

**Soup to Nuts:
Total Cost of Ownership
(TCO) Contracts**

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Soup to Nuts: TCO

Presentation Scope

The scope of this session will include a discussion of the activities and decisions that need to be considered in the development of a Total Cost of Ownership procurement.

Your presenters:

- Sharon Buck
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Is TCO the Best Way to Go?

- Total Cost of Ownership (TCO)- An established method that can be used to assess all of the costs of owning a particular product throughout its lifecycle. It is intended to provide an apples-to-apples comparison between differing models or brands of a similar product.



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Is TCO the Best Way to Go? (Cont'd)

- If the product that you're attempting to procure has several moving parts, consumables, a lifecycle expectation and the need for ongoing maintenance or service throughout the lifecycle of the product, TCO should be explored.
- TCO analysis is used to support acquisition and planning decisions for a wide range of assets that bring significant maintenance or operating costs across a long ownership life.



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Is TCO the Best Way to Go? (Cont'd)

Total Cost of Ownership (TCO) Analysis

- The initial price of an item is not always reflective of the actual costs that will be incurred to own and operate a product throughout its life cycle
- TCO analysis will uncover the actual price behind the price tag, by accounting for any hidden costs to be incurred before and after a product has been purchased
- Being aware of these hidden costs ahead of time is vital in Budgeting, Asset Lifecycle Management, and Lease vs. Buy Decisions



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Is TCO the Best Way to Go? (Cont'd)

Total Cost of Ownership (TCO) Analysis (Cont'd)



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Conducting a TCO Analysis – 3 Categories of Factors to Consider

Acquisition Costs: Costs related to the initial purchase of the product

- Hardware
- Installation
- Initial Supplies/Consumables



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Conducting a TCO Analysis – 3 Categories of Factors to Consider (Cont'd)

Operating Costs: Costs that will be incurred as a result of owning/operating the product

- Personnel
- Maintenance
- Energy Consumption
- Consumables



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Conducting a TCO Analysis – 3 Categories of Factors to Consider (Cont'd)

Operating Costs (Cont'd)

- Physical Space
- Security costs:
 - Physical security
 - Electronic security
- Insurance



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Conducting a TCO Analysis – 3 Categories of Factors to Consider (Cont'd)

Change or End of Life Costs: Costs that will be incurred when the item has reached the end of its useful life and must either be enhanced or disposed of

- Upgrades
- “Greening”
- Decommissioning



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Conducting a TCO Analysis – 3 Categories of Factors to Consider (Cont'd)

Change or End of Life Costs (Cont'd)

- Disposal
- Extraction
- Sanitizing



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Office Equipment - Overview

- We'll use the Office Equipment solicitation as a framework for most of this presentation
- Strong business case for a TCO approach to Office Equipment
- Thorough input from users and vendor community to develop technical specs
- Research and analytics on lifecycle costing



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Office Equipment – Where We Began

Key Challenge: we had to create a comprehensive and responsive solicitation in order to have any measure of success; there was no fallback.

Identified stakeholders

- Agencies with high spend on this type of equipment
- OEMs and vendors in the bidding community



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Office Equipment – Where We Began

- Examined spend data
 - What type of equipment was being purchased?
 - How often?
 - Are there key add-ons, accessories, parts or consumables that constitute significant spend?
 - What maintenance or warranty costs are associated with the equipment?
- Market research
 - Identify what's available in the market that has specifications that would meet most needs.
- RFI, RFC, etc.



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Office Equipment – Specification Development

- Comprehensive Analysis of State Spend
- Market Research
- Lotting Structure
- Development of Performance Specifications and Mandatory Options for various Office Equipment Product Categories



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Office Equipment Performance Specifications

Workgroup Printer – Color (High End)

WORKGROUP PRINTER COLOR (High End)

Listed below are the required Performance Specifications and Mandatory Options for this Equipment Product Category. Bidders must propose equipment that is compliant with specifications and shall insert their Proposed Printer's Specifications where requested.

Bidder Name:			
Proposed Printer Base Model:			
Performance Specifications			
Technical Attribute	Required Minimum Specification	Printer Base Model	If Exceeds Minimum Performance Specification, Please Provide Bidder(s) Specification
Print Technology	Laser/Solid Ink		
Print Speed (Color)	Min 30 PPM letter		
Monthly Duty Cycle	Min 50,000		
Auto Duplex (Color)	Auto duplex required		
First Page Out	Max 15 seconds		
Print Quality	600 x 600 dpi		
Connectivity	Integrated NIC, 10/100, BOOTP Capable, Bonjour/Multicast-DNS (mDNS) Capable		
Print Languages	PCL 6 or PCL 6 Emulation, PostScript 3 or PostScript 3 Emulation		
Memory	Minimum 256 MB		
Media Type	Paper, recycled paper, labels, envelopes		
Remote Management	Web-based remote management		
Compatibility	Mac and Windows 7 and Server 2008 Compatible		
Input	500 sheets. Minimally, one (1) input tray adjustable to 8.5"x 11" and 8.5"x14"		
Mandatory Options			
Technical Attribute	Required Minimum Specification	Meets Minimum Specification	If Exceeds Minimum Specification, Please Provide Bidder(s) Specification
Cables	6 ft Ethernet		
Paper Trays	Additional paper trays/feeds (must include at least one additional paper tray option that will allow for additional capacity of 500 sheets, increasing total input capacity to 1,000 sheets minimum)		
Memory	Upgradable to 512mb		
Asset Mgmt.	Asset Tagging		
Connectivity	Wireless 802.11 b/g USB Disabling Feature (if USB equipped) to prevent printing from and scanning to USB memory devices		
Installation	Installation - Pursuant to RFP Section 8.5		
Networking	Networking - Pursuant to RFP Section 8.5		



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Office Equipment Performance Specifications

Multifunction Printer Black & White (High End)

MULTIFUNCTION PRINTER BLACK & WHITE (High End)			
Listed below are the required Performance Specifications and Mandatory Options for this Equipment Product Category. Bidders must propose equipment that is compliant with specifications and shall insert their Proposed Printer's Specifications where requested.			
Bidder Name:			
Proposed Printer Base Model:			
Performance Specifications			
Technical Attribute	Required Minimum Specification	Printer Base Model	If Exceeds Minimum Performance Specification, Please Provide Bidder(s) Specification
Print Technology	Laser/Solid Ink		
Print Speed	Min 45 PPM letter		
Monthly Duty Cycle	Min 200,000		
First Page Out	Max 10 Seconds		
Print Quality	600 x 600 dpi		
Scan Resolution	600 x 600 dpi		
Connectivity	Integrated NIC, 10/100, BOOTP Capable, Bonjour/Multicast DNS (mDNS) Capable		
Print Languages	PCL 6 or PCL 6 Emulation, PostScript 3 or PostScript 3 Emulation (w/support for direct consumption of at least PDF v 1.3)		
Memory	Minimum 256 MB		
Media Type	Paper, recycled paper, labels, envelopes		
Remote Management	Web-based remote management		
Compatibility	Mac and Windows 7 and Server 2008 Compatible		
Input Printing	500 sheet adjustable tray (minimally adjustable to 8.5"x11" and 8.5" x14")		
Input Scanning (ADF)	50 sheet ADF		
Output	500 sheet tray		
Duplex	Automatic		
Productivity Features	Copy, Print, LDAP Authenticated Scan to E-mail, LDAP Authenticated Scan to Network, Fax 33.6 Kbps		
Mandatory Options			
Technical Attribute	Required Minimum Specification	Meets Minimum Specification	If Exceeds Minimum Specification, Please Provide Bidder(s) Specification
Cables	6 ft Ethernet		
Paper Trays	Additional paper trays/feeds (must include at least one additional paper tray option that will allow for additional capacity of 500 sheets, increasing total input capacity to 1,000 sheets minimum)		
Memory	Upgradable to 512mb		
Asset Mgmt.	Asset Tagging		
Connectivity	Wireless 802.11 b/g		
	USB Disabling Feature (if USB equipped) to prevent printing from and scanning to USB memory devices		
	Scan to Email (LDAP) Disabling Feature		
Hard Disk	Additional option		
Installation	Installation - Pursuant to RFP Section 8.5		
Networking	Networking - Pursuant to RFP Section 8.5		

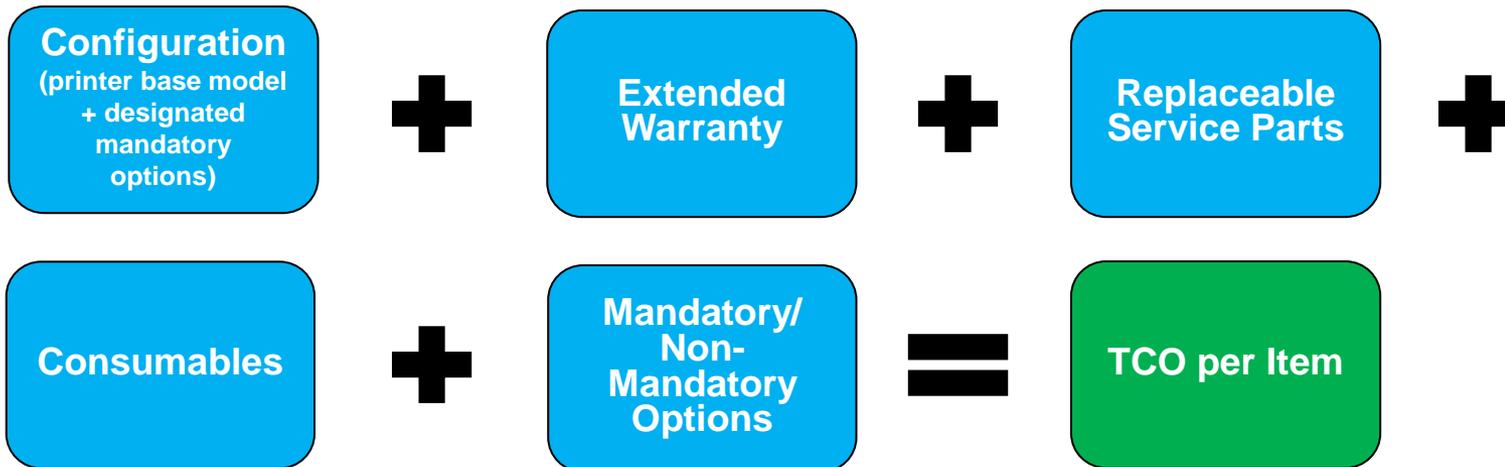


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Components of Office Equipment TCO

TCO = Configuration + Extended Warranty + Replaceable Service Parts + Consumables + Options (Mandatory and Non-Mandatory)



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Wrap Up

- A TCO can help you more clearly define the true cost of owning a product over its lifecycle
- TCO can be pursued through various procurement mechanisms (RFP or IFB)
- Please reach out to your OGS presenters to get additional information on TCO procurement

QUESTIONS?



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