

Total Cost of Ownership: More Than You Bargained For?



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TOTAL COST OF OWNERSHIP: MORE THAN YOU BARGAINED FOR?

This thought piece is designed for operations and procurement teams to help understand that the total cost of ownership can often be double the purchase price.

LIST PRICE
\$43,310



LIST PRICE
\$81,020



You buy a car and you pay an initial price for it. But that's not the end of paying for the car. You have a whole lifetime of that: Insurance; Tax; Fuel; Servicing; Tyres; Unscheduled maintenance; Interest payments (if you've financed the purchase with a loan); Depreciation; Your time dealing with all of these things. The Tesla Model S is twice the list price of an Acura (Honda) TL. But guess what? The lifetime cost is almost identical.

Acura TL cost over 10 years	
Miles driven over 10 years	80,000
Gasoline (\$3.5/gallon)	\$16,470
Install home car charger	\$0
Vehicle maintenance	\$6,813
Time investment/113 hrs	\$5,625
Licence renewals	\$995
Insurance	\$7,500
Federal and state tax break	\$0

Tesla Model S cost over 10 years	
Miles driven over 10 years	80,000
Electricity (\$0.49/kWh)	\$1,317
Install home car charger	\$1,000
Vehicle maintenance	\$750
Time investment/9 hrs	\$440
Licence renewals	\$175
Insurance	\$8,130
Federal and state tax break	-\$11,500

TOTAL OWNERSHIP COST
\$80,713

TOTAL OWNERSHIP COST
\$81,332

Model S Coil (2016) Total Cost of Ownership [Online] Available: <https://modelscoil.com/total-cost-of-ownership/> [6 September 2016]

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Hardware	Software	Support
<ul style="list-style-type: none"> • Replacing failed unit (i2O provides 3 year warranty as standard, longer for larger contracts) • Battery change (can be done in the field; none needed, designed to upload data every day for more than 5 years) • SIM change (can be done in the field) • Recalibration of transducers (none needed) • Upgrading firmware (done over the air, no return to base) • Replacing with a controller as part of an Advanced Pressure Management system (not required – the i2O 3 pressure logger can also be a controller) • Monitoring transients at the same location (not required – i2O's loggers provide transient detection data as standard) • Assessing condition of PRVs (not required – i2O's loggers provide PRV condition assessment data as standard) 	<ul style="list-style-type: none"> • Network hardware and software • Server hardware and software • Workstation hardware and software • Hardware maintenance • Scaling costs • Warranties and licenses • License tracking - compliance • Infrastructure - floor space • Electricity for related equipment, cooling, backup power • Downtime, outage and failure expenses (i2O guarantees 98% uptime) • Security including breaches, loss of reputation, recovery and prevention (ISO 27001 accreditation) • Backup and recovery process • Insurance • Information technology personnel performing testing, installation, upgrades and patches • Corporate management time 	<ul style="list-style-type: none"> • Training • Technical support

** assumes a 5 year life span for a logging device that communicates using mobile phone networks*

The next time you buy a logger, you should consider carefully not just the initial cost, but the lifetime cost to understand the total cost of ownership. Indeed you should ensure that your procurement process takes full account of both. You may not want to buy the cheaper one when it turns out that its lifetime cost is in fact the same as the purchase price, doubling the total cost of ownership.

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