Total cost of ownership

What companies should take into account
when it comes to capital goods

Minebea intec
The true measure

Costs incurred through capital goods and how the whole investment use period should be considered.

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Useful answers to important questions such as these:

- What´s the difference between TCO and LCC?
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Introduction

As the name suggests, the **total cost of ownership** (TCO) approach involves defining a calculation process, in particular to help companies compile all costs arising through capital goods and consider them throughout the whole investment use period.

All types of costs rather than just procurement costs are analysed and then optimised. This involves **finding cost drivers** and identifying possible hidden costs before making the planned investment in order to **make the right investment decision**. This White Paper offers an insight into the **various cost types and factors.**

The TCO approach was developed in 1987 by Bill Kirwin, Research Director at the advisory firm Gartner Inc., on behalf of Microsoft. The consideration of costs beyond the purchasing price can be traced back to 1927/28 as it was mentioned by Borsodi (1927) and Harriman (1928) with regard to procurement and supplier selection.[1]

[1]Wikipedia: https://de.wikipedia.org/w/index.php?title=Total_Cost_of_Ownership&oldid=195571722

TCO: Definition and differentiation from LCC

The terms TCO (total cost of ownership) and LCC (life cycle costing) are unfortunately often mixed up. LCC is primarily used when it comes to capital goods within the manufacturing industry and it focuses on operating and procurement costs. TCO, on the other hand, is a comprehensive term which also takes into account the costs for expenditure during use such as breakdowns, routine maintenance and training. However, several models exists for carrying out a TCO.

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