

Procurement Management Optimization based on Life-cycle-cost Analysis for Telecom Companies

Xiaoli Zhu & Xiuqing Huang

School of Economics and Management, Beijing University of Posts and Telecommunications,
Beijing, China

juliebupt@gmail.com, hxiuqing@vip.sina.com

Policy Brief

Currently, the Life-cycle-cost (LCC) theory has been widely used in some typical industries of foreign countries, like railways, military equipment and power systems. However, its application in China is rather limited, especially in the telecommunications industry.

In this paper, we carried out an empirical study on the application of the LCC theory to equipment procurement management of a domestic mobile telecom company, and made specific proposals and suggestions to optimize its cost management. As is shown in practice, remarkable results have been achieved. The implementation of the LCC theory in telecom companies has made it possible to get a balance between lower purchase prices and low operating expenses due to reliable quality and performance of products, so that operators can obtain the lowest costs in the entire life cycle. Not only was the business investment greatly cut down, but also the efficiency of the procurement management was improved.

This paper is of great significance in the current trend of transformation and restructuring in the global telecommunications industry, particularly for the huge investment in the construction and operation of domestic 3G networks. In addition, the study has important reference value for other similar capital-intensive enterprises.

In order to realize better effects in practical application, the following aspects should be kept to ensure good performance of the procurement activity:

- To establish the concept of LCC in the procurement management;
- To apply classification management strategies;
- To reinforce supplier relationship management.