“Time-Driven ABC is an elegant solution that leapfrogs traditional ABC and eliminates the traditional cost/benefit trade-off. Bob Kaplan and Steven Anderson provide a diverse set of case studies that clearly illustrate the strengths of TDABC and give valuable insights into its implementation.”

—Jeffrey Nachowitz, CFO for Citigroup IT

“As companies grow more complex and markets grow more intensely competitive, lack of good cost information is becoming increasingly dangerous. This book shows you how to simply and easily mobilize cost data for maximum management impact.”

—Benson P. Shapiro, Malcolm P. McNair Professor of Marketing, Emeritus, Harvard Business School

“Time-Driven ABC shows managers how this new and improved ABC will help control costs, prioritize investments, and better manage internal and external service levels. With this book, managers can begin to implement a TDABC system and begin to make better decisions.”

—Dave Martin, CFO of Janus Capital Group
Time-Driven Activity-Based Costing

A Simpler and More Powerful Path to Higher Profits

Book Launch Webcast

March 29, 2007
Rob Howie is president of Balanced Scorecard Collaborative—the education and research division of Palladium Group, Inc.—and executive vice president of Palladium, a privately held professional services firm employing 400 professionals in 20 offices worldwide. Mr. Howie has 25 years of experience in management consulting, marketing, market research, and publishing. He is the founding publisher of Balanced Scorecard Report, distributed by Harvard Business School Publishing. He has advised a wide variety of clients such as the Massachusetts Institute of Technology/Sloan School of Business, the McGraw-Hill Companies, and U.S. Department of Defense. Mr. Howie has served as vice president of marketing for Renaissance Worldwide, Inc., director of emerging technologies consulting at DMR Group, Inc., and vice president and general manager of The Yankee Group, Inc. He holds undergraduate and graduate degrees from Boston College.
Robert S. Kaplan is the Baker Foundation Professor at the Harvard Business School. Bob joined the HBS faculty in 1984 after spending 16 years on the faculty of the Graduate School of Industrial Administration (GSIA), Carnegie-Mellon University. He served as Dean of GSIA from 1977 to 1983. Bob received a B.S. and M.S. in Electrical Engineering from M.I.T., and a Ph.D. in Operations Research from Cornell University. In 1994, he was awarded an honorary doctorate from the University of Stuttgart. Kaplan’s research, teaching, and consulting focus on linking cost and performance management systems to strategy implementation and operational excellence. He has been a co-developer of both activity-based costing and the Balanced Scorecard. He has authored or co-authored eleven books, thirteen Harvard Business Review articles, and more than 120 other papers. The Accenture Institute for Strategic Change named him among the Top 50 Thinkers and Writers on Management Topics in 2002 and 2003. The Financial Times included him in its list of Top 25 Business Thinkers. Bob received the Outstanding Accounting Educator Award in 1988 from the American Accounting Association (AAA), the 1994 CIMA Award from the Chartered Institute of Management Accountants (UK) for "Outstanding Contributions to the Accountancy Profession," and the 2001 Distinguished Service Award from the Institute of Management Accountants (IMA) for contributions to the IMA and the academic community.
 STEVEN R. ANDERSON  
Founder and Chairman, Acorn Systems, Inc.

Steven R. Anderson is Chairman and Founder of Acorn Systems, a consulting and software company with offices in Houston, Austin and Philadelphia. The firm specializes in profit management and other decision automation software tools that help boost the operating profits of their clients. In 1996, Mr. Anderson founded Acorn and pioneered the new Time-Driven approach to Activity-Based Costing. He used the principles highlighted in this book to more than double the net operating profit of a large percentage of Acorn’s clients. He has written over 30 white papers and articles on this and related subjects. Mr. Anderson is an alumnus of Harvard Business School (Baker Scholar) and McKinsey & Company. He received a dual degree with honors in Engineering Management Systems and Chemical Engineering from Princeton University. In addition, he has a Post Baccalaureate in Accounting from the University of Houston. He can be reached at sanderson@acornsys.com
PASCAL PLATTEAU
Financial Controller Coca Cola Enterprises, European Supply Chain

Pascal Platteau, Financial Controller for Coca-Cola Enterprises, joined the company in 1996 and has held a variety of management positions throughout his tenure. Mr. Platteau brings extensive finance and accounting experience to his role. Within the recently formed European Supply Chain organization, he is now responsible for financial controlling, reporting, forecasting and budgeting of logistics, production and capital management. Mr. Platteau holds a degree in Applied Economics from the University of Gent.
Activity-Based Costing Reveals Hidden Profit And Cost Customers

Traditional Costing

[Diagram showing revenues and costs for customers A and B]

Apparent Profits

Hidden Costs

Accurate Costing

[Diagram showing revenues and costs for customers A and B]

Hidden Profits

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Hidden Profits Drive The Opportunities From Time-Driven ABC

Operating Profit Profile

20% most profitable generate 180% of profits

20% least profitable lose 80% of net profits

Unrealized Profit Potential * Revealed By Acorn’s EPS

Cumulative Net Operating Profit

Actual Net Profit

Cumulative % of Units (Customers, Orders, Line Items, Products, Etc.)

Benchmark data across 100 companies, 400 facilities, 10 industries ranging from $25M to $20B
Conventional ABC Requires Extensive Interviews And Surveys

Customer Administration Department: Activities Performed

- Process Customer Orders
- Handle Customer Inquiries
- Perform Customer Credit Checks

Traditional ABC System

1. Estimate Costs of Resources Supplied  $567,000
2. Estimate Percentage of Time on Each Activity
3. Determine Quantity of Activity Performed
4. Calculate Activity Cost Driver Rates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
<th>Assigned Cost</th>
<th>Activity Cost Driver Quantity</th>
<th>Activity Cost Driver Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Customer Orders</td>
<td>70%</td>
<td>$396,900</td>
<td>49,000</td>
<td>$ 8.10 /order</td>
</tr>
<tr>
<td>Handle Customer Inquiries</td>
<td>10%</td>
<td>$56,700</td>
<td>1,400</td>
<td>$ 40.50 /inquiry</td>
</tr>
<tr>
<td>Perform Credit Checks</td>
<td>20%</td>
<td>$113,400</td>
<td>2,500</td>
<td>$ 45.36 /credit check</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>$567,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Problems With Conventional ABC

Resource Intensive
- Costly to interview and survey people for initial ABC model
- Costly and difficult to maintain and update the ABC model as processes and resource spending change, and new activities added

Not Scalable
- Can only handle relatively few activities; masks diversity and complexity of demands from individual orders, channels or customers

Inaccurate
- Percentage allocations are subjective; difficult to validate estimates
- Assumes resources are at 100% of capacity
Wilson Mohr And ABC, Circa 1996/97

**Facts:**
- Process controls and systems supplier, servicing Texas
- Revenue (1996): $15 million
- Number of locations: 5
- Number of employees: 100
- Model run every month

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Conventional ABC Model</th>
<th>TDABC</th>
</tr>
</thead>
<tbody>
<tr>
<td># Cost Centers / Departments</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td># Activities</td>
<td>500</td>
<td>40 processes</td>
</tr>
<tr>
<td># Interviews or surveys per year</td>
<td>1,200</td>
<td>40-60</td>
</tr>
<tr>
<td>Time to Build</td>
<td>40 FTE days (includes aggregating survey results)</td>
<td>50 FTE days (includes time equations)</td>
</tr>
<tr>
<td>Monthly effort to run</td>
<td>10 FTE days (monthly surveys, run time on software)</td>
<td>1 hour</td>
</tr>
<tr>
<td># Team Members</td>
<td>5</td>
<td>0.5</td>
</tr>
</tbody>
</table>
Summary: Time-Driven ABC Provides Multiple Benefits

1. Easy and fast to implement, validate and audit
2. Integrates well with data from ERP and CRM systems
3. Inexpensive to maintain and update
4. Scales to enterprise-wide models
5. Incorporates specific features for particular orders, processes, suppliers, and customers
6. Provides visible opportunities for process efficiencies and capacity utilization
7. Forecasts future resource demands based on predicted order quantities and complexity
Easier To Handle Business Complexity

Make sure your model matches what you are trying to accomplish

This is what Kemps needed:
- company wide customer profitability
- SKU profitability
- Pricing
- Supply chain analysis
- Operational benchmarks
Step 1: Calculate the cost per unit time of supplying capacity in processes or departments

Unit Cost = \frac{\text{Cost of capacity supplied}}{\text{Practical capacity of resources supplied}}

28 customer service employees do the front-line work. Each employee shows up for work 60 days per quarter (240 days per year), 7.5 hours per day, and 60 minutes per hour, or 27,000 minutes per quarter. Employees spend about 75 minutes per day in breaks, training and education leaving 375 minutes per day or \sim 22,500 minutes per quarter per employee for productive work. The unit cost of supplying capacity is easily calculated as:

Unit Cost = \frac{\$567,000}{22,500 \times 28} = \$0.90 \text{ per minute}
Step 2: Calculate the capacity used - typically unit times - by each transaction on each capacity resource.

Observe directly the time required by each type of transaction or order:

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process customer orders</td>
<td>8 minutes</td>
</tr>
<tr>
<td>Handle customer inquiries</td>
<td>44 minutes</td>
</tr>
<tr>
<td>Perform credit check</td>
<td>50 minutes</td>
</tr>
</tbody>
</table>
TDABC Calculates Cost Driver Rates Based On Capacity Consumption

TDABC combines unit cost and unit time estimates; it also reveals the quantity and cost of unused capacity each period.

1. Estimate Costs of Resources Supplied \( \text{---} \quad 567,000 \)
2. Estimate Practical Capacity of Resources Supplied \( \text{---} \quad 630,000 \text{ minutes} \)
3. Calculate Cost of Capacity Time \( \text{---} \quad 0.90 \text{ per minute} \)
4. Estimate Unit Times to Perform Each Activity
5. Calculate Capacity-Based Activity-Cost Driver Rates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Unit Time (minutes)</th>
<th>Activity Cost Driver Rate</th>
<th>Activity Cost Driver Quantity</th>
<th>Activity Time</th>
<th>Activity Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process Customer Orders</td>
<td>8</td>
<td>$7.20 / Order</td>
<td>49,000</td>
<td>392,000</td>
<td>$352,800</td>
</tr>
<tr>
<td>Handle Customer Inquiries</td>
<td>44</td>
<td>$39.60 / Complaint</td>
<td>1,400</td>
<td>61,600</td>
<td>$55,440</td>
</tr>
<tr>
<td>Perform Credit Checks</td>
<td>50</td>
<td>$45.00 / Check</td>
<td>2,500</td>
<td>125,000</td>
<td>$112,500</td>
</tr>
<tr>
<td>Used Capacity</td>
<td></td>
<td></td>
<td></td>
<td>578,600</td>
<td>$520,740</td>
</tr>
<tr>
<td>Unused Capacity (8.2%)</td>
<td></td>
<td></td>
<td></td>
<td>51,400</td>
<td>$46,260</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>630,000</strong></td>
<td><strong>$567,000</strong></td>
</tr>
</tbody>
</table>
Wilson Mohr Example (Chapter 2)

Step 1: Understand the process steps for each department (e.g. Inside Sales)

Step 2: Estimate the typical time it takes to complete each step. Incorporate complexity (e.g. rush) by merely adding available drivers and estimating times to complete.
Step 3: Aggregate activity steps and times to form time equation

Inside Sales Process Time = 2 + 2 * LI + 1 + 5 {if NEW} + 1 {if CONF} + 1 {if QUOTE} * (1 + 5 {NS}) * 6 {if QCONF}*LI)

LI…………..…# of line item items on an order
NEW………….indicates that customer is new
CONF…………indicates if order is confirmed
QUOTE………indicates if the order was quoted
NS……………indicates that product is not in stock
QCONF………indicates that quote was confirmed

Note: each of the fields in the equation are captured in their order entry system, which supports the inside sales process.
Benefits Of Using Time Equations

• Greater organizational buy-in (Chapter 2)
• Dynamic (no more interviews / surveys) (Chapter 2)
• Ability to model complexity (Chapter 2)
• Greater accuracy (Chapter 2)
• Rapid roll-out (Chapter 4)
• Isolates inefficiency (Chapter 7)
• Estimates capacity utilization (Chapter 5, 10, 13)
• Predictive analysis (Chapter 5 and 6)
Time-Driven Activity Based Costing

Implementation @ Coca-Cola Enterprises Belgium
Some key facts of Coca-Cola Enterprises

- CCE is the biggest Bottling Company for TCCC
- CCE is also the biggest Bottling Company for non-alcoholic ready to drink beverages in the world
- Counts about 74,000 collaborators
- Has 431 sites in the world
- Realises a turnover of more than 18 billion dollar
- Represents about 21% of the total volume of TCCC
- Realises almost 90% of its turnover by selling products of TCCC
- Has 2.4 million vending machines, 54,000 vehicles, ...
Overview CCE territories

Territories of Operation

<table>
<thead>
<tr>
<th>Population</th>
<th>Per Capita Consumption</th>
<th>Employees</th>
<th>Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American Group</td>
<td>263 M</td>
<td>380</td>
<td>63,000</td>
</tr>
<tr>
<td>European Group</td>
<td>146 M</td>
<td>174</td>
<td>11,000</td>
</tr>
<tr>
<td>Total Company</td>
<td>409 M</td>
<td>255</td>
<td>74,000</td>
</tr>
</tbody>
</table>

(1) Number of employees per 1,000 consumers
(2) Facilities include 16 production, 16 sales/distribution, and 46 construction sales and production plants in North America, and 3 production, 17 sales/distribution, and 12 construction plants in Europe.
Identity card Coca-Cola Enterprises Belgium

Results of the company (2005)
- Turnover: 797 mio €
- Volume in LRTD: 849 mio liters

Contacts
- Customers: 16,540
- Outlets: 92,060
- Consumers: 10,7 mio

Infrastructure (2005)

A. STAFF
- Sales: 828
- Logistics: 670
- Production: 801
- Adm.: 281

B. EQUIPMENT
- Vendors: 31,647
- Coolers: 32,247
- Fountain: 3,448

C. TRUCKS
- Trucks: 209
- Direct delivery: 67,342
- Others: 929
The route to market @ CCE Belgium
Different pré-sales support

Pre-selling  tele-selling
The route to market @ CCE Belgium

Infrastructure  ➔  Sales Force  ➔  Production

P. Platteeuw  slide 7
..... with specialized Inventory

- Soft drink
- Fruit drink
- Iced tea
- Sports drink
- Juices
- Sports water
- Water
The route to market @ CCE Belgium

Infrastructure → Sales Force → Production → Warehouse
...handling different order quantities

Full pallet  layerpicked  manual
The route to market @ CCE Belgium

Infrastructure → Sales Force → Production

Warehouse → Delivery
Customized “Route to market”

Route to Market

<table>
<thead>
<tr>
<th>Category</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Groceries</td>
<td>Hypermarket, Supermarket, Superette, Cash &amp; Carry, Drinkcenter</td>
</tr>
<tr>
<td>Horeca</td>
<td>Cafés, Restaurants</td>
</tr>
<tr>
<td>Institutional</td>
<td>At Work, Educational, Health</td>
</tr>
<tr>
<td>Small Stores</td>
<td>Snackbar, CTN, Nightshops</td>
</tr>
<tr>
<td>Petrol</td>
<td>Petrol</td>
</tr>
</tbody>
</table>
The route to market @ CCE Belgium

Infrastructure → Sales Force → Production

Warehouse

Support ← Merchandising ← Delivery

Infrastructure:
- Computer
- Coca-Cola

Sales Force:
- Sales representative

Production:
- Factory
- Bottling line

Warehouse:
- Shelving units

Support:
- Support personnel

Merchandising:
- Product displays

Delivery:
- Delivery trucks
Objective of the TD ABC project

Service

Profitability
Implementation of TD ABC in logistics

2 main goals:

1. Create a tool to better understand our costs and underlying cost drivers = efficient cost management & better view on profitability

2. Maintain a “cross-functional” P&L for a correct cost allocation from logistics to sales
Description in detail of all logistic processes:

- Dispatching
- Replenishment picking area
- Loading / unloading
- Stockkeeping
- Checking & admin follow-up
- Delivery
- ...

Business Analysis
A “simplified” explanation of Time Driven ABC

Transaction data

Analytical accounting

Reports
use of results of ABC analysis...

Calculate:

- Profitability by Sales Center
- Profitability by channel
  eg. grocery channel versus petrol channel
- Profitability by key account
  eg. profitability “Delhaize” versus “Colruyt”
- Impact of undertaking on profitability
  eg telesales versus sales reps?
- Profitability by sales route...
- Frequency of visit \(\leftrightarrow\) profitability
- ...

P. Plateau
use of results of ABC analysis...

Calculate:

- Profitability by brand
eg. Coke, Coke Light, Aquarius, Mmaid,...

- Profitability for a group of brands
eg. Coke
  - Coke Light
  - Fanta
  - Sprite
  \{ Core 4 \}

- Profitability by business model
eg. Softdrinks
  - Juices
  - Waters

- Profitability by package

...
use of results of ABC analysis...

- Profitability by delivery type
  - conventional
  - full service
- Direct delivery versus local delivery
- Determine minimum drop levels?
- Own delivery versus external delivery?
- Most cost efficient warehouse
- Profitability per delivered order
  - rush order
  - normal order
  - full pallet
  - tygad claw
  - manual picked
- Profitability per customer, product,...
Benefits after implementation of time-driven ABC

1. Better business insight
   - we have a large set of data available regarding the logistic performance
   - But we also have a detailed follow up of the sales performance

Communication of results via a reporting tool

2. We can provide detailed financial support
Summary of next steps

CCEB Database

- Reporting
- Process Optimization
- Budgetter & transfer pricing
- Policies/Strategy
- KBI's - benchmarking
- Forecasting
- Change Management
- Pricing
Time-Driven Activity Based Costing

Implementation

@ Coca-Cola Enterprises Belgium
Strategic Fit For Time-Driven ABC

Not all sectors are equally good fits!

<table>
<thead>
<tr>
<th>Example Clients</th>
<th>Investment Banking</th>
<th>Insurance</th>
<th>Retail</th>
<th>Education</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup, Deutsche Bank, HSBC</td>
<td>Global Insurance, AON, York</td>
<td>Simmon’s, Target, Petco, Safeway</td>
<td>JSU</td>
<td>Alliance, BC Biomed, Pharmanet</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Labor Intensity</th>
<th>High</th>
<th>High</th>
<th>High</th>
<th>High</th>
<th>High</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Processes</th>
<th>Diverse</th>
<th>Standard / Repeatable</th>
<th>Standard / Repeatable</th>
<th>Modellable Variability by professor</th>
<th>Modellable, some consistency Variability by physician</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Data Quality</th>
<th>Poor - too many diverse systems</th>
<th>Strong Accessible</th>
<th>Strong Accessible</th>
<th>Good Getting better</th>
<th>Good Getting Better</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Transaction Volume</th>
<th>Low, infrequent</th>
<th>High</th>
<th>High</th>
<th>High</th>
<th>High</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Organization Structure</th>
<th>Sprawling / Divisional</th>
<th>Branches</th>
<th>Retail Branches</th>
<th>Single entity Schools / Departments</th>
<th>Hospitals with direct service departments</th>
</tr>
</thead>
</table>
Kemps CEO offers customers the choice among three options:

1. Institute a 11 percent price increase to continue the status quo

2. Maintain existing pricing, but use Kemps-branded ice cream: standard recipes, large production runs, standard packaging, and weekly deliveries

3. Find another ice cream supplier
Kemps’ Diverse Actions Generated Substantial Near-Term Profitability Improvements

<table>
<thead>
<tr>
<th>Process Improvements</th>
<th>Product and Pricing Decisions</th>
<th>Redefine Customer Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated customer orders weekly leading to fewer production runs/product; Saved 2</td>
<td>Formed senior executive SKU rationalization team, which met monthly. Repriced or dropped</td>
<td>Consolidated labeling across three store chains; fewer deliveries of larger quantities.</td>
</tr>
<tr>
<td>hours per product per month plus reduced materials loss at start and stop of each run</td>
<td>unprofitable products, increased production volumes of remaining products. Shut down one plant</td>
<td>Lowered price to customer and retained business without competitive bidding</td>
</tr>
<tr>
<td>Standardized ingredients - such as label to reduce changeovers Reduced overtime and</td>
<td>by consolidating production into headquarters plant</td>
<td>Cross-docked orders with large sophisticated customers (Super-Valu)</td>
</tr>
<tr>
<td>eliminated 1 shift/week</td>
<td></td>
<td>Enhanced value creation with strategic supply chain partners</td>
</tr>
</tbody>
</table>

“ABC enabled us to reduce complexity across all our operations, especially complexity that customers did not want to pay for. Today, we do not do any new contract without first going through an ABC analysis.”

Jim Green, CEO Kemps
Profit Initiatives:
• Order / transaction profitability *(various)*

Revenue Growth Initiatives:
• Activity-based Pricing *(Chapter 10, 11, 13)*
• M&A modeling *(Chapter 6)*
• Price de-bundling *(Chapter 10)*
• Vendor & Customer Negotiations *(Chapter 8, 9)*

Cost Initiatives:
• Staffing & Capacity Planning *(Chapter 6, 7, 10, 13)*
• Cost to Serve *(Chapter 8, 9, 11)*
• Supply Chain Optimization *(Chapter 7, 8, 9)*
• Shared Services & IT Value Management *(Chapter 12, 14)*
• Lean Management / Process Improvement *(Chapter 7)*
### How Financial Service Clients Use TDABC

<table>
<thead>
<tr>
<th>Company</th>
<th>Product Cost / Profitability</th>
<th>Customer Profitability</th>
<th>Channel Profitability / Costs</th>
<th>Branch / Profit</th>
<th>Operations Improvement</th>
<th>Shared Services / IT Charge-back</th>
<th>Activity Based Costing</th>
<th>Capacity Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>charles SCHWAB</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>ATB Financial</td>
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<td></td>
</tr>
</tbody>
</table>

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Drill-down becomes much more powerful!

Accuracy is generated at the lowest level of detail, ensuring the high-level numbers are accurate.

Spot the loser!

- CS customer category?
- Specific CS customer?
- Specific CS order?
- Specific CS product?
- Specific CS activity?
Compton Financial (Chapter 10): TDABC tracks capacity utilization of departments like IT, Trading, and the Call Center, with the goal of optimizing staff levels.

Retail Example: TDABC tracks store labor capacity

<table>
<thead>
<tr>
<th>Process</th>
<th>FTEs Available</th>
<th>FTEs Used</th>
<th>FTEs Idle</th>
<th>FTE Utilization</th>
<th>FTE Utilization</th>
<th>Capacity Rate</th>
<th>Actual Rate</th>
<th>Capacity Cost</th>
<th>Actual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Consultants</td>
<td>36</td>
<td>34.86</td>
<td>1.14</td>
<td>1.14</td>
<td>97%</td>
<td>1.21</td>
<td>1.25</td>
<td>422657.43</td>
<td>436530.86</td>
</tr>
<tr>
<td>Cashiers</td>
<td>24</td>
<td>3.96</td>
<td>20.04</td>
<td>20.04</td>
<td>17%</td>
<td>0.91</td>
<td>5.5</td>
<td>36005.78</td>
<td>217996.64</td>
</tr>
<tr>
<td>Customer Service / Returns</td>
<td>8</td>
<td>4.32</td>
<td>3.68</td>
<td>3.68</td>
<td>54%</td>
<td>0.84</td>
<td>1.56</td>
<td>36382.29</td>
<td>67394.11</td>
</tr>
<tr>
<td>Inventory Control</td>
<td>1</td>
<td>0.79</td>
<td>0.21</td>
<td>0.21</td>
<td>79%</td>
<td>6.68</td>
<td>8.43</td>
<td>52978.57</td>
<td>66824.64</td>
</tr>
<tr>
<td>Receiving</td>
<td>6</td>
<td>5.42</td>
<td>-0.42</td>
<td>0</td>
<td>107%</td>
<td>0.91</td>
<td>0.86</td>
<td>58561.6</td>
<td>54696.39</td>
</tr>
<tr>
<td>Facility Management</td>
<td>4</td>
<td>2.58</td>
<td>1.42</td>
<td>1.42</td>
<td>64%</td>
<td>1.12</td>
<td>1.73</td>
<td>28766.53</td>
<td>44658.12</td>
</tr>
</tbody>
</table>
Leverage time-driven industry template to quickly build a model. Customize time equations as necessary.

Load actual data from target company.

Run numbers to identify profit improvement opportunities. Run what-if scenarios.

**Example:** Wayland Foods, $175 MM prepared foods company

**Facts:**
- 10 locations
- 10,000 customers
- 20,000 SKUs
- 2 million transactions/ month
- Time to build: 3 weeks
- Size of model: 85 GBytes
- Opportunity identified = 3x EBITDA
1. Develop an “as-is” cost and profitability model using time-driven activity-based costing. Refine near-term direction

2. Use the model to modify strategy

3. Use driver-based revenue planning to obtain next quarter’s sales forecast (Q1 in the 5 period “rolling forecast”)

4. Translate the sales forecast into more detailed sales and operating plans

5. Re-run the TDABC model, with the updated sales and operating plans, and forecasted process efficiencies, to forecast next-period’s resource needs

6. Develop forecast (budget) for next period’s operational and capital spending

7. Calculate pro-forma profitability, with detailed breakdown by product, customer, channel, and region
Summary: Time-Driven ABC Provides Multiple Benefits.

1. Easy and fast to implement, validate and audit
2. Integrates well with data from ERP and CRM systems
3. Inexpensive to maintain and update
4. Scales to enterprise-wide models
5. Incorporates specific features for particular orders, processes, suppliers, and customers
6. Provides visible opportunities for process efficiencies and capacity utilization
7. Forecasts future resource demands based on predicted order quantities and complexity
If your question was not addressed, please send it to kbox@acornsys.com

The recorded webcast will be available On-Demand at www.acornsys.com starting April 2. We encourage you to share it with your colleagues.

You may request a copy of the presentation by emailing kbox@acornsys.com or calling 713-963-9000 ext. 2017

To purchase a copy of *Time-Driven Activity-Based Costing*, visit: www.harvardbusinessonline.com, www.amazon.com or Barnes & Nobel