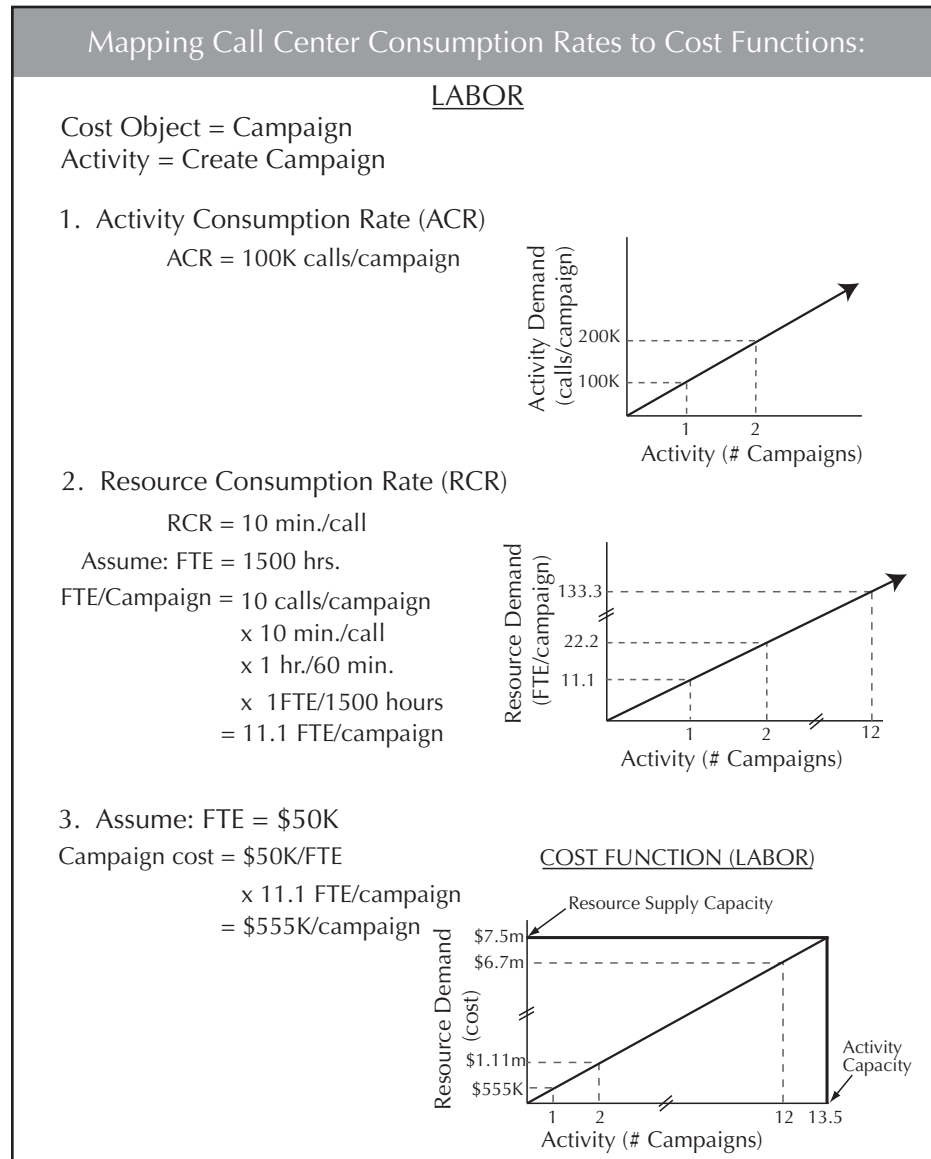


Obviously, as illustrated above, the three essential factors of *The Closed Loop* are exactly those developed by traditional activity-based costing techniques: the activity consumption rate (acr), the resource consumption rate (rcr) and cost assignments (ca). They are also sometimes referred to as cost factors (cf).

In *The Closed Loop*, this is illustrated in Chapter 8 with an example; that of an outbound call center. All the costs in the example are fixed except those of the reps making the calls and the telecom costs/call.

Using data from the call center example in *The Closed Loop*, below is an illustration of **the arithmetic identity of the slope of the cost function curve required in an EMP model and the multiplication of the three factors developed in the activity-based costing analysis:**
 $acr \times rcr \times cf = \text{EMP model cost function slope.}$



Developing an EMP model Cost function from *Closed Loop* ABC Data: Exhibit 5