



## Customer and Product Profitability for Distributors





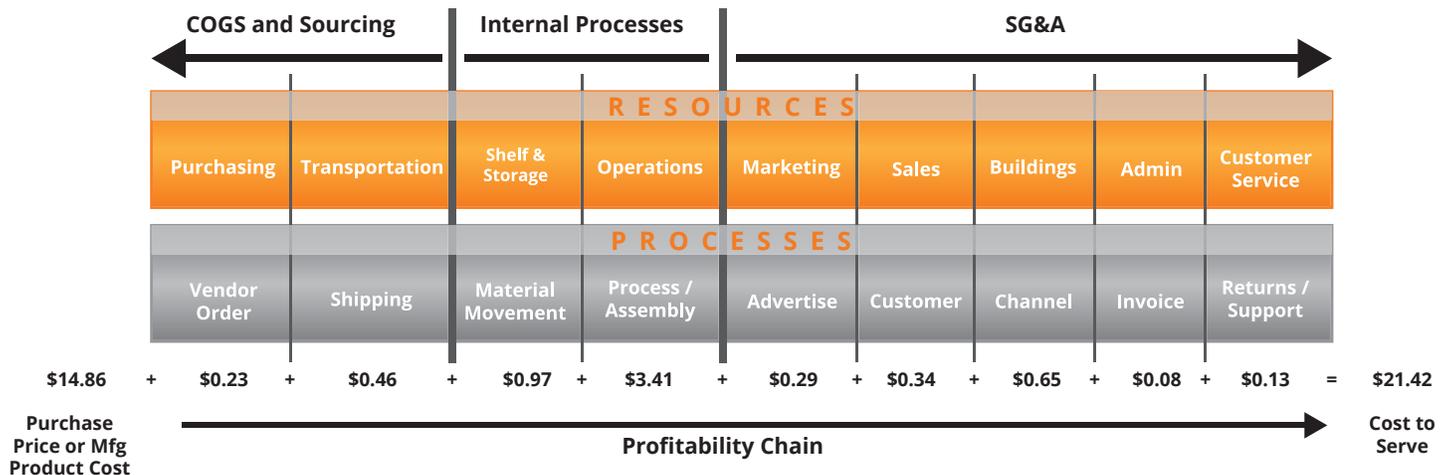
For distributors, the ability to protect profit margins lies in their ability to understand the complexity and variability that occurs from the time a product hits their receiving dock to when it is delivered to the customer.

## Customer and Product Profitability

It all starts with the order. Every activity that a distributor performs is a direct result of a customer placing an order for a product. So understanding the profitability of any product or customer lies with the ability to capture and analyze the direct and indirect costs of every order line item. The ImpactECS platform is a flexible profit modeling environment that gives distributors the tools to evaluate each data element to provide meaningful analysis that drives business decisions.



With each step, resources are consumed and processes occur adding more cost to the product. But getting a clear view of costs is complicated because the data is either oversimplified or too complicated to yield actual results.



Using ImpactECS to deliver an operational P&L statement that starts with revenues and adjustments and subtracts direct, indirect and SG&A costs for every customer, order, line item and product, gives distributors the ability to identify how customers and products are performing and what is driving their performance.

### Track Unique Attributes

There is no predefined set of cost or revenue categories within the model. ImpactECS lets the user define every attribute in a way that is meaningful for each distributor.

### Validate Results

The cost basis for ImpactECS Customer and Product Profitability models is actual general ledger or budgeted expenses. This cost is logically driven to customers and products based on actual or planned transactions from the order management system. Upon model calculation, the cost inputs match the results creating a closed loop solution.

### Comparative Analysis

Within the model, the P&L results are easily compared to company and category averages without the need to run additional reports.

### Scenario Analysis

With ImpactECS' sandbox environment, it is easy to predict the affect of adjusting any variable or attribute associated with a product or customer.

Main Acme Quic Stop - 1 X		
Cost Object Settings   Local Factors   Global Aliases   Routing Settings		
	Name	Data
1	<b>Customer Information</b>	
2	ID	00221
3	Name	Acme Quic Stop
4	Scenario ID	5
5	Scenario Name	May 2013
6	Facility ID	015
7		
8	<b>Profit &amp; Loss</b>	
9	Revenue	327,782.5718
10	Pallet/Slip Sheet Charge	0.0000
11	Club Pack Charge	0.0000
12	Returns Revenue Loss	-980.0280
13	Freight Charges	5,613.2521
14	<b>Total Revenue</b>	<b>332,415.7959</b>
15	Direct Cost	228,202.8300
16	Deductions Cost	0.0000
17	Pricing Compliance	0.0000
18	DPS Rebate	2,520.0000
19	Freight Cost	2,698.4073
20	<b>Total Direct Cost</b>	<b>233,421.2373</b>
21	<b>Gross Margin</b>	<b>98,994.5586</b>
22	Customer Service	11,261.6944
23	Delivery	23,672.2880
24	Negotiate	215.7492
25	Occupancy	232.2647
26	Order Entry	472.5058
27	Order Loading	3,870.0297
28	Outside Sales	19,583.3960
29	Packaging	3,691.5190
30	Picking	10,643.5112
31	Purchasing	6,141.6635
32	Receiving	2,286.1344
33	Returns	418.7743
34	Source	215.7492
35	<b>Total Indirect Cost</b>	<b>82,705.2794</b>
36	<b>Net Margin</b>	<b>16,289.2792</b>
37	AR Carrying Cost	293.9544
38	Inventory Carrying Cost	362.9715
39	<b>Economic Profit</b>	<b>15,632.3533</b>

In this example, the customer P&L is calculated by period or scenario as indicated by the attributes Scenario ID and Scenario Name

Indirect cost results are calculated and presented as a quick P&L inside the cost object.

## Answer the burning questions with confidence

The level of detail included in an ImpactECS Customer and Product Profitability model provides the ability to perform detailed analysis. But just as important, the data is easily aggregated for executives interested in solving larger, more strategic challenges. ImpactECS is uniquely designed to give business leaders the ability to analyze past performance and evaluate future scenarios within one system.



**Am I getting the maximum margin from my high revenue customers?**

**What is the impact on profit if I change a customer's product mix?**

**Why is a customer unprofitable and what can I do to improve?**

**What is the financial impact of a major strategic decision?**

**Where do I have profit leakage, why and what can I do about it?**

# The Top 6 Reasons Distributors Need ImpactECS Today

What are distribution business leaders asking for right now? The ability to better understand their business so they can make better decisions. ImpactECS and its dynamic modeling capabilities puts the power of analysis in the hands of the finance, accounting, and operations managers who need it.

## 1. Profitability Analysis

A wide variety of methodologies are available for calculating profit - allocation, rate-based, activity-based costing, full and partial absorption to name a few. Every organization has different needs when it comes to calculating profits. With ImpactECS, you can build models based on the methodologies that best suits your organization.

## 2. Net Landed Costs

Knowing the total cost to land a product on a customer's doorstep is a critical component in determining the true profitability of both the product and the customer. With ImpactECS you can calculate accurate cost in detail as the product moves through the supply chain to the customer. Cost drivers come from a variety of supply chain variables such as transportation type, warehouse type, cross-dock, shipping and handling configurations.

## 3. SKU Rationalization

Determining which products to rationalize is a complex analytical process requiring a thorough understanding of cost, but cost is not the only factor. It is also important to understand which customers are buying products and under what conditions to ensure that important customers are not alienated while maintaining a profitable product mix. ImpactECS enables this analysis and answers these questions so that eliminating products truly improves your bottom line.

## 4. Cost-to-Serve Pricing

Cost-to-Serve is all about understanding the truly variable cost to provide products to customers. By modeling cost-to-serve with ImpactECS, you will understand the measurable drivers of cost and use them to set pricing boundaries. The ImpactECS platform gives you the tools to establish a best-practices collaborative relationship provides great value to both supplier and customer.

## 5. Supply Chain Costing and Analysis

In general, companies do an adequate job of optimizing silos within the supply chain but often neglect the supply chain in its entirety. With ImpactECS, end-to-end supply chain modeling and simulations are possible providing valuable insight into the root cause of costs.

## 6. Activity Based Costing

By using an Activity-Based Costing approach, a more detailed and accurate representation of customer and product profitability is achieved. Additionally, increased cost transparency makes the results more actionable. ABC models in ImpactECS can handle an unlimited number of cost pools and drivers to calculate a unique cost.

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## About 3C Software



Founded in 1988, 3C Software has become the leading provider of cost and profitability systems to a wide range of industries. With over 600 installations in North and South America, Europe, Asia, and Australia, the ImpactECS platform gives business leaders the tools needed to build dynamic models to support the unique and complex analysis required to effectively manage their business.



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