

Study Assignment

Dakota Office Products Case Study

A regional distributor of office supplies needs to understand its rising costs and determine how to return to profitability. The case explores the option of customer segmentation.

Be prepared to discuss the following questions in class. Draw on information in the case, other readings, your relevant experience, and any assumptions you consider reasonable.

1. Develop an activity-based cost system for Dakota Office Products (DOP) based on Year 2000 data. Calculate the activity cost-driver rate for each DOP activity in 2000.
2. Using your answer to Question 1, calculate the profitability of Customer A and Customer B.
3. What explains any difference in profitability between the two customers? What are the limitations, if any, to the estimates of the profitability of the two customers?
4. Assume that Dakota applies the analysis done in Question 2 to its entire customer base. How could such information help Dakota managers increase company profits?