



Product and customer profitability analysis



STUDIUM
Business Consultants

Dear Sirs,

We provide services for SMEs related to, among others analysis of the cost accounting they use and the possibility of using it to measure the profitability of products and customers. According to Robert Kaplan of Harvard Business School, "20% of the most profitable clients generate profits of 150-300% of total profits. About 70% of clients are the Break-Even Point (BEP) and 10% of clients lose 50-200% of total profits, thus reducing the company's profits to 100% (whale curve)". The subject of the service is a report on the review of the current cost accounting together with proposals for its modification or change along with the training service "Measurement of customer profitability" (details on the website). At the same time, due to the size of the company or its production specification, the implementation of modern cost accounting may not be profitable due to the high costs of its implementation and maintenance. Then the current costing needs to be modified in order to be able to carry out product and customer profitability analysis.

If you are interested in the service, please contact me by e-mail or telephone. Please visit our website: www.studium-bc.pl.

The cost of the service is to be determined and depends on the scope of work.

Yours sincerely,

Krzysztof Krzywdziński

Owner

Member of ACCA



1. Premises for modification or change of the current cost accounting

- my indirect costs are constantly increasing,
- I have a growing portfolio of products,
- I don't know if I have the correct cost settlement keys for indirect production costs and ancillary services,
- sales are rising and profits are falling,
- I don't know how much I earn on individual products,
- I do not know what direct and indirect costs were assigned to products, customers and distribution channels.
- I don't know which clients are profitable and which are not,
- I don't know which costs are fixed and which are variable,
- I don't know what my capacity utilization rate is or what its effect is on product costs,
- Is the customer unprofitable or is the product they are buying unprofitable?



2. Modification or change of cost accounting

2.1 Benefits

- proper calculation of the profitability of products and customers,
- better pricing decisions,
- better investment decisions,
- process optimization possible,
- reliable management reporting system,
- the right incentive system.



2.2 Problems

- Often modifying or changing your cost accounting means greater company costs and organizational changes,
- the more advanced the cost accounting, e.g., Time Driven Activity Based Costing, the higher the cost of its implementation and the more necessary organizational changes in the company,
- the cost of maintaining advanced cost accounting is high,
- wrong choice of the cost accounting model can lead to its abandonment in the future (which often happens).



2.3 Rozwiązanie

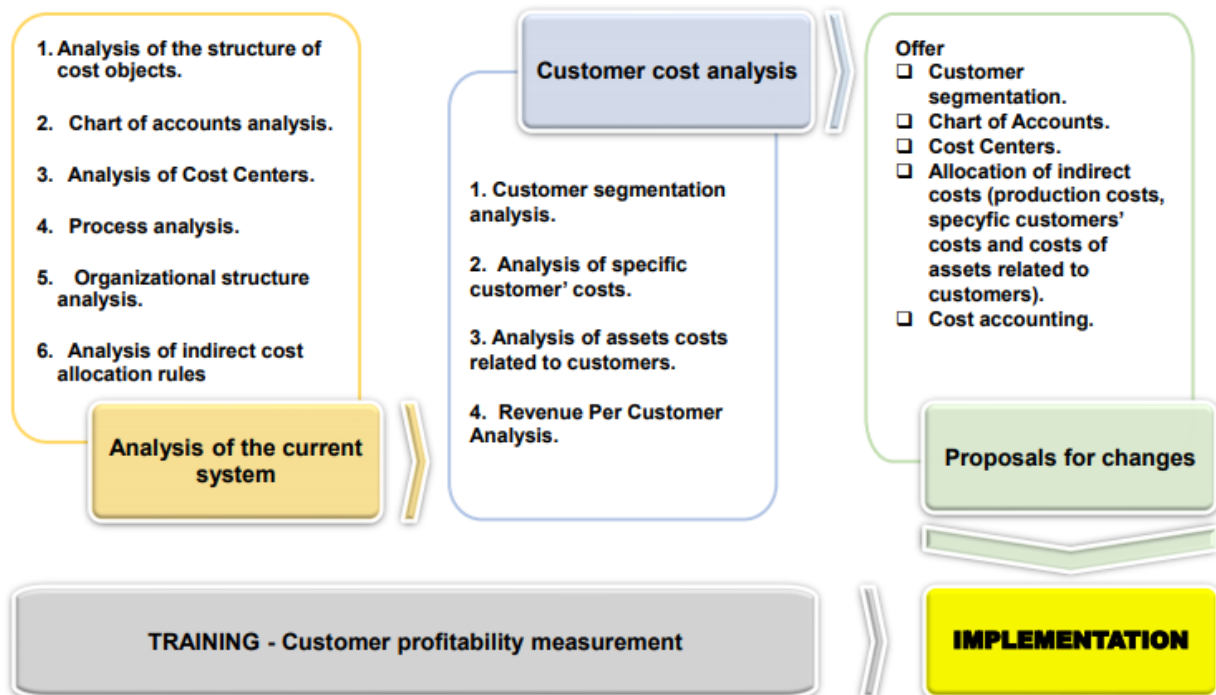
SOLUTION



- Adjust the cost accounting to the type and size of the company,
- in general, SMBs are unable to implement and maintain advanced cost accounting such as Time Driven Activity Based Costing.

The Proper cost accounting is a guarantee of the company's profitability

3. The scope of the analysis of the profitability calculation system for products and customers



4. Settlement - to be agreed

- lump sum,
- hourly rate.

