Argo-Tech, Piper Aircraft, Vistakon (Div of J&J), NCS Pearson, Ohio Wholesale Company, Schering - Plough, Curtiss-Wright Electro Mechanical Corp., DePuy Orthopaedics, Alcon Labs, Graco, Cordis (Div of J&J), Chevron Texaco, the Institute for Supply Management, U.S. Fuel Division of Westinghouse Electric Company, the Russell Corporation, JC Penney Company, Centocor (Div. of J & J), GKN Aerospace, IDL Merchandising Solutions, Creative Technology, Allegheny Energy, Bre Properties the American Society of Materials, Animal Rescue League, Petronas.

Robi is a lifetime C.P.M., and has received ISM's new certification, the CPSM, and also holds the MCIPS Certification as awarded by CIPS. He has an undergraduate degree from the University of Texas, and a Masters Degree from Penn State University.

**His energetic and enthusiastic style, combined with extensive functional experience, makes him an excellent consultant, trainer, and facilitator of change.**

### HERE'S WHAT OTHERS SAY ABOUT ROBI:



*"Robi had delivered the training in a very effective manner and opened my eyes... about how important cost analysis is."*

~ Cheok long Jer - Procurement Engineer  
- Hanwah Q-Cells



*"Trainer is very knowledgeable & experienced."*

~Janice Wong - AVP Procurement - HSBC Bank



*"[I liked] the examples given and the comprehensive handouts. Detailed explanation. Very useful for future reference. Just go and attend."*

~Tamilarasan Anjan - Senior Procurement Engineer Xyratex (Seagate)



*Robi has covered my concerned areas. Doing the exercises makes learning more easy to absorb."*

~Juraida Abd Jalil - Expense Reduction Analysis



*"He [Robi] is very knowledgeable and enlightened me with the right fundamentals of cost analysis."*

~ Amberina Gee Shwu Chyn - Procurement Specialist Prudential Services Asia



*"Very Practical training course that providing more insight on carrying out an effective procurement price/cost analysis."*

~ Leong Shiao Mei - Procurement Project Specialist - Xyratex (Seagate)



*"I feel so refreshed knowing I've learned new tools that could be applied in my work."*

~ Fadzillah Md.Fadzil - Lead Procurement Analyst - Tenaga Nasional Berhad



*"I attended the course with the fear that this would be a math session where all we did was do math exercises. I was extremely happy with the material and the delivery and for the first time in a decade or so of attending trainings in the region - I am greatly satisfied!"*

~Mohammed Khaled Al Gussyer  
- Logistics Manager