

# **Deluxe Corporation Case Series on Activity-Based Costing and Activity-Based Management**

**By**

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My motivation for writing the Deluxe case series was to create some modern teaching materials for the field of Activity-Based Costing (ABC). At the time of doing the research (Spring 1999), most of the available case material was written in the late nineteen eighties or early nineteen nineties. While these cases are well written and historically significant, ABC has changed in the intervening years, and the strategic setting for ABC is different. As a result of these changes, ABC looks different today and is implemented differently.

The list of cases I want to write is long, but I had to start somewhere. So my initial objective was to demonstrate the link between strategy and Activity-Based Costing. ABC is not a one-size-fits-all solution. There are many options regarding the type and detail of the information that is maintained within the ABC system. These options need to be reviewed in the light of the organization's strategic needs. Given a set of strategies and key performance indicators, what types of decisions will, if made correctly, help implement the strategies and improve the key performance indicators, and what ABC information is needed to make these decisions?

After many years of consulting in the field of ABC, this strategic assessment is the first—and possibly most important—task of an ABC engagement. It ensures that the ensuing ABC implementation will create a model that supplies inputs for key strategic decisions. It avoids the “field of dreams” syndrome where a generic ABC model is created in the hope that “management will come and use it.” Inevitably these poorly focused ABC models have limited utility.

The Deluxe (A) case meets this strategic objective. If the instructor chooses, it supports a rich ninety-minute discussion about the strategic need for ABC and the overall design of a model to meet that need.

The (A) case is not the end of the discussion, however, it is the beginning. I wasn't at Deluxe for long before I realized that I had a multi-case series on my hands. The ABC implementation at Deluxe was so rich; I could use it to support several objectives on my case writing research list:

## **Teaching Objective**

The strategic use of Activity-Based Costing  
The design of a strategic ABC model  
Management analysis of ABC information  
Value-Based Management  
Supply-Chain Management

## **Case**

Case (A)  
Case (B)  
Case (C)  
Case (D)  
Case (E)

In addition to these major topics, the cases cover the following concepts or areas:

- ? Cost-to-Serve activities
- ? Primary activities
- ? Secondary activities
- ? Service costs
- ? Channel costs
- ? Customer profitability
- ? Market segment profitability
- ? Shareholder value analysis (Economic Value Added (EVA))
- ? ABC reports
- ? Drill-down
- ? Manufacturing industry
- ? Service industry
- ? Financial Services industry
- ? Activity-Based Management
- ? E-commerce
- ? Customer pricing
- ? Customer relationship management
- ? Scenario analysis (“what if?”)

I structured the case series to allow the instructor to sequence and manage this breadth. I also broke the series into five different cases to provide maximum instructional flexibility. I created the computer files and video to enhance the classroom and student experience:

<b>Video Segment</b>	<b>Topic</b>	<b>Case</b>	<b>Time</b>
1.	Strategic use of ABC	(A)	9 minutes
2.	Activity-Based Costing	(B)	9 minutes
3.	Analysis of ABC information	(C)	3 minutes
4.	Value-Based Management	(D)	3 minutes
5.	Supply-Chain Management	(D)	5 minutes
6.	The Next Steps	(E)	5 minutes

<b>Excel Computer files</b>	<b>Case</b>
? Activity Dictionary	(B) and (C)
? Process and Sub-process Report	(C)
? Activity Quarterly Report	(C)
? Service Quarterly Report	(C)
? Activities-Within-Services Report	(C)
? Order Cost Comparison Report	(C)
? Cost Variability Report	(C)
? Segment Profitability Report	(C)
? Customer-Within-Segment Profitability Report	(C)
? Customer Profitability Report	(C)
? XYZBancorp	(E)

I recommend that the cases be placed after teaching the initial series of cases introducing the topic of ABC. They can be placed individually anywhere in the class, or in consecutive classes, depending on the objectives of the course and the other materials used. The cases can be used for up to six hours of classroom time (four class periods). They have been used at the Darden Graduate School in the first year accounting course, the second year elective on Strategic Cost Management, and in the Executive Program. Professor V. G. Narayanan at the Harvard Business School has also taught the cases.

The following options are possible with the cases:

1. Four ninety minute classroom sessions
    - i. Case (A)
    - ii. Case (B)
    - iii. Cases (C) and (D)
    - iv. Case (E)

Cases (B), (C), and (E) are handed out at the end of the previous class. Case (D) is handed out during the third session upon completion of the analysis relating to the (C) case.
  2. Three ninety minute sessions
    - i. Cases (A) and (B)
    - ii. Cases (C) and (D)
    - iii. Case (E)
  3. Two ninety minute sessions
    - i. Cases (A) and (B)
    - ii. Cases (C), (D) and (E)
  4. One hundred and ten minute session
    - i. Case ((A) and (B) Abridged)
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## **Deluxe Corporation Case Materials**

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To order copies of the Darden case materials e-mail [dardencases@virginia.edu](mailto:dardencases@virginia.edu)

Excel files may be requested from Peter B.B. Turney at [pbbt@costechnology.com](mailto:pbbt@costechnology.com)

Deluxe Corporation (A): The Strategic Need for Activity-Based Costing UVA-G-0548

Deluxe Corporation (B): Activity-Based Costing UVA-G-0549

Deluxe Corporation (C): Analysis of Activity-Based Costing Data UVA-G-0551

Deluxe Corporation (D): Value-Based Management UVA-G-05522

Deluxe Corporation (E): Supply-Chain Management UVA-G-05531

Deluxe Corporation Teaching Note UVA-G-0548TN

Deluxe Corporation Video: Value-Based Management 4604