



labelprint

Activity-based costing helps label company put the right stamp on pricing

Through one of its flagship services, Activity-Based Costing, MGI White Hancock is helping clients assess the true costs of producing a product to ensure it is priced appropriately. Using Activity-Based Costing, all business costs including equipment, facilities and the time of all company staff, are allocated to a product, service or customer to calculate a cost range at which that product or service should be sold.

The assessment goes past the obvious costs of raw materials and production staff to quantify the value other areas of business either directly or indirectly have on the delivery of specific goods and services. Activity-Based Costing (ABC) has significantly helped self-adhesive label manufacturer, Labelprint Pty Ltd make key decisions on pricing and tender applications.

“The Activity-Based Costing exercise helps us when we are being asked to cut prices to compete for a job, and gives us the confidence to either go for the job or say no,” said Carol Marsh, Managing Director of Labelprint.

“Sometimes we can be under a lot of pressure on pricing and ABC helps us define a limit.”

ABC specialist and Partner at MGI White Hancock, Grant Field has been working with the third generation family business since 1991 and is actively involved in all stages of the business accounting and planning including taxation, business structure and general business activity including chairing the monthly management meetings.

“The ABC process has given Labelprint staff a framework in which to calculate accurate and consistent information on how much it costs to produce any label,” Grant said.

“The ABC exercise was also used to help identify unprofitable customers, product lines and even equipment, an exercise which resulted in Labelprint selling part of its business and focusing on the most profitable areas,” Grant said.

Carol Marsh said this exercise had a direct affect on the bottom line and freed up staff to work on more profitable projects.

MGI White Hancock works with Labelprint on all types of business issues relating to staff, sales, marketing and strategic planning.

“We recently helped restructure the Labelprint group to ensure where possible that the assets that had been built up over a lifetime are protected, allowing for Carol to fund a tax-effective income stream into her retirement,” Grant said.

For Carol, MGI White Hancock is a valuable business partner.

“They are very practical and approachable and explain things well, which is very important at our monthly management meetings,” Carol said.

“ We were finding that some of the smaller clients were actually requiring the most attention. The Activity-Based Costing exercise highlighted that some machines and clients weren’t profitable so we released them and improved profit ”

CAROL MARSH, MANAGING DIRECTOR, LABELPRINT