

# P13 - VALUE FOR MONEY THROUGH COST PRICE ANALYSIS

## LEVEL

## DURATION

## METHOD

Working /Practitioner

1 day

Training Course

## OVERVIEW

The course explores the relationship between cost and price. An understanding of methods of costing, pricing strategy, cost drivers and levers is essential in order to achieve value for money through review of supplier pricing.

## AUDIENCE & FORMAT

This course is for procurement professionals and non–procurement contract users who may become involved in negotiation, price reviews or contract management

## OUTCOMES

On completion of this course attendees will:

- Understand financial accounts and use them to derive a model cost structure.
- Understand various costing techniques used by suppliers.
- Define “profit” and understand how profit margins are set.
- Understand how suppliers set prices for their products / services.
- Understand how and when to ask for cost breakdowns and why suppliers resist such requests.
- Understand how costs are “hidden” or “disguised”.
- Understand what is meant by “key cost drivers” and how procurement can help remove unnecessary cost from prices.
- Understand why suppliers request price increases and how to deal with them.

## COURSE CONTENT

- Financial statements and Cost Model Structure
- Costing techniques – Absorption and Marginal Costing
- Pricing Strategies
- Cost Modelling
- Open Book Costing
- Cost Drivers and levers

Relevant Competencies	PROCUREMENT JOURNEY
<ul style="list-style-type: none"><li>▪ Strategic sourcing</li><li>▪ Supplier profiling</li><li>▪ Market analysis</li><li>▪ Commercial competence and business acumen</li><li>▪ </li></ul>	<ul style="list-style-type: none"><li>▪ Zone A (develop strategy)</li><li>▪ Zone B (open and evaluate tender)</li><li>▪ Zone C (contract and supplier management)</li></ul>