



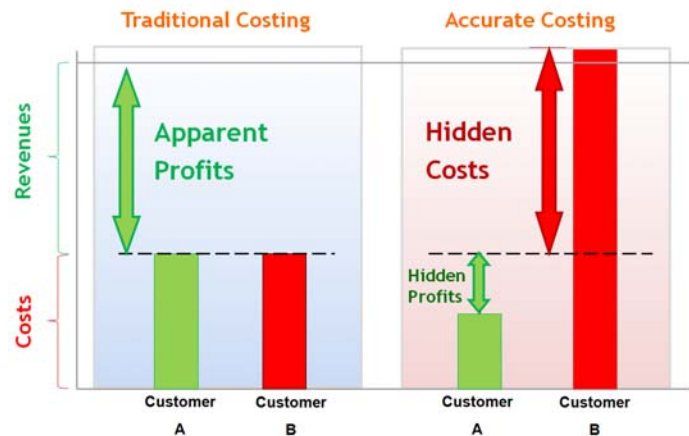
Improve Profitability with Cost-to-Serve Analysis

As customer demands increase, companies are using cost-to-serve analysis to improve their supply chain response. Cost-to-serve analysis calculates the profitability of products, customers and routes to market. It gives a fact-based focus for decision making - on service mix and operational changes - for each customer.

Why should you care about cost-to-serve?

A recent AMR study on cost-to-serve revealed:

- The benefits of cost-to-serve are substantial. Most significant, a better understanding of supply chain end-to-end costing, improvement of strategic relationships, and the ability to better negotiate customer contracts
- 53% of consumer products, manufacturing and distribution companies are currently, or plan to, implement cost-to-serve initiatives
- The average return on investment is 9 months



Companies are faced with pressure to lower margins, constrained revenue growth and reduced operating efficiency

- Customers demanding more products and free services
- Increasing transportation and resource costs
- Consolidation of distributors
- Need to compete in a global economy
- Growing alternative distribution strategies, such as mega retailers

“ We were actually losing money from top to bottom throughout the organization. By optimizing literally every department we are now delivering double digit profit margins. We have lowered our cost of goods, freight and optimized promotional spend. ”

AMR Study Respondent:
Consumer Products Executive

Look at the difference cost-to-serve analysis can make

Same time period, same products. Are you basing your decisions on accurate information?

Before Cost-to-serve Analysis

Product A - \$10K Profit

Rev	\$200,000
COGS	\$120,000
GM	\$80,000
Allocation	\$70,000
Net	\$10,000

After Cost-to-serve Analysis

Product A - \$20K Loss

Rev	\$200,000
COGS	\$120,000
GM	\$80,000
Cost-to-serve	\$100,000
Net	(\$20,000)

Profit Drivers

Vendor	\$30,000
Order	\$20,000
Customer	\$20,000
Channel	\$30,000

Shrinking margins and increased demand for services require accurate cost-to-serve information

Most existing measurement systems can

- Accurately create manufacturing cost (COGS) numbers
- Loosely allocate indirect costs to departments and functions using averages

Without detailed cost-to-serve information by customer, product, and supplier you can't see the net profitability of individual products, customers and brands. Without net profitability, you can't effectively grow revenue profitably, decrease costs and improve efficiencies.

To be effective in improving profitability, a measurement system must

- Allocate indirect costs to individual product SKUs, customer and/or brands
- Reflect the true variability in the cost-to-serve customers
- Scale to enterprise-wide data volumes

Acorn's Capability	Value to You
Provides accurate cost-to-serve data for individual customers, products and suppliers as well as segments	See the net profitability of individual SKU's, customers and suppliers, because of accurate allocation of indirect costs and value-added services like freight, 3rd party warehousing, EDI and special packaging
Is easy to use	Make better business decisions, with information at your fingertips
Provides clear/actionable reports	Show you which products, customers and suppliers are making and losing money, and why
Provides what-if analysis	Calculate the profitability of new contracts before you sign them
Integrates data from any number of diverse sources	Transform the complexity fo your business into actionable information
Leverages existing BI platforms or feature rich, low cost Microsoft BI offerings	Reduce impementation time and expense

These clients have achieved a significant increase in profits by using the cost-to-serve insight generated by Acorn Systems.



Acorn Systems provides accurate, actionable insight that helps companies

Grow Revenue

- Customer profitability
- Product profitability
- Vendor negotiation

Improve Efficiencies

- Process improvements
- Benchmarking

Decrease Costs

- Cost-to-serve
- Supply chain analysis
- Shared services
- Activity-based costing

For More Information: Acorn Systems, Inc. - www.acornsys.com, sales@acornsys.com, or call 800.982.2676