Case study purchase price just one component of cost

Business

Just One Component Of Cost Total cost of ownership is related to procurement and use of a product.

This cost is comprised of acquisition cost, ownership cost, and post ownership cost. The acquisition cost entails the price paid for the direct and indirect materials, products and services. Planning costs include the cost of developing requirements and specifications. Quality costs usually lower the design phase of future ownership and cost ownership for purchasers and customers.

More so, ownership costs entail the initial purchase with the ongoing use of a purchase product or material, which can be qualitative or quantitative. However, post ownership costs, shows the salvage value and the disposable costs which estimate the costs of capital purchased.

The cost of ownership analysis forToyotaand General Motors catches my attention. Toyota cars have withstood the test of time where the acquisition cost seems to be reasonable. The purchase price of General Motors seems slightly inexpensive ampere to Toyota cars.

Most customers negotiate, and receive discount based on specification of cars. The cost to incur GM seems higher than Toyota, yet the latter have performing price and it cost analysis outweighs the former.

Statistically, Toyota has been known for lower the initial cost of future ownership and post ownership cost for the buyers. This is because Toyota second hand value is better for buyers than GM. There would be a reduce purchase price for GM due to less domestic taxes while the taxes for obtaining Toyota from abroad would cost more. This is because of international tax.

Nevertheless, the financial costs of acquiring Toyota have been more beneficial than cost.

In the fact that It cars are durable, dependable and efficient. The ownership costs of Toyota maintenance, repair, and the finance of the qualitative cost are very economical. Toyota Is so dependable that Its customers are loyal the company. Due to the fact that GM Company builds numerous type of cars and suddenly over stock it inventory. This lead the company to ridiculous discounted it cars in order to reduce the excess inventory.

This warranted GM to cut down on it mass production.

The risk associated with Toyota is low because it utilizes the business model, Just – in – time while GM embraced Just – in – case. Just – in -case inventory is treated as waste that the company planned to reduce. This is because it causes over production. Toyota was able to reduce it cycle time because it embraces the model Just in time, which increase return on investment and productivity. Non value added Is beneficiary In both Toyota and GM In term of total quality management, continuous Improvement, and activity based costing.

This has caused a change In the approach of Identifying non value added. In addition, pre-ownership cost determines the salvage value and disposable cost of a car. In other word, it snows a earache value AT a car Trot Its actual purchase price Ana ten rate AT It depreciation costs. Toyota was able to show higher re-sales value better than other makes like GM that depreciates at higher rates. Toyota has less product liability costs, in the sense that most Toyota cars were produced, designed, in higher standard than General Motors.

Nevertheless, customer dissatisfaction costs show that Toyota was ranked #314 out of the 714 companies with an overall score of 36.

58 out of a possible 200 based upon 502 ratings while General Motors was ranked #230 out of the 714 companies with an overall score of 42. 94 out of a possible 200 companies. In conclusion, Toyota adopted some strategy or model that is beneficiary to the company which distinguish it in the long run. Toyota benefited from advance technology, innovation and Just in time model. Furthermore, Toyota implement cost deduction and improve efficiency in supply chain management.