



# Acorn Perfects Charles Schwab's Homegrown Profitability System

## Client

*charles* SCHWAB

## Challenge

Implement a profitability system that can scale with the complexity and volume of the business, improve data accuracy and granularity, and reduce time and resources required for information processing

## Solution

Augment the existing customer solution with Acorn Systems' Enterprise Performance System (EPS), to allow visibility down to the individual client account level

## Impact

The business case for the project had a 20% internal rate of return based on over \$2 million in annual benefits

### Platform Delivers Timely, Consistent View of Profitability

Charles Schwab, a Fortune 500 company, provides securities brokerage, banking and related financial services for over 7 million active client accounts. At third-quarter-end 2004, the company had just over \$1 trillion in assets and 14,800 employees in more than 300 offices throughout the U.S. The company's clients include individual investors, independent investment advisors, institutions, and company 401(k) plan sponsors and third-party administrators.

In 1992, executives at Schwab began accounting for product, segment, and client profitability using activity based costing (ABC). The company built its own platform to plan the pricing and offering mix of more than twenty different products through translating a traditional accounting P&L into a fully loaded P&L.

### Proprietary Profitability System Falters

By 2003, however, the brokerage had outgrown this homegrown platform that could no longer keep up with the complexity and volume of business. The proprietary system lacked the accuracy and level of granularity needed for executives to make better decisions. Also, the Profitability Analysis team was spending too much time on data processing instead of turning the data into useful information for strategic analysis. Executives had little confidence in data that could be as much as six weeks old.

The brokerage company sought a new profitability solution that; would improve data accuracy and granularity; significantly reduce the time and resources required for information processing; and cost-effectively support scalability.

### Acorn Builds on and Augments Custom Solution

After thoroughly investigating available options, Charles Schwab chose an Acorn Systems solution based on a Microsoft framework due to a low total cost of ownership. The chosen solution's ability to handle large data volumes in a timely fashion and its robust analytic and modeling capabilities were key criteria in the company's decision. The business case for the project had a 20% internal rate of return based on over \$2 million in annual benefits. Today the company continues to achieve benefits well in excess of the original project expectations.



Implementation of the new ABC model took approximately twelve months. Using its Enterprise Performance System (EPS) 2.0, Acorn Systems modeled the entire corporation — including all corporate functions, call centers, back-office operations centers and approximately 300 branches. The proprietary Schwab model was recreated, its results used to generate unit costs that were applied down to the individual client accounts.

When Acorn began the engagement, it needed to assure company executives that the EPS system and SQL Server databases could handle the data volumes as well as the proprietary methodology. Acorn successfully performed a “straight conversion,” with cost flows and equations in the new EPS model written to return exactly the same results as those expected from the old custom-built system.

One important aspect of the implementation was developing and validating the business activity reports (BAR) that all the business units and executives depended on. EPS system-generated reports were customized and automated to provide more extensive drill-down and trace-back capabilities than previously available.

#### Less Processing Time, More Accuracy

The new EPS system delivered value in three major areas: reduced end-to-end processing time, incorporation of additional data sources unavailable in the proprietary system, and granularity in cost and capacity modeling in specific business areas.

Most notable was the 90% reduction in cycle time. The custom-built system took more than one month to process data and manually generate BAR. Now automated generation of a bigger and better BAR suite requires significantly less processing time.

Three previously unavailable major data sources were built into the EPS system: IT cost information, call data from the company’s call centers, and operational data from the operations centers. All three resulted in significantly improved costing accuracy.

The partnership with Acorn Systems and the implementation of EPS 2.0 allowed Schwab to realize its initial profitability system replacement goals. Now the company experiences reliable processing and data throughput with a best-in-class profitability system. “Time to market” for business-critical information has also drastically improved. As the company moves forward with its vision of understanding profitability throughout the enterprise, the new solution offers a cost-effective strategy for scaling out to meet future demand.

#### About Acorn Systems

Acorn Systems provides continuous enterprise-wide visibility into business performance enabling profit improvement at a low total cost of ownership. Acorn delivers a solution that is verifiably accurate, auditable and actionable. Acorn’s solution is flexible and dynamic and provides a sustainable, scalable platform for Enterprise Performance Measurement. Acorn’s clients come from many industries including Financial Services, Retail, Manufacturing, and Distribution in the Metals, Foods, Electronics, Paper, Healthcare and Chemicals industries. For more information, visit [www.acornsys.com](http://www.acornsys.com), or call 1-800-98ACORN.