



Elgi Rubber Company Limited

TCO & Value

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Providing Solutions that YOU need

Evolution of Customer Expectations

- Gone are the days when *superior quality* could be a USP for a product
- Quality is a *given* in today's world
- *Premium pricing* is becoming increasingly difficult; market depth for such pricing is also limited
- Differentiation is based more upon *value generation* from the product & service
- What is reasonably in our control for achieving value generation is, hence, only our *costs....*

Price Vs. Cost

- Used interchangeably but mean different things
 - Prices are visible & static, relate to a point of time & limited in scope for representing value
 - Costs can sometimes be hidden & not readily noticeable
 - Value is a critical differentiating element
 - Value arises over a period of time, particularly for capital assets
 - Value is relatively more salient than costs
- The importance of Life Cycle Costing

Life Cycle Cost Components

- Upfront price paid
- Additional costs incurred during the life of the product:
 - Energy costs
 - Maintenance – service, spares
 - Labour costs
 - Consumables, wastages, etc.
- These need to be compared to the Value gained

Total Cost of Ownership - TCO

- Very commonsensical concept but popularised by the IT research & advisory company, Gartner, during the 1980s
- TCO refers to the total cost of a product spread over its life time
- Encompasses both direct and indirect costs, some of which are opaque, flying under the radar, for example, customer dis-satisfaction & loss of business

TCO Vs Value: Retreading a Tyre

TCO parameters:

- Retreading charges
- Repair charges, if any
- Other charges like transportation, fitment, etc.
- Turnaround time for retreading
- Vehicle fuel consumption, maintenance cost
- Risk of failure of tyre & consequent costs of business loss, damage to cargo/persons

TCO Vs Value: Retreading a Tyre-Contd.

Value parameters:

- Total kilometres run
- Integrity of casing permitting repeat retreading
- Terminal value of tyre casing
- Driving comfort, safety
- Other services provided by retreader

TCO Vs. Value : Autoclave for Retreading

TCO parameters:

- **Price of Autoclave**
- **Annual maintenance expenses**
- **Expenses on spares & consumables**
- **Failure rate of tyres, if any**
- **Energy cost per hour of operation**
- **Labour costs involved, ease of operation**

TCO Vs. Value : Autoclave for Retreading-Contd.

Value parameters:

- No. of tyres that can be processed
- Cycle time
- Uptime
- Service response time
- Training services
- Safety in use

TCO Vs. Value : Inside/Outside Envelope

TCO parameters:

- Price
- Energy cost
- Failure rate
- Labour cost

TCO Vs. Value : Inside/Outside Envelope – Contd.

Value parameters:

- No. of cures
- Savings on curing bag, rim cost
- Ability to handle repairs
- Reduced curing time & energy costs
- Enhanced autoclave capacity
- Ease of handling, labour costs

Repair Vs. Buy Used Vs. Replace with New

- The cost of ownership, tracked over the life of a product, is likely to show an increasing trend; with age, efficiency will drop & cost increase.
- Value, too, will dwindle over time
- With diminishing marginal returns, the TCO for a new machine or any other product will become more viable
- Often, performance assessment over time is limited to measuring output but not the cost of ownership
- Need for regularly validating TCO with reference to new products/versions

Take Aways

- **Valid for Retreaders, Truck owners, investors in any capital asset**
- **Need for assessing Value gained & costs incurred over life time of product**
- **Appreciate that, with age, a product's efficacy drops & costs increase**
- **Continuous monitoring of costs and value**
- **Renewal of assets at appropriate time**



About Elgi.....

- Pioneer in retreading in India; current operations span the globe, annual sales ~ USD 60 million
- Plants located in India, the USA & Brazil; also in Sri Lanka & Kenya
- Manufactures all inputs required for retreading – tread rubber, cushion gum, cement, repair units, envelopes, machinery for retreading, etc.
- Also active in Reclaimed rubber with plants in India and the Netherlands

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Elgi Stall at ARC 2018

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outside this Conference Hall
if you have not already done so*



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Elgi Theme :

Value for Money !

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Thank You !

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