

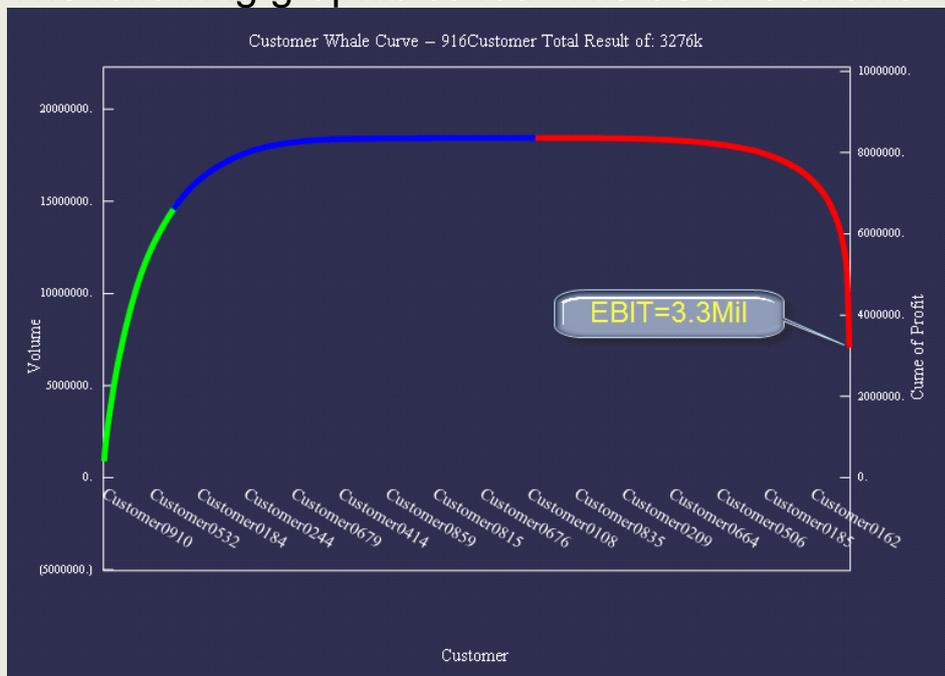
## RapidBusinessModeling

### How an enterprise recognizes their true profitability potentials

The customer profitability analysis very often shows that 10 to 20% of all customers generate a profit of 200 to 300% of the income statement IBIT.

That means there are customers which are dramatically destroy your profit.

The following graphic called WhaleCurve shows this:



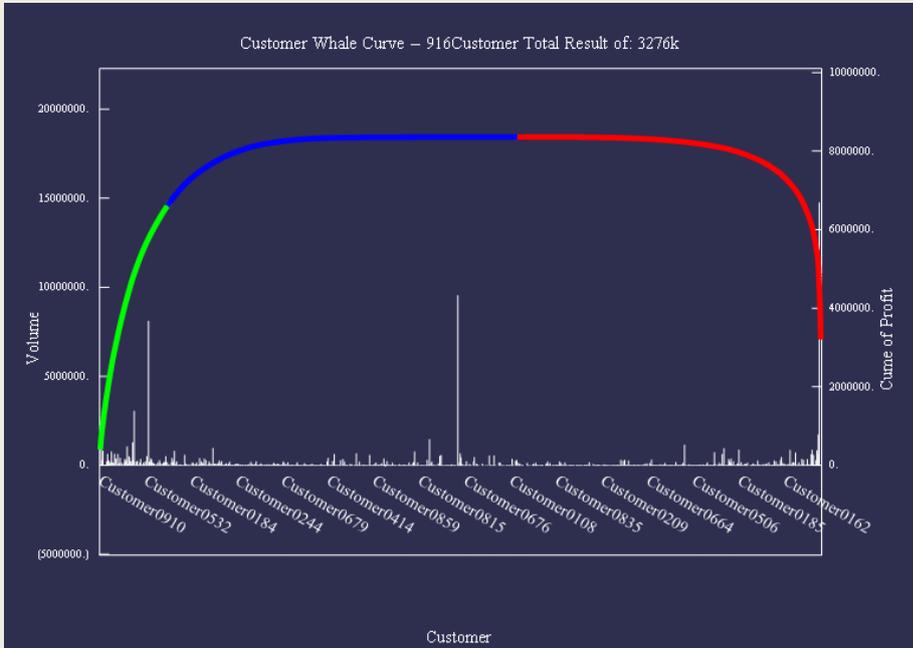
Brief description of the WhaleCurve:

the X. axis shows the customers, sorted by cumulated profitability in descending order. The X. axis also could show Product, or any other dimension.

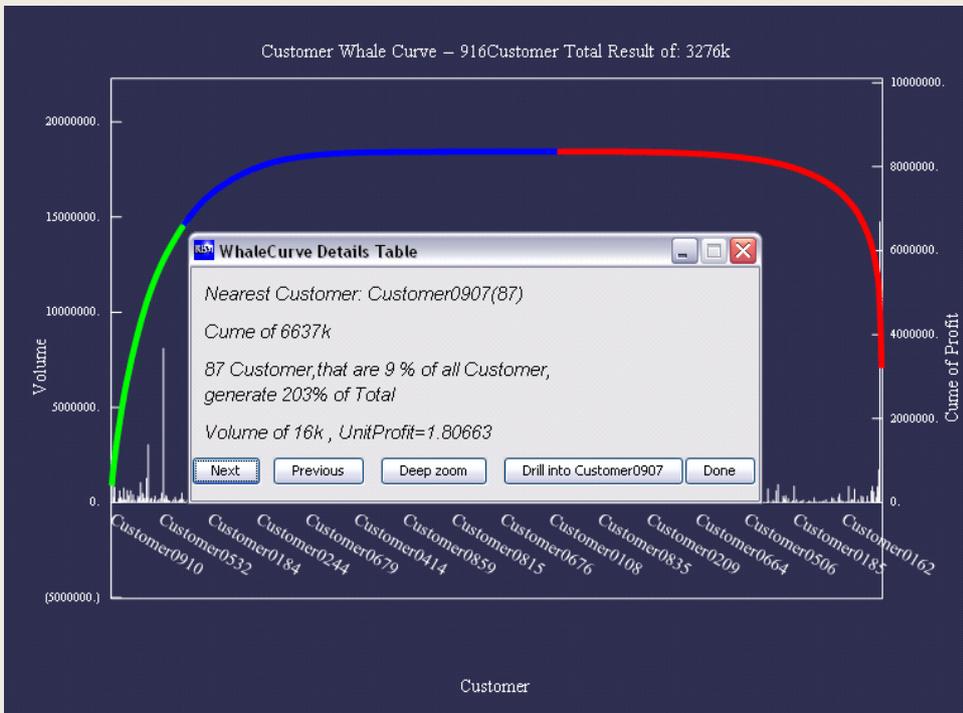
Therefore on the very left one would see the most profitable customer, followed by the next one. The green blue and red lines projects the result of the cumulated profitability to the Y. axis on the right side.

# How to make an Enterprise more Profitable

The extended WhaleCurve – see below- shows also the sales volumes as bars where the amount can be read off the Y. axis on the left side.

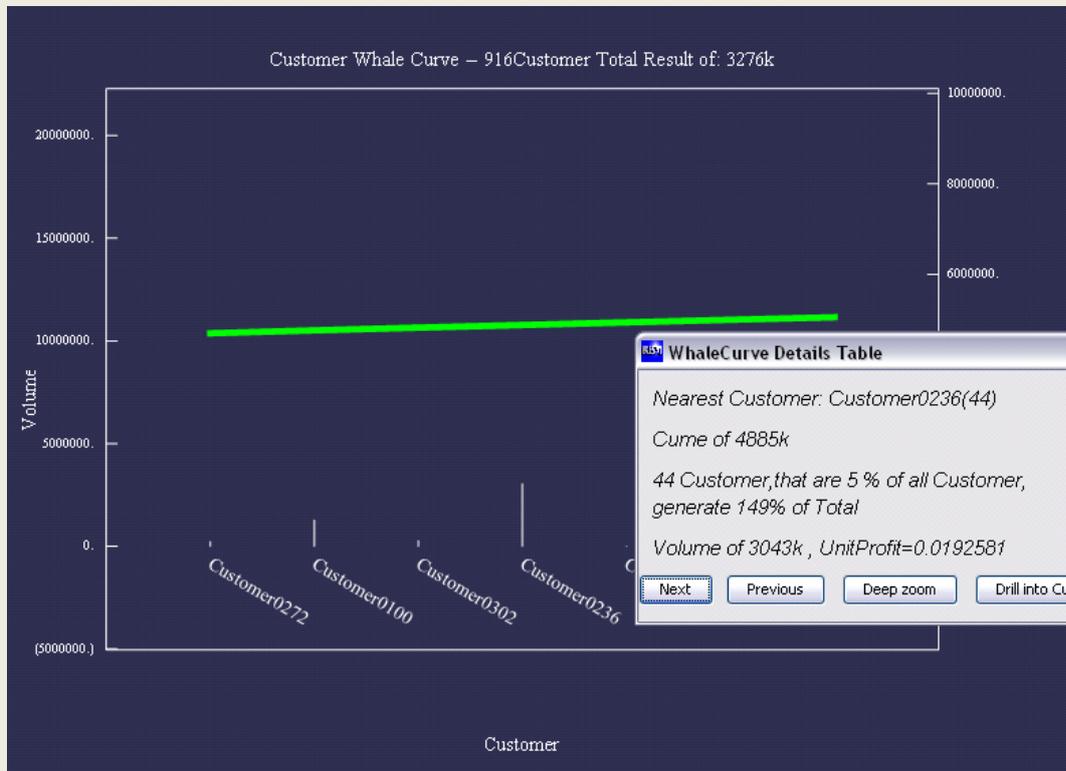


In the example below, 9% of all customers generate a profit of 203% of IBIT

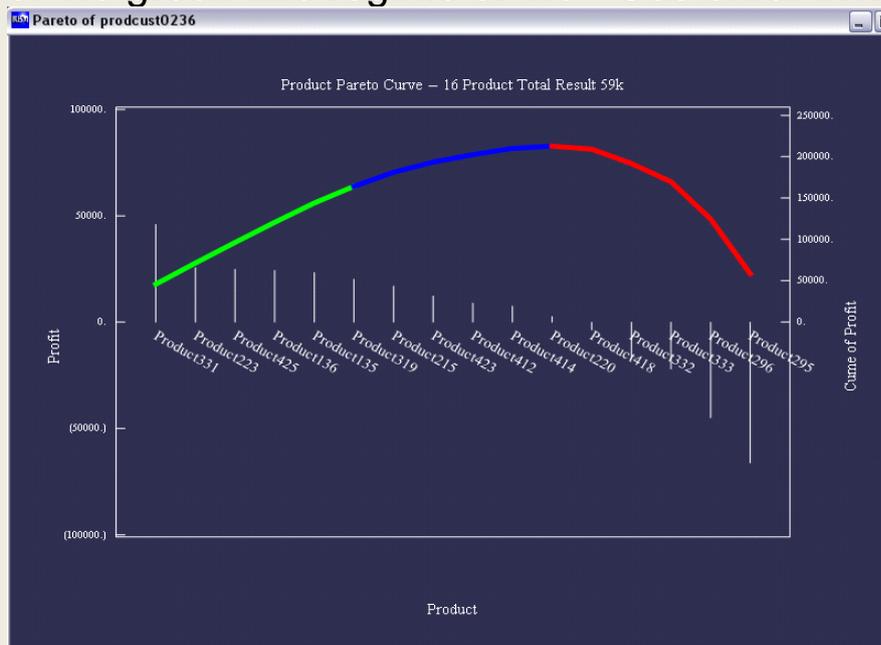


# How to make an Enterprise more Profitable

In the following figure- part of green-line regime of the WhaleCurve- we focus on Customer0236:



The Customer0236 purchases 16 different products and as the following WhaleCurve depicts, only 11 products are profitable. All other products generate a loss despite this customer is part of the green-line regime of the Customer WhaleCurve.



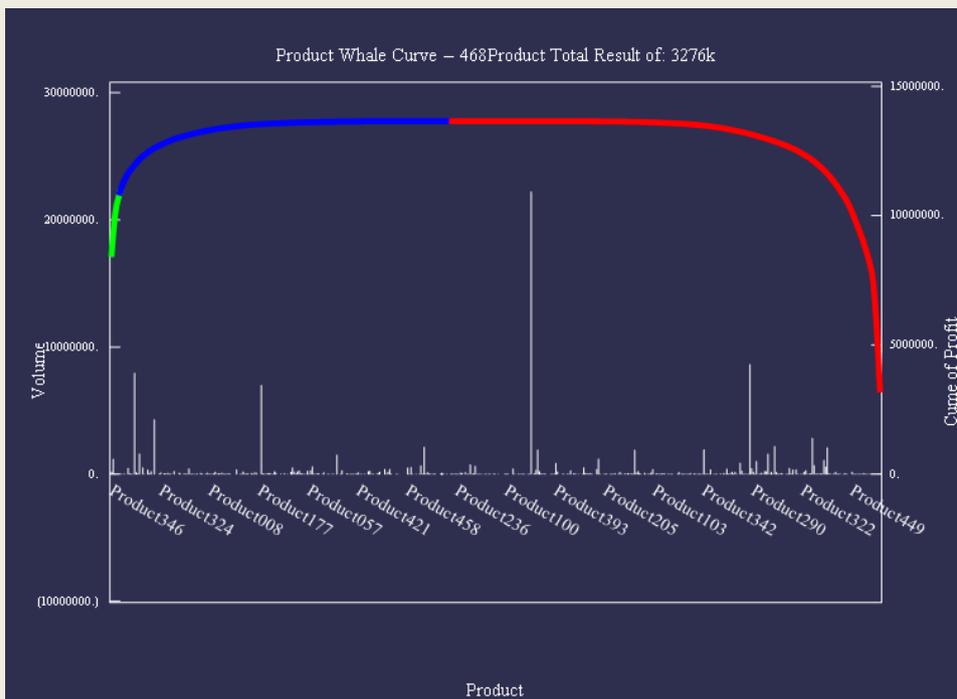
## How to make an Enterprise more Profitable

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As one can see it is therefore very important to get a 3-dimensional overview of your customers in a most simple way.

The Product WhaleCurve of our example enterprise looks like this:

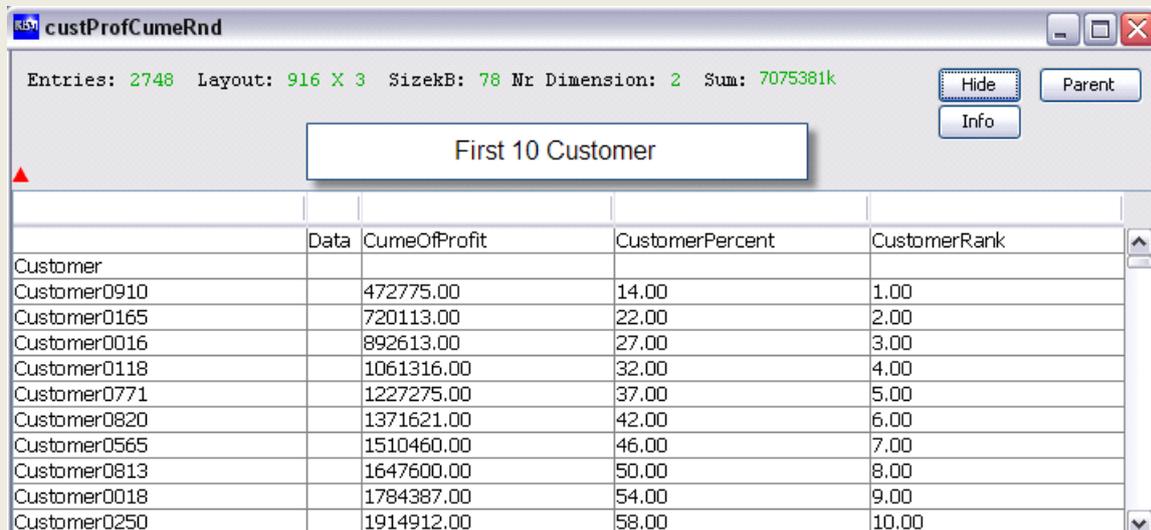
The IBIT is the same but the profile is completely different.



Quite dramatic to see how only 5 products-out of 468 products-this is 1% of all products! - are responsible for 325% of the IBIT.

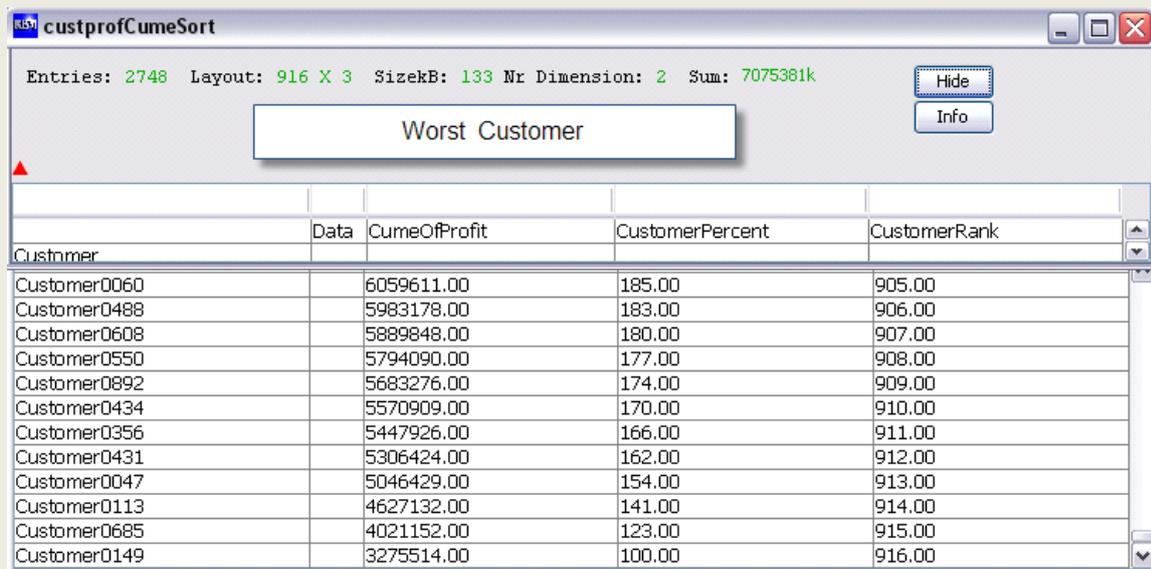
## How to make an Enterprise more Profitable

The following table shows the best and the worst 10 customers concerning profitability, with some essential details.



The screenshot shows a window titled 'custProfCumeRnd' with the following details: Entries: 2748, Layout: 916 X 3, SizekB: 78, Nr Dimension: 2, Sum: 7075381k. The window title is 'First 10 Customer'. The table below lists the top 10 customers by profitability.

Customer	Data	CumeOfProfit	CustomerPercent	CustomerRank
Customer0910		472775.00	14.00	1.00
Customer0165		720113.00	22.00	2.00
Customer0016		892613.00	27.00	3.00
Customer0118		1061316.00	32.00	4.00
Customer0771		1227275.00	37.00	5.00
Customer0820		1371621.00	42.00	6.00
Customer0565		1510460.00	46.00	7.00
Customer0813		1647600.00	50.00	8.00
Customer0018		1784387.00	54.00	9.00
Customer0250		1914912.00	58.00	10.00



The screenshot shows a window titled 'custprofCumeSort' with the following details: Entries: 2748, Layout: 916 X 3, SizekB: 133, Nr Dimension: 2, Sum: 7075381k. The window title is 'Worst Customer'. The table below lists the bottom 10 customers by profitability.

Customer	Data	CumeOfProfit	CustomerPercent	CustomerRank
Customer0060		6059611.00	185.00	905.00
Customer0488		5983178.00	183.00	906.00
Customer0608		5889848.00	180.00	907.00
Customer0550		5794090.00	177.00	908.00
Customer0892		5683276.00	174.00	909.00
Customer0434		5570909.00	170.00	910.00
Customer0356		5447926.00	166.00	911.00
Customer0431		5306424.00	162.00	912.00
Customer0047		5046429.00	154.00	913.00
Customer0113		4627132.00	141.00	914.00
Customer0685		4021152.00	123.00	915.00
Customer0149		3275514.00	100.00	916.00

Brief discussion of the way forward:

As we now have analyzed and understand which customers destroy our profits, we now need to think what are the potential reasons for that behavior and what can we do to change it.

Firing the customers should be one of our last possible solution for change! Rather we should understand what particular services, in combination with the pricing of our costing / pricing

systems were leading to the actual profits we see.

One can conclude there are quite a few where we are not properly being rewarded for our efforts spend.

Once you have a clear picture in front of you, you are able to talk to the customers in details in order to find out how to improve the situation and make a win-win for both of the companies. Bear in mind that it is very often the case that the dealings go beyond various departments and do not relate to one person. Hence your client might be very surprised to see what you can describe to him and very often is able to reduce the numbers of order or to find a different packaging or other means which are beneficial to both companies and help you to reduce the cost. And that way allow him to cut a better deal and you would to become more profitable as desired.

Using proper costing systems is the essence of this exercise. It has been shown on many examples that only the concepts of activity based costing are able to properly assign your resources consumed onto your activities, products and customers by using cause and effect relationships-drivers-, built on data out of the operational accounting and commercial data system, of the enterprise in question.

The traditional accounting methodology fails to deliver here. For example, low volume products are typically below the true cost and in the high-volume range, traditional accounting methods make you believe that the costs are higher than the true cost will be.

We at RapidBusinessModeling have combined the concept of activity based costing [rate based, time driven activity based costing or typically a hybrid of both] to come up with the appropriate costing system combined with the revenue dimensions providing you with the multi-dimensional profitability deemed necessary to get your P&L by customer, by the way available at your fingertips.

This allows you to analyze your current business and make assessments of the future performance of your enterprise. You

would see best routes for improvement. Our multi-dimensional symbolic simulation capability picturing how your various change management steps would impact your future profitability.

Coming back to the more immediate actions necessary:

The customer profitability analysis makes it possible to depict which are the customers you might have a monopoly on and you could improve your profitability in some cases by simply increasing the price and being pretty sure you want loose the customer.

Concerning the red-line regime of the WhaleCurve: it is often said that the potential at hand is the difference between the IBIT versus the maximum profit. We strongly believe that this is not the whole story, and that over-simplified concept is falling short of opportunities hidden in the system of your multi-dimensional enterprise model. We have developed a special potentializer approach, which finds the overarching potentials, for all the regimes and not just for the red-line regime.

If you're interested, we can run an example enterprise ad-hoc model via an online meeting based upon some parameters describing your company, without going into any specific details. However, you'll learn what it might look like and that it doesn't take too much effort to come up with a fully fledged business model, enabling you to drastically improve your enterprise profitability.

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