

...helping you sustain success in today's marketplace.

CostQuest's **CONtribution Management & Profit Analysis System (COMPASS)** is an activity-based and economically rational approach to measuring and managing profitability in your company. We refer to this as our Economic Based Cost ('EBC') approach. COMPASS is based on a highly flexible and robust data architecture that is easily customized to accommodate your data structures, products, markets, and overall requirements.

Let's explore COMPASS...

Why COMPASS?

- ✓ For Business Management:
 - to help sharpen, deepen, and broaden management's ability to proactively manage profitability from a revenue and cost perspective
 - to create a stronger sense of ownership for results
 - to capture the nature of costs and revenue and report out to the managers who can control them
- ✓ For External Management
 - to help formulate and evaluate cost allocation methodologies
 - to form and support arguments in regulatory proceedings, among other applications

The COMPASS Outcomes

Contribution Management

COMPASS helps you manage (read "maximize") contribution on any number of dimensions (e.g., by product, by market segment, by distribution channel, by geographic area, etc.). By contribution, we mean an economically rational, shareholder-based view of your results.

Profit Analysis

COMPASS provides an 'activity-based' view of the work you do. COMPASS provides insight into what drives your cost and, ultimately, your profit. The basic COMPASS cost analysis addresses all relevant costs that affect your profitability, including operating costs (e.g., sales and marketing), capital related costs (e.g., network capacity costs), and the cost of capital. As activity-based results build over time and a history is created, the analysis capability grows. With history, the real power of the system is realized, as users can then manage and be held accountable for contribution change over time.

The COMPASS System

COMPASS is a system. It can be processed over whatever cycle fits your needs (monthly, quarterly, annually). For the most part, it uses existing data obtained by straightforward extracts run against your existing systems. It is easy to incorporate into your existing technology platform because it is PC-based and uses common applications (e.g., Microsoft Access, Excel, and SQL Server).

How COMPASS is Installed

Your COMPASS project is easily modified to fit your needs within your timeline. Stage One begins with an intensive and intentional effort to clarify and agree on your business priorities. Consensus is

key to success. Your business needs determine the costing principles to be applied in the system.

COMPASS Stage Two determines the appropriate model structure for your needs and defines required data (and related extracts). In this stage, you address business process (or activity) costs, computing network element costs, and defining and measuring activity and/or network element driver volumes.

Stage Three involves building and testing the model and validating initial results through intensive application and analysis. This part of the project is the vital “use it to improve it” cycle.

COMPASS Fundamentals

While the COMPASS architecture can accommodate a variety of business needs, most of its initial installations are based on the following principles.

History-based

Most companies model incurred and historic costs because they provide the best basis for sharpening management’s understanding (and ownership) of results. They are also an excellent starting point for a forward-looking decision support modeling effort. Historic costs are also easily reconciled to reported results—which increases credibility.

Causation-based

Most companies seek to understand the impact of decisions by using cost causation principles to assign costs to cost objects. This underpins the need for

actionable results and again, supports the ownership agenda.

Behavior-based

Most companies evaluate and assign costs based on how they behave relative to business volumes. This choice distinguishes volume-sensitive from non-volume-sensitive costs.

COMPASS Results

Who uses the results of COMPASS, and how, depends on your business purpose – and your culture. Many users find COMPASS results to be the great common ground on which different disciplines can plan and evaluate results. Marketing uses COMPASS to evaluate the profitability of different products. Network engineers use COMPASS to help them understand which products are driving network costs. Regulatory Affairs uses COMPASS to evaluate cost recovery strategies. The list goes on.

COMPASS System Requirements

COMPASS can be deployed in a stand-alone environment or as a client-server application. As a stand-alone application, it runs on a business class Windows-based computer, typically a Pentium 4, 3.0 GHz processor with 512 Mb of RAM.

For more information, please contact us or visit us at www.costquest.com.