

Prodacapo Case



Realising business benefits with Prodacapo:

Elektroskandia increase their customer profitability and value for customers with ABC/M

Each quarterly period Elektroskandia uses Activity Based Costing/Management (ABC/M) to increase profitability. Elektroskandia chose Prodacapo for its ability to manage the vast amount of ABC/M information the organisation uses. Prodacapo offers Elektroskandia a clear view of revenues and costs per customer, product and supplier, as well as an understanding of the factors driving the results.

Elektroskandia is the market-leading wholesaler of electrical supplies in Sweden with a turnover of EUR 420 million and 850 employees based in 45 locations. The company is part of the Dutch Hagemeyer-group since 1997. The group have a yearly turnover of EUR 8,0 billion

worldwide. Both Hagemeyer and Elektroskandia are renowned for their strong focus on logistics and profitability.

The wholesale market for electrical supplies is mature with large volumes and small margins, fast order cycles – down to 24 hours – and customers of very

varying sizes. The number of orders, order lines, customer visits all drive costs.

“By the mid-1990s, we were asking ourselves; How can we better improve profitability analysis per customer? And how, simultaneously, can we, increase value both for ourselves and our customers?”, says Stefan Petersson, Financial Director of Elektroskandia.

They found the solution in the Prodacapo software for Activity Based Costing/Management. ABC/M analyses are now performed on a quarterly basis with a focus on profitability per customer, product and supplier. The results give Elektroskandia a unique insight into the company’s profitability and a platform from which to improve it.

In total, Elektroskandia has some 5,000 active customers of varying size, from large corporations with several thousand employees and municipalities to many small companies and one-man firms. The complete product range includes 80,000 articles of which 35,000 are held in stock. Purchases are made from around 2,000 suppliers.

Vital analyses

Elektroskandia is a sales-orientated organisation with 500 of the company’s 850 workers employed as salesmen. In the 1990s, Elektroskandia went through a reorganisation to become a more customer-focused organisation and the ABC analyses have increased that focus.

“The ABC analyses are



other nearby customer and costs for customer handling.

"Initially, we can determine the desirable margin. Then we commence a proactive dialogue with the customer on prices and rebates based on the ABC analyses", says Stefan Petersson.

Create win-win situations

"ABC also provides us with a new tool to further customer relationships by creating win-win situations. We don't just improve our own profitability. We know from our ABC analyses that if customers incur high costs for order placement then they have correspondingly high costs for their purchases. Together, we can do something about it," says Stefan Petersson.

The right solution might be EDI or e-Business over the Internet to reduce the amount of manual transactions, or new order placement routines. Cost-reduction opportunities are virtually unlimited once costs and gains have been made quantifiable for both parties. This drives more win-win relationships that make Elektroskandia an even more attractive supplier for cost-conscious and successful customers.



Stefan Petersson

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The right system support

Elektroskandia has been using Prodacapo since 1996. A key reason for choosing Prodacapo was the system's capability to administer and process the vast amounts of data generated every quarter by Elektroskandia's structure of customers, products and suppliers.

"By using Prodacapo we can complete the ABC calculation in about two hours despite the fact that the model incorporates around 12,000 customers, 80,000 products and 1,800,000 order lines. This makes it easy for us to use ABC even with such large amounts of data," says Stefan Petersson.

Basic data is obtained from both the Elektroskandia in-house developed ERP solution, which runs on a DB2 database, and from the accounting system, IBS ASW Financial.

"We have always been very satisfied with the solution and the support from Prodacapo. As soon as we have made an inquiry their support, consultants or programmers have assisted us quickly. The system's user interface is also very user-friendly. If I should summarise my views on Prodacapo it would be: excellent product, excellent consultants and great support. Without Prodacapo it would have been more difficult for us to improve our profitability on this continual basis", says Stefan Petersson.

essential if we are to improve profitability proactively in the long term and manage customer programs in the short term. It is the responsibility of the individual salesperson to execute these programs and the ABC information they receive provides customer profitability details in black and white", says Stefan Petersson.

On-going ABC use

This proactive commitment to the use of ABC has been the key to Elektroskandia's success and applies both to the analyses as well as to the actual use of the information by salespeople and purchase managers.

"The excellent accomplishments by our sales force have been key to delivering our results", says Stefan Petersson.

"By combining their customer and market knowledge with information on how customer activities drive our costs, salespeople can understand how a customer can become more profitable. Using Prodacapo has allowed us to produce ABC results in all dimensions and make historic comparisons. This comprehensive cost overview enables us to be more professional in our dialogues with customers and partners".

ABC information for profitability-focused customer strategies

Elektroskandia uses ABC as their tool for proactive segmentation of customers and to

direct focus onto customer groups with the most potential.

"A high-volume but low-margin customer requires a strategy focusing on the cost side to improve our profitability. A high-margin, high-volume customer requires a strategy to add new services and products to increase our share of their business. But we are of course applying several simultaneous methods of determining the appropriate customer strategy. We are not totally focused

on revenues and profitability but also consider logistics and geography. ABC is a tool and the information must be applied with common sense," says Stefan Petersson.

In practical terms, every sales-

man obtains the ABC information relevant to their customers. Product and purchase managers obtain the corresponding data for their products and suppliers. They then select a number of customers (or products and suppliers) and develop suitable strategies, together with their respective manager.

However, ABC is not only used to improve profitability. It also provides the means to determine the appropriate price and rebate range for new customers. A large number of variables can be applied - from customer category to business area, location, product range, distribution economics and potential synergies resulting from supplying

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Stefan Petersson,
Financial Director, Elektroskandia



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