

Price Breakdown Sheet: Structured Price Presentation in Technical Procurement

The price breakdown sheet is a standardised document with which buyers request comparable, fully itemised price information from suppliers for a product or service. It ensures that quotations from different suppliers are structured according to the same criteria and thus become directly comparable. In technical procurement, it is one of the most important instruments for quotation analysis, cost calculation traceability and the preparation of price negotiations.

Key facts

- A price breakdown sheet standardises the price presentation of quotations and makes several suppliers directly comparable.
- Typical components are material costs, manufacturing costs, overhead surcharges, tooling costs, surcharges for customs duties and freight, as well as bonus or discount arrangements.
- It is the basis for the clean-sheet calculation and for renegotiations of individual cost elements.
- In practice, buyers frequently oblige suppliers contractually to disclose price models over several years.
- Without uniform price breakdown sheets, quotation comparisons lack transparency and the invoice error rate in order processing rises.
- Price breakdown sheets can be depicted digitally in ERP or e-sourcing systems and evaluated automatically.

Definition: Price Breakdown Sheet

A price breakdown sheet is a binding form issued by procurement in which suppliers must disclose the calculative composition of their price. It is not a standalone contractual document but part of the request for quotation and later often an annex to the supply contract.

Distinction from a normal price enquiry

While a simple price enquiry only states a unit price, the price breakdown sheet breaks this price down into traceable elements: material, labour, machine costs, surcharges, profit margin. This level of detail is the prerequisite for a fair quotation comparison and for the later assessment of whether a price increase is justified. Buyers also use the breakdown sheet to bring technically comparable quotations with different packaging sizes or lot sizes onto a uniform basis.

Legal Classification

Legally, a price breakdown sheet is initially merely a cost calculation evidence obligation arising from the contract or the terms and conditions of purchase. It does not establish a right to the disclosure of trade secrets insofar as these are protected by confidentiality agreements. Since the classification in individual cases – particularly regarding antitrust law, secrecy protection and warranty issues – is error-prone, contractual wording should be legally reviewed before it takes effect.

Methods and Approach: Building and Applying a Price Breakdown Sheet

The structure of a price breakdown sheet typically follows the logical cost structure of the product. The more precisely the breakdown sheet reflects the actual value creation, the better it is suited for negotiation and cost control over the term.

Standard Elements of a Price Breakdown Sheet

In practice, a basic structure has become established which is supplemented depending on the industry:

- Material costs with material designation, unit, consumption and material price per kilogram or unit
- Material surcharges and material losses (trim, scrap, error rate)
- Manufacturing costs per operation with machine time, labour rate and machine-hour rate
- Tooling costs, set-up costs and set-up shares per lot size
- Overhead surcharges (material, production, administration and sales overheads)
- Packaging, freight, insurance and customs duties
- Net price per unit, tiered prices based on call-off order volume and profit surcharge

Use in RFQs and Negotiations

The breakdown sheet is sent out together with the purchase requisition (BANF) and the technical drawings as part of the RFQ to selected suppliers. Procurement stipulates the structure on a binding basis so that all bidders complete the same items. In the evaluation, deviations per cost element can thereby be made visible – for instance a significantly higher machine-hour rate at one supplier – and addressed in a targeted manner. The method complements cross-functional sourcing because design, quality management and manufacturing can assess the calculated values from a technical standpoint.

Link to the Clean-Sheet Calculation

The completed price breakdown sheet is the data basis for procurement's clean-sheet calculation: the buyer calculates themselves what the part should cost based on benchmark values. If the supplier's breakdown sheet deviates significantly upwards, the difference becomes a negotiation topic. Conversely, the breakdown sheet also provides arguments for the supplier, for example when expensive critical materials or long lead times have to be factored into the process.

Key KPIs and Evaluation of Price Breakdown Sheets

Price breakdown sheets generate structured data that can be evaluated in a measurable way. Procurement should use defined KPIs to monitor both the quality of the submitted breakdown sheets and negotiating success.

Metrics at Breakdown Sheet Level

Key metrics are the completeness rate of submitted breakdown sheets, the calculation depth (number of completed items) and the difference between the supplier calculation and the internal clean-sheet calculation. The time until submission of the breakdown sheet is also informative, as it shows the supplier's responsiveness. For repeat and series parts, it is additionally worthwhile monitoring price stability over several years.

Metrics at Process Level

At process level, the breakdown sheet feeds into larger KPI systems: the agreement between calculated and actually invoiced prices directly affects the invoice error rate and thus accounts payable optimisation. In practice, opaque or incomplete breakdown sheets frequently lead to queries, credit notes and delayed payments. With content enrichment and data cleansing in the master data area, breakdown sheet data can also be made permanently usable.

Risks and Controls When Using Price Breakdown Sheets

Price breakdown sheets create transparency – but they also carry risks if they are incomplete, manipulated or outdated. Procurement therefore needs clear control mechanisms.

Typical Risks

Common weak points are excessive overhead surcharges, hidden surcharges for customs duties or freight, unrealistically low introductory prices followed by later price increases, and a lack of linkage between calculated quantities and actual packaging sizes. Furthermore, a supplier credit check may be overlooked: a transparent price is of little use if the supplier cannot finance the long net payment terms – here instruments such as forfaiting play a role in supplier financing.

Control and Negotiation Mechanisms

Proven controls include the obligation to update calculations annually, a contractual commitment that the disclosed price applies as a price ceiling, and procurement's right to audit the calculation in the event of price increases. Material price changes should be linked to a defined index or to the CO2 price for emissions costs so that they remain traceable. In addition, reviewing quality documents such as the certificate of conformity is part of the overall picture, because rework costs and first pass yield (FPY) directly influence the effective unit costs.

Integration into Contracts and Evidence

The price breakdown sheet should be referenced on a binding basis as an annex to the framework contract or the call-off order. For contract manufacturing with long product life cycles, versioning of the breakdown sheet is recommended so that every price adjustment has a documented baseline to compare against.

Current Developments: Digitalisation and Sustainability in the Price Breakdown Sheet

Price breakdown sheets are changing: they are generated digitally, evaluated in a machine-readable way and extended with sustainability and risk data.

Digital Breakdown Sheets and E-Sourcing

Modern e-sourcing platforms and ERP integrations enable structured, machine-readable price breakdown sheets that are automatically reconciled with master data. Data cleansing before the RFQ is crucial here: without uniform material numbers and units of measure, responses cannot be evaluated automatically. For indirect procurement, where many small items are involved, standardised digital formats gain additional importance because manual evaluation would be uneconomical there.

Sustainability and Supply Chain Due Diligence

Increasingly often, buyers demand emission values or sustainability evidence in the breakdown sheet in addition to monetary prices. The Corporate Sustainability Due Diligence Directive (CSDDD) increases the documentation burden along the supply chain, and the CO2 price is increasingly carried as a separate cost element alongside material and manufacturing. Buyers should therefore extend the breakdown sheet to include sustainability fields at an early stage in order to avoid later queries and data gaps.

Bundling and Strategic Use

Standardised breakdown sheets are the prerequisite for bundling levers: only when several parts follow the same calculation scheme can volumes be bundled across part families and negotiated jointly. The procurement business plan also benefits, because the calculative transparency enables reliable savings forecasts.

Typical metrics

Price breakdown sheet completeness rate: typically > 95 %

Share of breakdown sheets submitted completely and correctly per RFQ

Deviation between clean sheet and supplier calculation: frequently 5–15 %

Difference that typically marks negotiation leeway

Calculation depth: depending on the component, 10–40 line items

Number of disclosed cost elements, guideline value for series parts

Invoice error rate: typically < 2 %

Share of deviating invoices; transparent breakdown sheets reduce this value

Practical Example

A mid-sized mechanical engineering company sourced a complex press-bent part from three suppliers and received unit prices that differed by more than 20 per cent – with no apparent reason. Procurement introduced a binding price breakdown sheet which showed material, manufacturing time per operation, tooling costs, surcharges and packaging separately.

- A binding breakdown sheet was introduced as an annex to the RFQ and later to the framework contract
- The supplier calculation was compared with an internal clean-sheet calculation
- The overhead surcharges of the most expensive supplier were negotiated objectively in a joint meeting
- Annual calculation updates and an index clause for material price changes were agreed

Conclusion

The price breakdown sheet is more than a form: it is the core document for price transparency, quotation comparison and cost control in technical procurement. Those who oblige suppliers to provide structured calculation information can examine price increases on a substantiated basis, exploit bundling levers and conduct negotiations on a factual basis. The prerequisite is a cleanly designed breakdown sheet standard that fits one's own value creation and is updated regularly. In combination with clean-sheet calculation, digital evaluation and sustainability data, the price breakdown sheet

becomes a strategic steering instrument over the entire life cycle of a component.

Frequently asked questions

What is a price breakdown sheet?

A price breakdown sheet is a standard form issued by procurement in which suppliers disclose the composition of their price – from material and manufacturing costs to surcharges, customs duties and the net price. It serves for the fair comparison of multiple quotations and for tracing price increases. In practice it becomes part of the request for quotation and later an annex to the supply contract.

Must a supplier complete a price breakdown sheet?

Legally there is no general obligation – the duty arises from the terms and conditions of purchase or the contract. Buyers frequently make complete completion a condition of participation in the RFQ. Whether and to what extent disclosure is permissible while protecting trade secrets should be examined legally on a case-by-case basis.

Which items belong in a price breakdown sheet?

Typical items are material costs with unit prices, material surcharges and scrap, manufacturing costs per operation, tooling and set-up costs, overhead surcharges, packaging, freight and customs duties, as well as the resulting net price per unit. For series parts, tiered prices based on call-off order volumes are added. Procurement should stipulate the structure on a binding basis.

What is the difference between a price breakdown sheet and a clean sheet?

The price breakdown sheet is the calculation submitted and disclosed by the supplier. The clean-sheet calculation is procurement's own should-cost calculation based on benchmark data. Both are compared in order to identify negotiation leeway.

How can price breakdown sheets be digitalised?

Digital breakdown sheets are set up in e-sourcing platforms or ERP systems as structured data templates that suppliers complete online. Prerequisites are cleansed master data and uniform units of measure, otherwise the responses cannot be evaluated automatically. Data cleansing and content enrichment beforehand significantly increase the quality of the evaluation.