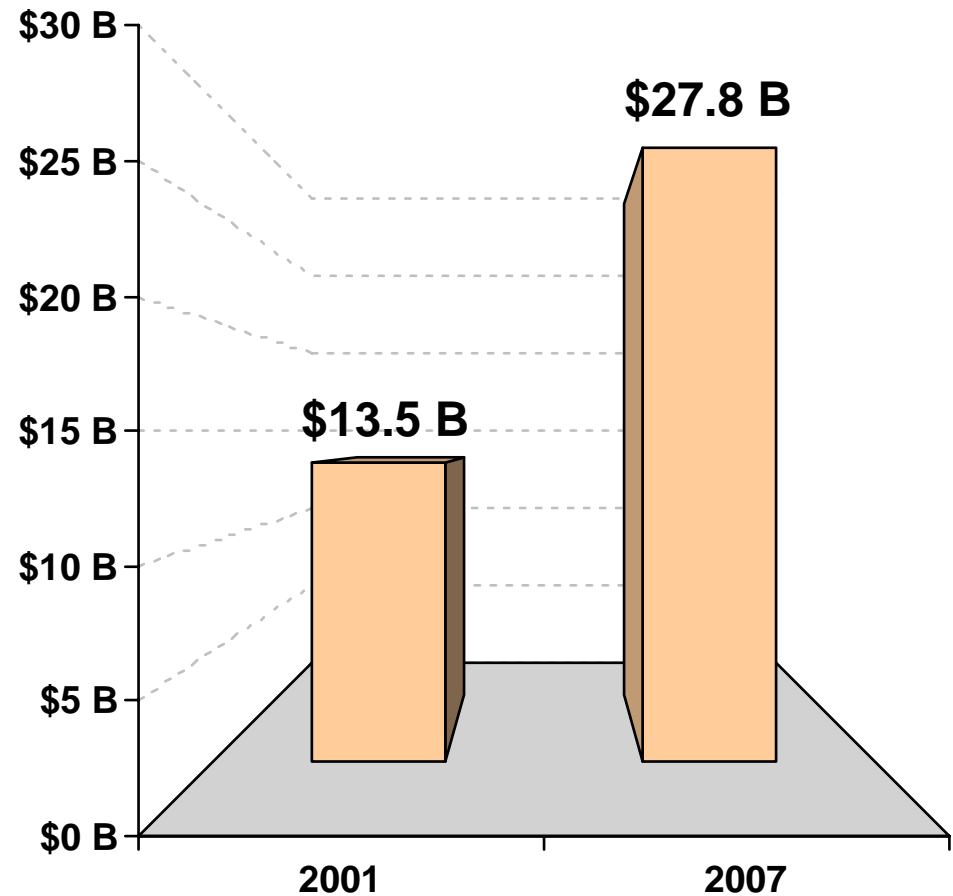


How Customer Product Rationalization (CPR) Can Enhance Customer Relationship Management (CRM) and Activity Based Costing (ABC) Projects

Growth Rate of Customer Relationship Management (CRM) Is Accelerating

- CRM market size in 2001 was \$13.5 Billion
- By 2007 CRM will more than double in size
- An executive survey by Jupiter Media Metrix reveals that 63% of companies are using **customer satisfaction** metrics to measure the ROI for CRM investments, not financial return



CPR Identifies Profitable Customers to Maximize the Value of CRM

Activity-Based Costing (ABC) Can Improve Cost Allocations

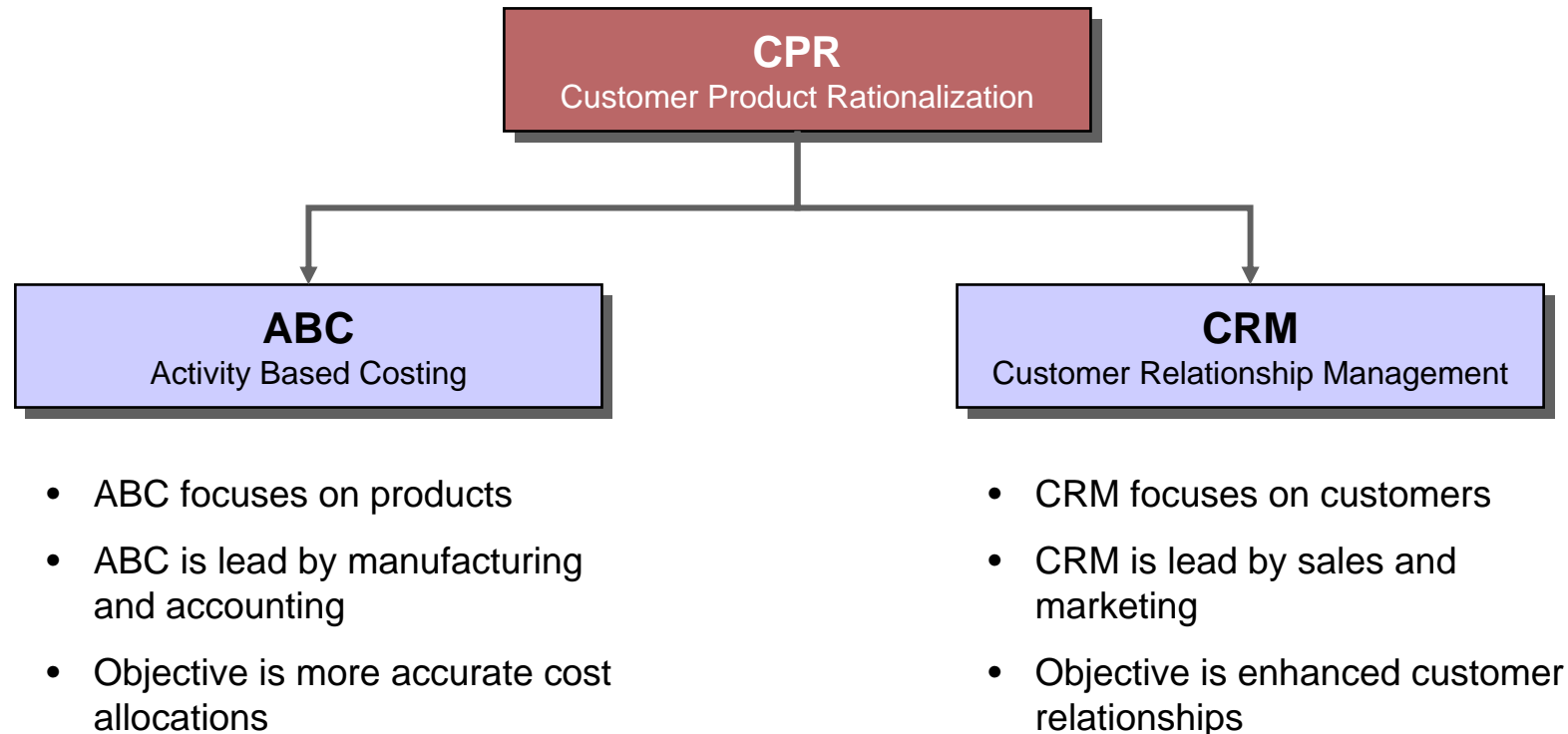
ABC can be a powerful technique to more accurately allocate costs than traditional cost accounting (TCA)

However ABC :

- Can be very time consuming to implement
- Does not provide a process to make strategic decisions regarding products and customers

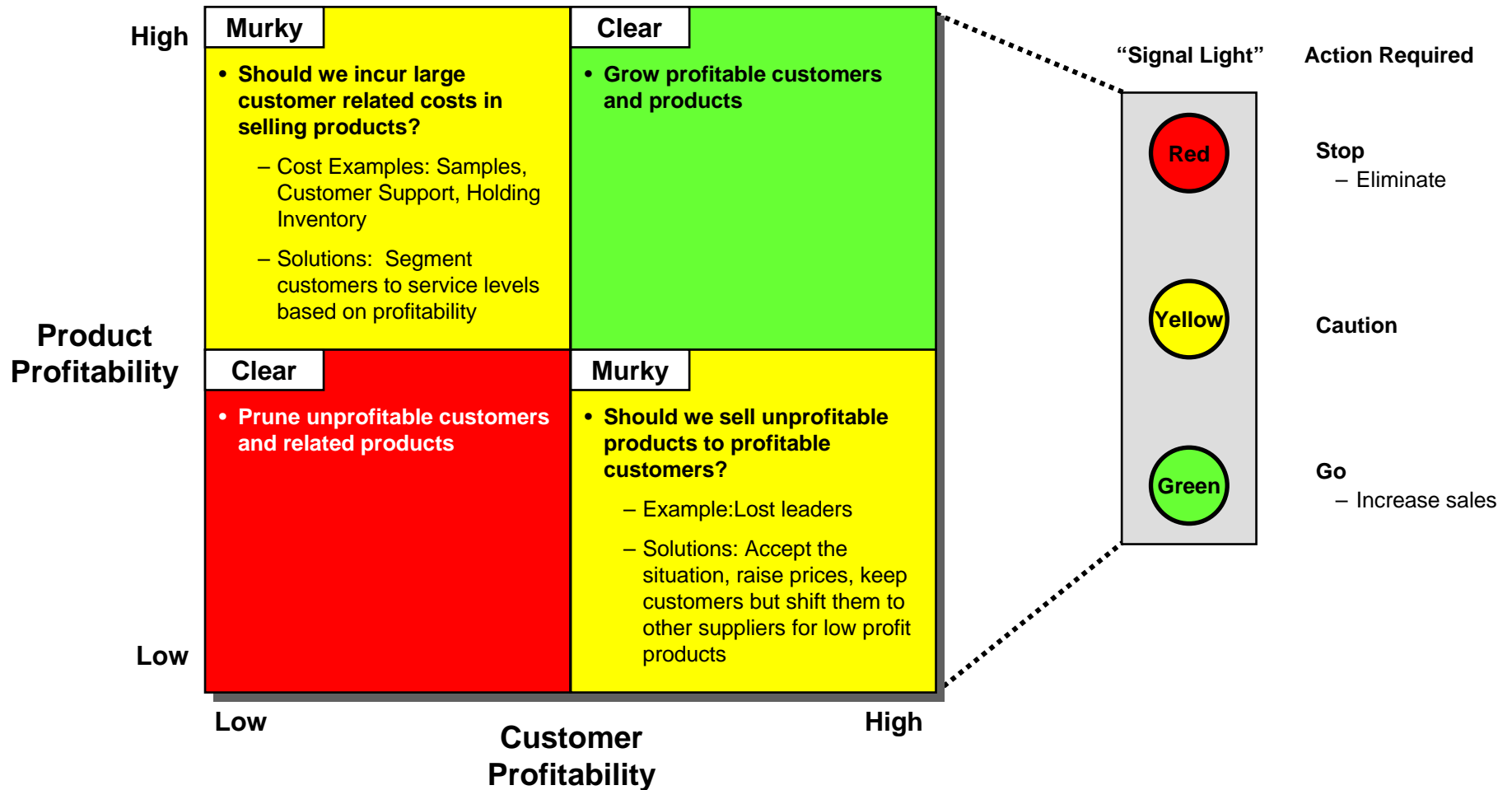
CPR is a process which can utilize ABC's cost insights to improve profitability

CPR Focuses Explicitly on Improving Profitability and Can Integrate ABC and CRM



CPR deals with customers and products, lead by cross-functional teams whose objective is improving profitability

CPR Segments the Customer-Product Portfolio and Provides a Mechanism to Make Difficult Decisions



Operational Improvement Approaches

Comparison of ABC, CRM and CPR

	Who	Focus	Pluses	Challenges	Benefits
ABC Activity Based Costing	<ul style="list-style-type: none"> Accountants Manufacturing 	<ul style="list-style-type: none"> Internal Products Production Costs 	<ul style="list-style-type: none"> Captures fine detail 	<ul style="list-style-type: none"> Long Term (18-24 months) High Cost Not action oriented 	<ul style="list-style-type: none"> More Accurate Cost Allocations
CRM Customer Relationship Management	<ul style="list-style-type: none"> Sales / Marketing ERP Team 	<ul style="list-style-type: none"> External Customers Sales Related 	<ul style="list-style-type: none"> Provides a More Automated and Consistent Selling Process 	<ul style="list-style-type: none"> Long Term (18-24 months) High Cost Does Not Determine Value of Customers Customer Profitability Not Established Customer Disposition is not addressed 	<ul style="list-style-type: none"> Improved Customer relationships
CPR Customer Product Rationalization	<ul style="list-style-type: none"> General Managers (oversee both Manufacturing and Marketing) 	<ul style="list-style-type: none"> Internal and external Customers and Products 	<ul style="list-style-type: none"> More Expedient Decision Oriented Moderate Cost Investment Cross Functional Team Based Helps Enhance Value of ABC and CRM 	<ul style="list-style-type: none"> It is not natural to "fire" customers or "eliminate" products Requires senior management support 	<ul style="list-style-type: none"> Rapid Profitability Improvement Profitable Customer and Product Strategies

CPR can enhance CRM and ABC projects

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