

# Cost Behavior Analysis of Commvault

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## Commvault

### Company Description

- Provides data storage by means of physical, virtual, application-based, and cloud data storage
- Data protection and security is provided ensuring business continuity
- Computerized information is guarded against viruses, malware, and ransomware
- It is a publicly traded company on NASDAQ with the symbol of CVLT
- 2,500 highly trained employees service over 26,000 well known customers
- Commvault is headquartered in Tinton Falls, NJ
- Commvault is a service company which means they do not have expenses like a manufacturer or merchandising company
- Service companies like Commvault are selling their knowledge and skills
- Commvault offers a very necessary but not easily understood service – data protection and recovery

## Costs Evaluated

### Fixed, Variable, or Mixed Costs

- Salaries is a **fixed cost** because employees received a weekly wage regardless of hours
- Recruiting is a **fixed cost** decided by management
- Marketing is a **fixed cost** set by management
- Insurance is a **fixed cost** of a contractual payment
- Rent is a **fixed cost** with a set monthly payment
- Contracted Labor is a **mixed cost** dependent on services needed and salaries of consultants
- Bonuses is a **variable cost** based on performance
- Education & Training is a **variable cost** that is determined by departmental need
- Employee Benefits is a **variable cost** that is part of compensation for individual employees
- Travel & Entertainment is a **variable cost** dependent on clients and scope of work
- Commissions is a **variable cost** based on employee productivity and meeting sales targets

## Cost Drivers

### For Variable and Mixed Costs

- A Cost Driver is the variable that affects costs
- Costs are determined by an activity, event, or amount of work that changes total costs
- For variable costs, it is the volume of work
- Fixed costs have no cost driver in the short run

### Variable Cost Drivers

- Bonuses – employee performance and tenure
- Education & Training – job requirements
- Travel & Entertainment – client location and dependent on required site work
- Commissions – employee performance related to sales targets and services provided

### Mixed Cost Drivers

- Contracted Labor – number of independent contractors is fixed, but the number of hours they work is variable based on client needs

## Cost Behavior

### How to determine cost behavior

- In order to classify costs, we examined how they were defined, and this made it easier to determine whether costs were fixed, variable, or mixed
- Fixed costs remain constant in the short run
- Variable costs were directly proportional to the activity level of the company
- Mixed costs had elements of both fixed and variable costs

### Conclusion

- Commvault is a service company that has costs that seem unique to their industry which may not fit established categories used in cost analysis such as data storage by means of physical, virtual, application-based, and cloud data storage
- Measurement of intangible costs particular to their industry such as employee skills, knowledge, and expertise need to be measured, analyzed, and accounted for appropriately



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