Cost-drivers
definition, identification, etc.

A cost-driver is a factor that has an impact on the cost of a product or service.

It may be a technical characteristic, a function or a location (examples: weight, length, region, type of surface, etc.).

A cost-driver may be a quantitative value or a qualitative value.

To know if a factor is a cost-driver, you have to ask yourself if, for products with identical characteristics but different costs, this factor would make it possible to differentiate them significantly. If the answer is yes, the factor is a cost-driver.

If a factor is identified as a cost-driver but is difficult to access, you can replace it with its consequence, if this consequence is easier to obtain. For example, if the number of impressions is more accessible than the projected area, the number of impressions can be used as cost-driver instead of the projected area.

To quickly identify the cost-drivers of a product, we advise you to bring the costing, R&D and/or engineering people together with examples of parts or plans.

A cost-driver is / is not

a technical characteristic

The technical characteristics of a product are cost-drivers, like the weight, the length, the width, the diameter, etc.

a function

A function of a product is a cost-driver. For example, the function "Screwdriver (yes/no)" of a drill has an impact on the cost of the product. For strictly identical characteristics, the fact of having a screwdriver function will result in having a higher cost.

a country/a region

The country, the region, the city, etc., of production is a cost-driver. It inevitably influences the cost of the product.

a supplier

The name of the supplier is a cost-driver. In fact, depending on the supplier, you will not pay the same price for a same product.

a percentage

Even if it is preferable to use a value, a factor representing a percentage can be used as cost-driver.

a month

The month can be a cost-driver unlike a date. In fact, it can result in seasonality and therefore have a noticeable impact on the cost of the product.

a time-variable factor

A time-variable factor is not a cost-driver. For example, the euro/dollar exchange rate cannot be a cost-driver because its value changes over time.

an exchange rate

The exchange rate is not a cost-driver. It is an indicator that varies over time and that will be used to adjust quotations, but not to estimate the cost of a product.

a unique identifier

A unique indicator, like a product identifier, is not a cost-driver. A cost-driver must at least include two separate values.

a material cost

The material cost is used to adjust quotations, but is not a cost-driver. Just as for the exchange rate, it is a time-variable factor.
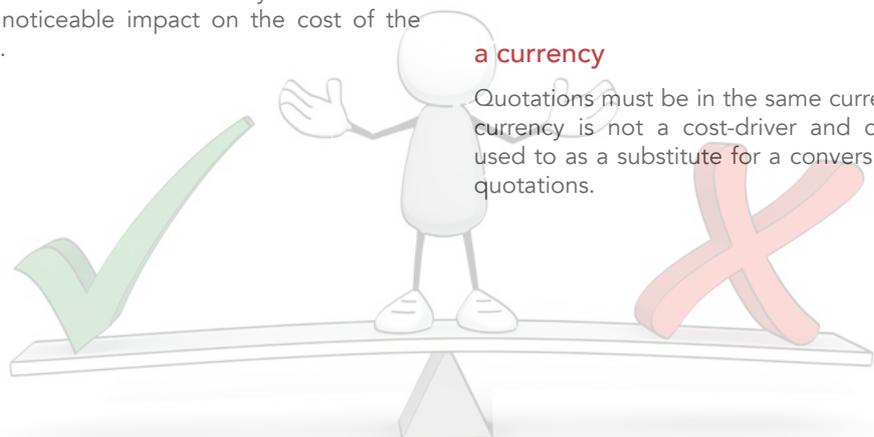
a date

The manufacturing date of a product is not a cost-driver. The date of a quotation is used for adjustment or as filter.

an incoterm

The incoterm is not a cost-driver but a value to be estimated.

a currency

Quotations must be in the same currency. The currency is not a cost-driver and cannot be used to as a substitute for a conversion of the quotations.

EXAMPLES

Die casting

Supplier's name
Country/region/city of production
Volume purchased
Raw material
Net weight
Gross weight
Finishing
Projected area
Type of surface treatment
Number of machined surfaces
Number of threads
Assembled part (yes/no)
Number of cavities
Type of process
Type of cooling
Number of cores

Plastic injection

Supplier's name
Country/region/city of production
Volume purchased
Raw material
Number of materials (mono/bi/tri)
Injection technology
Number of inserts
Height
Width
Depth
Net weight
Number of cavities
Surface treatment
Silkscreen printing (yes/no)
Stamping (yes/no)

Fastening: screw

Supplier's name
Country/region/city of production
Volume purchased
Material
Diameter
Length
Head shape
Type of drive
Surface treatment
Finishing
Class
Head height
Head diameter
Self-drilling (yes/no)

Footbridge

City
Population
Supplier
Station class
Architect
Intervention period
Length
Width
Height
Ease of access
Number of stairways
Number of tracks
Number of elevators
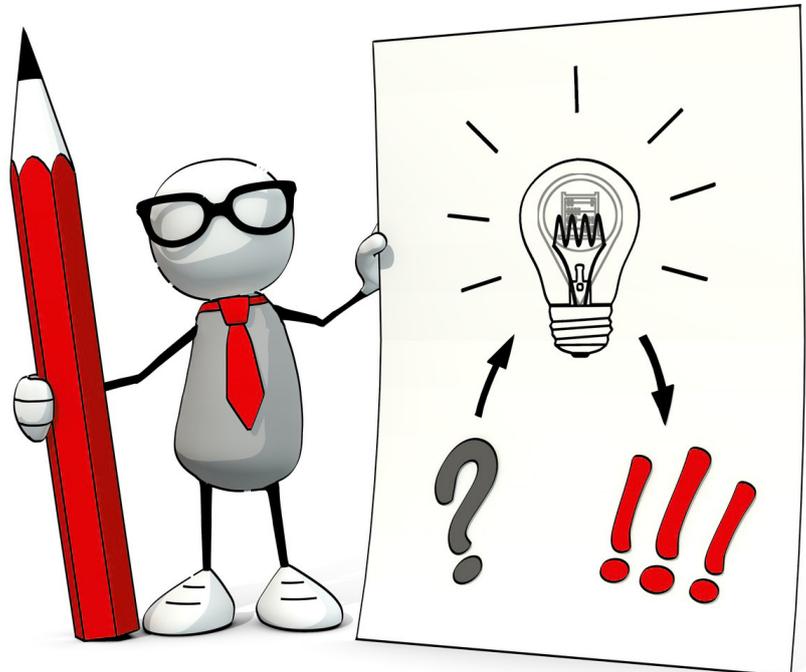Catenary (yes/no)
Clearing (yes/no)

Cleaning service

Service provider's name
Type of establishment
Nature of the flooring
Number of floors
Open space area
Closed offices area
Number of offices
Opening to the outside (yes/no)
Number of meeting rooms

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