

## The Profitability Management Mechanism of Leather Industry-Based on the Activity-Based Benefit Approach

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**Abstract :** Strengthening core competitiveness is the main goal of enterprises in a fierce competitive environment. Accurate cost information is a great help for managers in dealing with operation strategies. This paper establishes a profitability management mechanism that applies the Activity-Based Benefit approach (ABBA) to solve the profitability for each customer from the market. ABBA provides financial and non-financial information for the operation, but also indicates what resources have expired in the operational process. The customer profit management model shows the level of profitability of each customer for the company. The empirical data were gathered from a case company operating in the leather industry in Taiwan. The research findings indicate that 30% of customers create little profit for the company as a result of asking for over 5% of sales discounts. Those customers ask for sales discount because of color differences of leather products. This paper provides a customer's profitability evaluation mechanism to help enterprises to greatly improve operating effectiveness and promote operational activity efficiency and overall operation profitability.

**Keywords :** activity-based benefit approach, customer profit analysis, leather industry, profitability management mechanism

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