



Acorn Systems Customer Profitability Analysis

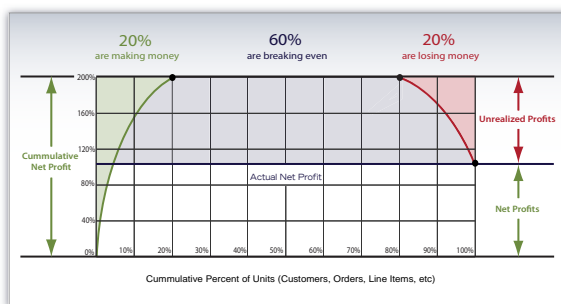
As global competition and concerns about economic stability increase, companies are forced to take a more sophisticated look at profitability. The highest revenue customer may not be the best, and gross margin may not accurately represent profitability. Without a clear understanding of who is making or losing you money and why, your strategy could take you in dangerously unprofitable directions.

The Acorn Profit Curve

You need to know exactly who is or is not profitable and why so that you can grow profitable customers and improve those who are eroding your bottom line.

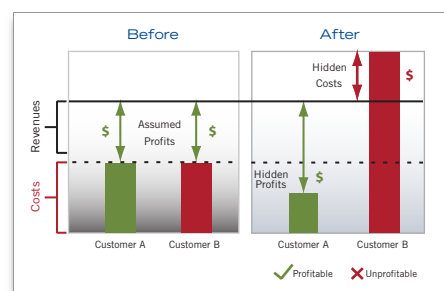
..the most profitable 20% of customers generate between 150 - 300% of total profits. The middle 70% of customers about break even, and the least profitable 10% of customers lose 50 - 200% of total profits, leaving the company with its 100% of total profits. Often some of the largest customers turn out to be the most unprofitable.”

— Dr. Robert Kaplan
“Customer Profitability Measurement and Management”
Harvard Business School



Differentiate Between Profit Winners & Losers

Customer profitability analytics look beyond revenue and gross margins to uncover hidden profits and losses. By factoring in the real costs associated with each customer, you are able to make adjustments – operational and financial – that favorably impact your bottom line. This requires a level of accuracy and granularity beyond what most systems are able to provide. This requires data capture and analysis at the transaction level. Essentially, it means modeling and monetizing your business processes so that you are able to make good decisions resulting in profitable adjustments.



Overcome Traditional Obstacles to Profitability Analysis

Accuracy, flexibility and sustainability have been the challenge in useful profitability analysis. Legacy systems lacked the ability to collect and analyze data at the level of granularity necessary to make meaningful decisions. Often, the data was

aggregated to accommodate the data quantity, resulting in an inability to isolate the true factors affecting the profitability of a single customer or customer segment. Traditionally, the more granular the system, the less flexible and sustainable it became, thus consuming tremendous resources to maintain.

Gain the Insight You Need

Acorn provides the appropriate level of detail needed to make decisions and take action. Companies are able to drill down to understand which customer behaviors or internal processes are costing the company and negatively impacting the bottom line. By understanding customer behaviors and profit drivers, decision line managers can focus on which customers are taking advantage of pricing discounts, customer service, and company policies and which ones are consuming disproportionate amounts of resources, increasing cost to serve and eroding overall company profitability. They are able to see through masked information and drill down to the level of detail needed to implement successful strategies.

Gross Margin vs Net Profit Management

Profit * Dimension	Revenue (000)	Gross Margin	GM%	Cost to Serve	Net Profit	NP%
Customer A	\$ 300	\$ 120	40%	\$ 120	\$ ---	0%
Customer B	\$ 200	\$ 70	35%	\$ 40	\$ 30	15%
Customer C	\$ 400	\$ 120	30%	\$ 160	\$ (40)	-10%

* Can be Product, Customer, Vendor, Channel, Order, etc.

Old Decisions

New Decisions

Which customer are contributing to profit?

Customer A	Best GM%	0% to Net Profit
Customer B	Least Revenue	15% to Net Profit
Customer C	Most Revenue	-10% to Net Profit

“Without the proper understanding of client profitability, all of these other analytics are out of context. You should never execute strategy without first understanding where, who and what is making and losing the business money.”

— Phil Kelly
Vice President, Aon ARS

Acorn's Methodology

Acorn Systems combines packaged software solutions, consulting services, advance methodology and best practices to enable managers to quickly determine which customers are contributing to or destroying their bottom line. Our profit improvement solutions enable clients to maximize revenue, minimize cost, and improve operational efficiencies. Acorn reveals profit improvement opportunities to multiple users and multiple departments across the enterprise - customers, channels, segments and processes - enabling users to make continuous, fact-based decisions to improve the bottom line and Earnings per Share (EPS).

About Acorn Systems

Acorn solutions combines technology and methodology to improve profitability and increase shareholder value for Global 2000 companies in Financial Services, Retail, Consumer Products, Manufacturing, Distribution, Logistics, and Services. To learn more about improving your company's profitability call 1.800.982.2676, email sales@acornsys.com, or visit www.acornsys.com