

Pricing and Cost Analysis in Purchasing



Live Audio Conference • November 10, 2011 • 1:00 PM – 2:30 PM EST

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Presented by:

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The Ohio State University

- The Edwin D. Dodd Professor of Management, and Professor of Operations and Supply Chain Management in the Fisher College of Business at The Ohio State University
- Teaches courses in purchasing/supply management manufacturing planning and control, operations analysis, facility design and the business of health care to M.B.A. and doctoral candidates
- Partner in Supply Chain Solutions, a supply chain management consulting firm
- Published more than 120 articles in the areas of purchasing management, inventory control, supply chain management, quality assurance, materials management and health care
- Frequent speaker and recognized operations management researcher
- Doctorate in operations and systems management and quantitative business analysis, Indiana University in Bloomington, Indiana
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One of the most important and complex decisions a business or organization has to make is how much to pay for its items or services. The buying professional should be able to easily detect prices that are too high. Thus pricing decisions must be given careful consideration when buying industrial products and services. The price of a product or service should be expected to cover cost of production, promotion and distribution, plus reasonable profit. In order to obtain the most efficient and acceptable price the purchasing professional must make sure that they are aware of market conditions and prices associated with quality levels required for the buying firm's needs. The effective buyer must become an expert for the items that they purchase. The objective of price-cost analysis is not to get the lowest price, but to obtain the best value with consideration for delivering time, acceptable quality levels, in the appropriate quantities. In general price is important; however, remember it is only one of many variables that are included in purchasing decisions.

AGENDA

Price-Setting Strategy (Economic)

Price-Making Strategy (Psychological)

Discounts

- Cash
- Trade Discounts
- Quantity Discounts

Price Analysis

Cost Analysis

- Direct Material
- Direct Labor
- Tooling (If Relevant)
- Overhead (Manufacturing or Project)
- General and Administration
- Profit

The Learning Curve

- Direct Material Costs
- Direct Labor Costs

The Price/Cost Analysis Process

- Example
- Negotiations

“The ability to learn faster than your competitors may be the only sustainable competitive advantage.”

— Arie de Geus



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Who Will Be There?

This live audio conference is designed for purchasing managers, buyers, contracting and materials managers, procurement managers, presidents, vice presidents, accountants, bookkeepers, financial professionals and attorneys.

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