

“Economic Benefit and Cost Drivers”
(source: CGU Professor Jay Prag...used with permission)
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Course: MGT 360

Title: Management and Organizational Behavior (3 units)

“Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.”

---Adam Smith (1723–1790)

Purpose:

The primary purpose of this handout is to augment the strategic formulation and implementation material in the textbook. The qualitative (“management”) side of strategy centers on the many facets of vision, mission, objectives, and goals. The quantitative (“economics”) side of strategy centers on “benefit” drivers and “cost” drivers.

Benefit Drivers:

Benefit drivers typically have a key *consumer*-oriented attribute, such as increases in perceived quality.

1. Physical characteristics
2. Service or Complimentary Goods
3. Sale or Delivery Factors
4. Expectations Enhancing
5. Subjective Features

Cost Drivers:

Cost drivers typically have a key *production*-oriented attribute, such as decreases in marginal costs.

1. Size
2. Experience
3. Location
4. Government Factors
5. Focus
6. Vertical Integration
7. Efficiency