

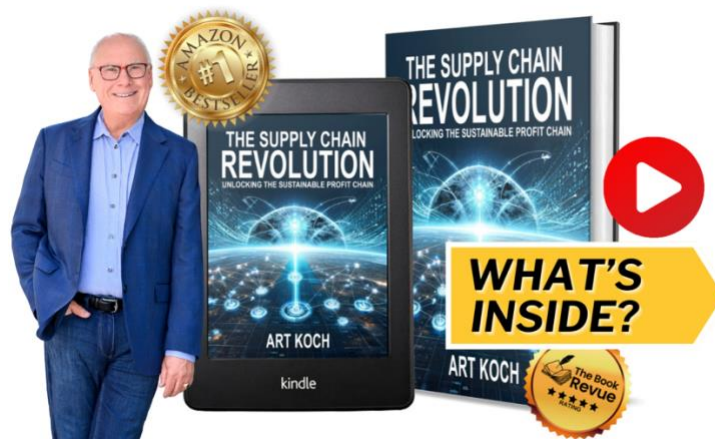
Art Koch's Profit Chain® Tips

The Supply Chain Revolution: Unlocking the Sustainable Profit Chain

Volume 5 | Number 14 | October 2024

Continuing my What's Inside the Book series - here I share what you'll find in *Chapter 6: Beyond the Surface: The Total Cost of Ownership*.

Have a look at the video for more detail. As before, I have included a short summary of what you'll find in the video below.



Click for Video

Art Koch's Profit Chain® - Beyond the Surface: The Total Cost of Ownership

Chapter 6 delves into the intricacies of Total Cost of Ownership (TCO) and its role in supply chain management. Art Koch introduces his methodology, "Art Koch's Profit Chain," emphasizing how companies often overlook the hidden costs of ownership when making procurement decisions, which can lead to poor financial performance and inventory management. The chapter compares the hidden costs of TCO to an iceberg, with much of the true cost lying beneath the surface. By understanding and implementing comprehensive TCO models, organizations can unlock significant cost savings and improve operational efficiency.

Understanding Total Cost of Ownership (TCO)

- TCO includes not just purchase price but transportation, storage, damage, shrinkage, and other indirect costs.
- Traditional procurement decisions focus only on visible costs, missing 90% of the actual cost, much like an iceberg.

Impact of Poor TCO Management

- Many companies mistakenly prioritize purchase price, leading to suboptimal inventory management and financial performance.
- Inaccurate TCO calculations can be off by 25-40%, especially when failing to consider long-term costs like inventory carrying.

Breaking the Cycle of Antiquated Cost Models

- The author argues that outdated cost assumptions from decades ago continue to mislead organizations.
- To truly optimize TCO, companies need to embrace models that reflect modern supply chain realities and reduce lead times.

Real-World Example

- A Tier 1 automotive electronics manufacturer faced inventory and quality issues due to long lead times.
- Art's intervention cut inventory by 60%, improved on-time deliveries from 84% to 98%, and resulted in significant cost savings.

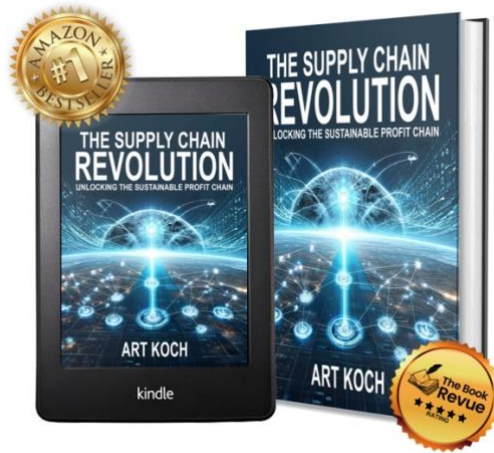
Key Takeaway

- Operational excellence in supply chain management comes from focusing on TCO, reducing inventory, and increasing inventory velocity to drive profits and customer satisfaction.

If you want to discuss this topic further and how it might impact your business, schedule a 30-minute call with Art here. [30-Minutes with Art](#)
info@arthurkochmgt.com

Carpe Diem,

Art Koch



Find out more about "The Supply Chain Revolution" [here](#).

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Get your copy on [Amazon](#).

Art Koch's Profit Chain®

Create dramatic improvements to inventory velocity, customer service, and corporate profits.

If you have any questions or concerns about your operations and supply chain business strategy, please contact me by [e-mail](#) or at +1 (336) 260-9441.

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Self-Ranking - Pick one of the four questions below and fill in your comments relating to the current month's newsletter in the space provided.

1. Don't think this applies to your business or enterprise? (Write three to four reasons why it might not.)
2. A new idea and strategy; we need to work toward it. (Brainstorm the first steps.)
3. We can do better. We just need to modify our strategy, and now we are moving in the right direction. (What are the next steps to ensure success?)
4. Our team gets the time to keep their minds fresh, and we plan to live our dreams. (Comment on how you're ready.)



- _____
- _____
- _____
- _____

Thanks in advance for your time and for being a loyal client. Looking forward to helping you and your team again soon.

Carpe diem,

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Don't be afraid to call with any questions or comments.

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Stop letting the process manage you! Become the champion of your game plan and achieve sustainable profits.

The Inventory Doctor®

Assessing the health of enterprise inventory and procurement practices.

Inventory Is Evil!™

in·ven·to·ry / 'in·vən-ˈtôr-ē / noun

Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.

in·ven·to·ry is evil! / 'in·vən-ˈtôr-ē is 'ē-vəl / phrase

"Left unchecked inventory has many negative unintended consequences to profitability. It hides problems; therefore, it delays fixing problems!"

Transforming Problem Chains into Profit Chains™

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