



## Profitability

Dan Franceschina

September 4<sup>th</sup>, 2014

## Dan Franceschina

- **Director – Enterprise Performance Management**
- 12 years of Hyperion Implementation Experience
- 20 years of Financial Process Experience
- MBA with Concentration in Cost Accounting
- Developed Standards and Costing Solution as a Financial Professional for Multiple Organizations

## Bryan English – Elkay

- **Director of Planning, Reporting, and Analysis**
- Elkay is a manufacturer and distributor of high quality sinks, water coolers, and kitchen cabinetry



## Greg Faulhaber – Emdeon

- **Director of Corporate Pricing and Contracts**
- Emdeon is a leading provider of revenue and payment cycle management and clinical information exchange



# Profitability Solutions- Why are they Important?

- **Organization needs better insights into their business**
  - Transcend the traditional financial statement
  - Communicate goals and track progress against company strategies
  - Provide information to non-finance personnel for decision making
- **Monitoring of Strategic Objectives**
  - Growth strategies for new market channel, and product
  - Pricing strategies for adoption of existing or new products
  - Reducing the costs of services
  - Customer acquisition and retention
  - Analysis of acquisitions and key initiatives
- **Analysis Platform to Uncover Opportunities and Threats**
  - Consistent process for analyzing business performance
  - Ability to analyze trend data
  - Analysis of plan versus actual performance (assumes alignment of planning processes)
  - Ability to flex and change with business needs
- **Source Transaction Systems Do Not Provide Profitability Information**
  - Granularity of data involving dimension (product, customer) is not available
  - Difficult/Expense to modify source solutions to provide information
  - Source transaction systems cannot keep up with pace of change needed for profitability solutions



# Profitability Solution- What is a Profitability Solution?

- **The Combination of Financial, Marketing, Operational, and Human Resource Information**

- Ability to break down the contribution of profit into components (typically customer and product detail)
- Bring together information from many different source systems

- **Transformation of Data via Calculation Processes**

- Allocations assignments of cost or revenue data
- Typically miscellaneous revenue, shared services costs, and administrative costs that cannot be assigned to customers and products in source systems
- Calculation processes can range from simple rate times volume processes to elaborate multiple pass calculation methods
- Key Metrics Creation
- Calculations are typically run as a batch process

- **Data**

- Robust data sets that involve multiple dimensions (or major sorts)
- Dimensions typically contain multiple levels of aggregations and may contain multiple rollup methods
- Data sets for profitability solution can get quite large
- Drill in and slice and dice capabilities are key features for analysis

- **Reporting and Analysis Capabilities**

- Need for Robust Reporting Tools
- Excel capabilities for analysis
- Slice and Dice and Drill in Capabilities



# Profitability Solution - Components of a Successful Profitability Solution?

- Determine the Analysis Categories Needed for Reporting and Analytics
- Finding Your Drivers
- Determine the Calculation Processes
- Reporting and Analysis Capabilities
- Training and Change Management
- Sustainability of the Solution



# Profitability Solution - Determine the Analysis Categories Needed for Reporting and Analytics

- **The Components of a Dimension**

- Determining the rollups or layers of a dimension
- Determine how base level members are associated for analysis purposes
  - Organizes the large number of base members into analysis groups
  - Determine Example for this
- Look at Attributes
  - For customer it may be salesperson, sales manager, region, industry
- Hierarchy determines drill through path for analysis and capabilities for slice and dice capabilities

- **Ongoing Maintenance**

- How will new members be assigned to the hierarchy
- Need automated processes due to the large dimension sizes
- May need logic or multiple data source to pull together dimension requirements

## Profitability Solution – Finding your Drivers

- **Break up the Profitability solution into components that can be assigned appropriate drivers**
  - Categories of the P&L (e.g, revenue discounts, freight, commissions)
  - Line of business or product line
- **Determine source solution where drivers can be loaded and assigned**
  - Timing of general ledger versus operational data
  - Consistency of driver information across time and data set (e.g. customer, product)
  - Adjustments needed for use?
  - Units, headcount, pounds shipped, labor hours,
- **Run driver calculations against historical data**
  - Correlation of driver to category of allocation
  - Does driver explain movement in expense or revenue category



# Profitability Solution – Determining the Calculation Process

- **Defining the calculation step needed or calculation**

- Determine at what level of granularity drivers and allocation methods need to be assigned
- Order of calculation of profitability components (e.g. product assignment before customer)
- Dependencies of calculations in the P&L (waterfall process)
- Two pass or three pass calculations or true up to general ledger (unit \* rate assignment and then true up to general ledger)

- **Determine Frequency of Running the Profitability Process**

- What event will trigger a recalculation
- Ability to synch metadata, financial, and driver information
- Run components of the data set or its entirety





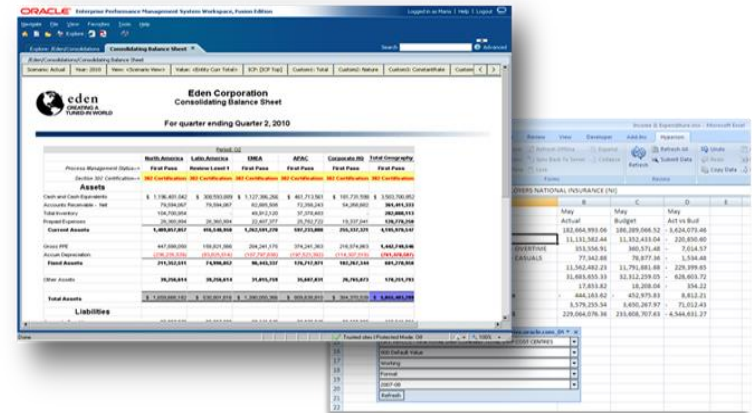
# Profitability Solution – Reporting and Analysis Capabilities

- **Identification of standard reports**

- User needs education on the contents of data available to them for analysis
- Summary level reporting
- Easy to understand formats for non-financial users
- Metric and trend data to identify patterns of opportunity
- Ability for users to select data displayed
- Integration with Microsoft Office

- **Slice and Dice Analysis**

- Standard reports driver drive questions for analysis
- Ability to get to very granular levels of detail
- Excel typically the tool of choice



# Profitability Solution – Training and Change Management

- **Training and Change Management**

- Education of data available in the solution
- Education on allocation methods
- Slice and dice capabilities for ad hoc analysis



- **Profitability Solution often Produces Unexpected Results**

- Results may conflict with management assumptions regarding company performance
- May encounter initial pushback to believe that results are correct

- **Profitability Solution often Produces Unexpected Results**

- Expect application to evolve
- Addition of data elements, attributes, calculation methodologies, etc



### Profitability Solution Criteria

- Needed multi-dimensional engine for ease of reporting and ad-hoc analysis
- Want a product that could be maintained by business users not IT programmers
- Needed a product that could be implemented quickly and cost effectively
- World class calculation performance and flexibility
- Ability to store enterprise data sets effectively
- Technology that could integrate quickly with multiple disparate source systems
- Would integrate with other EPM solutions for planning/forecasting, financial consolidation



## Essbase is a Multidimensional Database

- Optimized for query and calculation performance
- Organized by Hierarchies
  - Each Dimension is an Analysis Category
  - Define the Data being Organized and the Drill in Path from Summary to Detail Information
  - Provide Consistent Data Definitions and Metric Calculations
  - Reduce Application Maintenance
- Low learning curve
  - No need to learn special query languages or data structures



## Powerful Modeling and Calculation Engine

- Complex Allocations
- Statistical Processing
- Integrated Models
- Metrics and KPI's
- Time Calculations
- Data Aggregation
- Forecasts and Budget
- Variance Analysis
- Properties and Attributes
- What if Calculations
- Very Large Data Sets
- Vary Calculations by Data Element
- Calculations can be batched or run real time
- End users can write and maintain calculations

# Technology to Enable Profitability– Hyperion Essbase

Central Finance Team



Line of Business



Local Finance Teams



Eden Corporation  
Revenue by Segment  
For period end Apr FY15  
Report Run Date: 4/16/15 10:41:03 AM

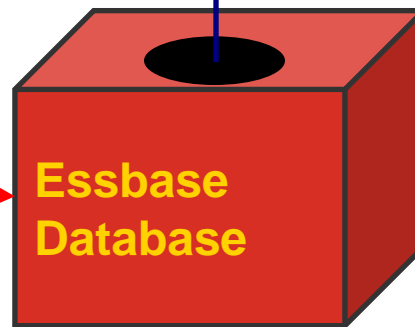
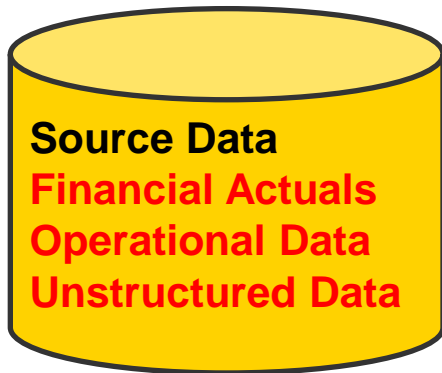
Segment	Product	Rep	Q1	Q2	Q3	Q4	Total
Soft Goods	Prod 1	Sales Rep 1	1,200,000	1,500,000	1,800,000	2,100,000	6,600,000
	Prod 2	Sales Rep 2	800,000	900,000	1,100,000	1,300,000	4,100,000
	Prod 3	Sales Rep 3	500,000	600,000	700,000	800,000	2,600,000
Apparel	Prod 4	Sales Rep 1	1,500,000	1,800,000	2,100,000	2,400,000	8,400,000
	Prod 5	Sales Rep 2	1,200,000	1,400,000	1,600,000	1,800,000	6,000,000
	Prod 6	Sales Rep 3	900,000	1,100,000	1,300,000	1,500,000	4,800,000

Product	Sales Rep	Account Type	Q1	Q2	Q3	Q4
Product 1	Sales Rep 1	New Customer	\$ 44.2	\$ 64.1	\$ 56.3	\$ 50.7
Product 2	Sales Rep 1	New Customer	\$ 39.4	\$ 30.3	\$ 34.7	\$ 47.2
Product 3	Sales Rep 1	New Customer	\$ 41.9	\$ 66.8	\$ 56.5	\$ 54.2
Product 4	Sales Rep 1	New Customer	\$ 41.5	\$ 69.9	\$ 49.8	\$ 59.4
Product 5	Sales Rep 1	New Customer	\$ 63.2	\$ 40.2	\$ 58.1	\$ 46.7
Product 6	Sales Rep 1	New Customer	\$ 56.5	\$ 44.3	\$ 55.1	\$ 51.9
Product 7	Sales Rep 1	New Customer	\$ 53.7	\$ 54.8	\$ 39.1	\$ 54.7
Product 8	Sales Rep 1	New Customer	\$ 62.0	\$ 58.7	\$ 66.6	\$ 62.6
Product 9	Sales Rep 1	New Customer	\$ 63.9	\$ 37.6	\$ 48.1	\$ 53.3
Product 1	Sales Rep 2	Existing Customer	\$ 52.0	\$ 43.5	\$ 44.0	\$ 63.6
Product 2	Sales Rep 2	Existing Customer	\$ 42.7	\$ 41.0	\$ 45.3	\$ 45.4
Product 3	Sales Rep 2	Existing Customer	\$ 48.4	\$ 45.1	\$ 61.6	\$ 49.8
Product 4	Sales Rep 2	Existing Customer	\$ 48.5	\$ 35.6	\$ 39.3	\$ 54.1
Product 5	Sales Rep 2	Existing Customer	\$ 39.6	\$ 56.5	\$ 52.0	\$ 57.6
Product 6	Sales Rep 2	Existing Customer	\$ 47.8	\$ 55.2	\$ 55.1	\$ 64.4
Product 7	Sales Rep 2	Existing Customer	\$ 39.8	\$ 36.9	\$ 51.3	\$ 38.5
Product 8	Sales Rep 2	Existing Customer	\$ 42.0	\$ 59.6	\$ 45.9	\$ 51.7
Product 9	Sales Rep 2	Existing Customer	\$ 45.1	\$ 56.0	\$ 63.6	\$ 56.6
Product 1	Sales Rep 2	New Customer	\$ 58.1	\$ 38.3	\$ 56.7	\$ 61.0
Product 2	Sales Rep 2	New Customer	\$ 48.5	\$ 64.3	\$ 43.1	\$ 38.1
Product 3	Sales Rep 2	New Customer	\$ 52.6	\$ 46.9	\$ 40.6	\$ 60.1
Product 4	Sales Rep 2	New Customer	\$ 42.3	\$ 66.5	\$ 44.9	\$ 44.7
Product 5	Sales Rep 2	New Customer	\$ 66.0	\$ 59.9	\$ 57.9	\$ 55.4

Hyperion Reporting Tools

Excel Add-in

Submit/access information via the web or Excel



- ## Benefits
- P&L provided to analyzing business from multiple points of view
  - Standardized calculation methodologies
  - Single source of truth
  - True multi-dimensional slice & dice capabilities
  - Centralized admin & maintenance
  - Automated calculation and load processes
  - User maintained process



## Q & A



**THANK YOU FOR YOUR TIME**

Please visit us online at [www.emtecinc.com](http://www.emtecinc.com)

**ORACLE** Platinum  
Partner