

SCA increases profitability in Europe

SCA uses Prodacapo's software for Activity Based Costing/Management (ABC/M) in twenty-one European countries. The sales and marketing organization of the company's business area Away From Home Tissue Europe strives to continuously improve profitability per customer. SCA has integrated the Prodacapo solution with its SAP system and updates revenue and profitability data quarterly.

SCA, one of the world's leading paper companies, produces absorbent hygiene products, packaging solutions, and publication paper. The company has 46,000 employees in forty countries.

The business area Away From Home Tissue Europe is a European market leader in tissue products for corporate customers and public institutions. The four main product areas are toilet tissue, handwiping products, napkins, and wipers for cleaning in industry and offices. Other products include various types of hygienic dispensing systems. The business area, headquartered in Munich, Germany, has twenty-one European sales offices organized into five regions in Europe.

New market strategy

Rijk Schipper took over the helm of Away From Home Tissue Europe in 2001. One of his first measures was to establish a new coordinated market strategy focused on how to best serve customers and segments to improve profitability. The result: impressive growth in profitability. The company used Prodacapo ABC/M analyses to achieve this accomplishment.

Measuring profitability per customer

What do companies need in order to grow profitability per customer? Conventional financial reporting only enabled Schipper's team to calculate gross profitability. In order to make decisions about the new market strategy they needed more accurate information on net contribution per customer.

Away From Home Tissue Europe

chose the Prodacapo solution for Activity Based Costing/Management. SCA had



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been using Prodacapo ABC/M for separate ABC-analyses since 1996 and was very pleased with the tool and the outcome. Successful analyses in the past

included customer profitability analyses in the Nordic countries and Eastern Europe as well as assortment analyses in the UK.

For this new and bigger challenge, Schipper's team needed new facts and analyses. The first step was to analyze the three largest geographical markets in Europe: Germany, France, and the UK. In a second step, Away From Home Tissue

Europe introduced the Prodacapo solution for continuous ABC/M in all twenty-one countries.

European advantage

Prodacapo ABC/M enabled the business area management to make informed, fact-based decisions. The analysis showed the real cost of the various ways to sell and deliver to different customer segments. Management could also identify criteria for how to best serve customers and segments for profitability growth. As a result of the analysis, Away From Home Tissue Europe decided to terminate direct sales to a large number of clients and instead serve them via distributors. The result was a real win-win situation. Distributors appreciated getting new customers and

FACTS Business area Away From Home Tissue Europe, SCA

The SCA business area Away From Home Tissue Europe's operations are based primarily on sales of tissue products to corporate customers and public institutions. SCA is the market leader in Europe and the third-largest player in the global Away From Home market. SCA, one of the world's leading paper companies, produces absorbent hygiene products, packaging solutions, and publication paper.

Organization: Sales offices in twenty-one European countries, organized into five regions. Headquartered in Munich, Germany

Prodacapo product: Prodacapo ABC/M

Away From Home Tissue Europe did not lose any volume. They made their sales organization more efficient and improved profitability.

Continuous improvement

Today, Away From Home Tissue Europe uses Prodacapo ABC/M to continuously improve customer profitability and efficiency.

“The Prodacapo solution means we have improved the way we measure our costs to serve each and every customer—which also allows us to do something about our profitability per customer,” says Åsa Kalentun, European Controller, Away From Home Tissue Europe, SCA.

“One important purpose of ABC/M is to establish the right attitude to cost-serve throughout the organization,” says Åsa Kalentun. “People have realized that time and resources drive costs. To grow profitability it’s important to spend time and resources on the right activities and customers.”

Centralized and regional analyses

Customer profitability data is available both centrally and regionally. At the business area level, Away From Home Tissue Europe analyzes customer profitability for its top fifty clients across Europe every quarter, as well as top thirty customers by region.

At the regional level—such as the Nordic countries—the sales organization uses reports that track three to five selected cost drivers per customer. Sales teams compare these actual costs with average costs and implement changes to improve profitability.

Away From Home Tissue Europe has an ABC model for each of its five regions. Every region typically includes three to six countries. The five ABC models are then consolidated at a European level. Based

on their own data, each region can make the necessary decisions at the same time that company management can view the profitability for all customers. It therefore no longer matters if customers operate in more than one country. This is a significant benefit since it is becoming more common for agreements to be made on a European level, whereas sales and customer services are provided locally.

Best practice

The information provided by the Prodacapo ABC/M solution is also part of a new project within Away From Home Tissue Europe called “Best practice.” The purpose of the project is for all regions and sales offices to learn from one another and improve their procedures.

“By using Prodacapo we can measure how we use time and costs in our different business processes. We can now analyze where we use the time available to us – before, during, and after a sale. We can start to set targets and work with our sales-generating processes,” says Åsa Kalentun.

Minimized workload

The first steps for implementing Prodacapo ABC/M did not involve any integration with existing systems.

“Today we’ve integrated Prodacapo ABC/M to a greater degree with existing systems in order to automate the ABC/M information update as much as possible. The result is a reduction in lead-time for quarterly updates from five to two days, which frees up a considerable amount of time that we can spend on analyses,” says Åsa Kalentun.

“Prodacapo ABC/M comes with much functionality that really facilitates continuous ABC/M work. And it becomes even simpler. Prodacapo develops the right type of new functionality. While we were in

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the middle of making large organizational changes Prodacapo released a new version that included more functionality, which made it easier to modify ABC/M models. This saved us a lot of time and effort,” says Åsa Kalentun.

What’s the next step?

“We work continuously to improve the way we use ABC/M. At this stage we aren’t fully satisfied with the quality of the activity-based information from various parts of our organization. Our focus today is to improve quality where required,” says Åsa Kalentun.

FACTS System Solution

Away From Home Tissue Europe uses Prodacapo ABC/M for continuous ABC/M. Information is updated quarterly. The Prodacapo solution is integrated with the company’s SAP Business Warehouse. The ABC/M data is analyzed and reported both in Prodacapo and within the SAP BW.



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