The savings are in the mail due to TM1

Graham Henderson & Louise Davenport

Agenda

- New Zealand Post Profile
- International Business
- Monthly Process Improvement
- Prepaid Liability Model

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About New Zealand Post

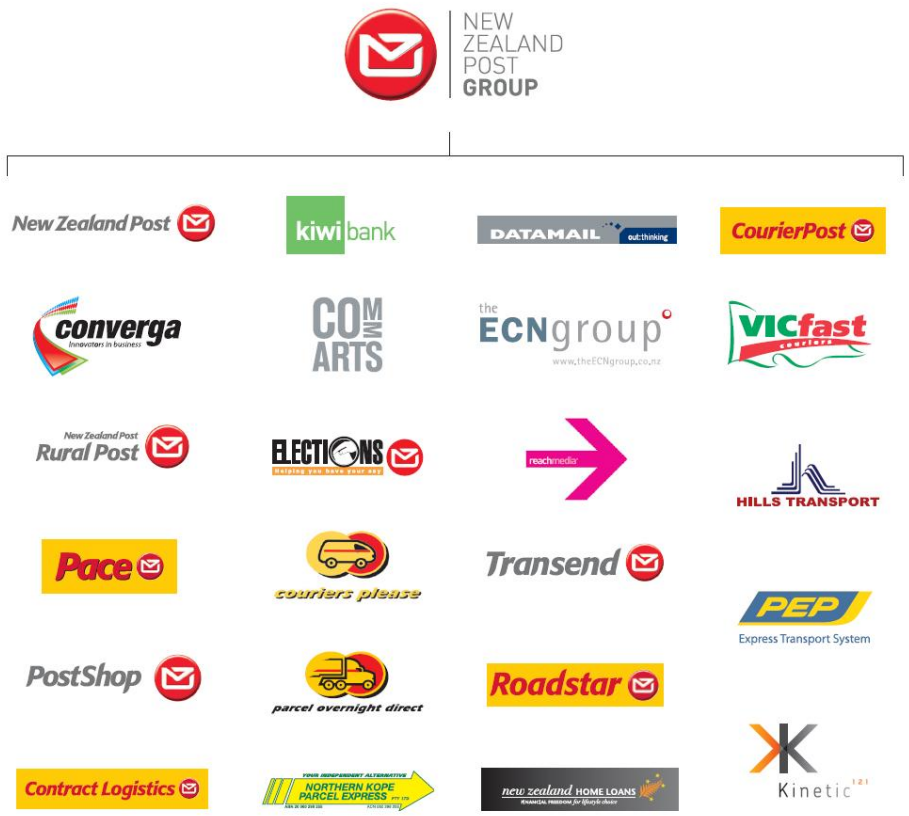
New Zealand Post is …

- Revenue $1.2 billion ($1.25 2009) ~ standard letter price 60cents (from 1 Oct 10)
- Operating Profit $73.6m, NPAT $1.3m ($71.8m 2009)
- 10,000 Employees

New Zealand Post Group

More than just Mail …

- Postal Business
- Retail Network
- Bank
- Transport and Courier (NZ and Aus)
- Mail house
- Business Process Outsourcing
- Information Technology
- International Consultancy
- Elections Registrar



TM1 at New Zealand Post

TM1 implemented in April 2004, now is used for.....

- Budgeting, Forecasting, Planning (P&L, Balance Sheet, Cash Flow)
- Financial Reporting – monthly management accounts, statutory reports, tax calculations, balance sheets and cash flow statements
- Volume and Revenue analysis (customer and detailed product level)
- HR Statistics ($, hours, FTE's per pay period)
- Cost and Profitability Models
- Inventory (replenishment analysis)
- Debt (Aged Debt by Customer)
- Projects Reporting

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However…

We are still finding new uses for TM1…

In the last year we have utilised the capability of TM1 to improve…

- Efficiency
- Accuracy
- Timeliness
- And provide better information for decision making

Areas of New Development

Some of the new areas of development include…

- International business
- Month End Processes – Stamps Gross-up and SPUD Journals
- Prepaid Liability Model

NZ Post profit just $1.3m as one-off items strike

NEW ZEALAND Post Group confirmed a profit after tax of $1.3 million for the financial year to the end of June.

The state-owned enterprise this month predicted it would break even due to declining mail volumes, tight margins in the banking sector and significant one-off items.

Chairman Jim Bolger said that in view of the difficult trading environment, the company drew some satisfaction from holding the underlying operating net profit of $73.6m to just under 5 per cent of the $77.2m normalised earnings.

A series of non-recurring one-off items totalling $72.4m reduced the reported profit to $1.3m.

They were historical and beyond NZ Post's control, he said.

The one-off costs were:

- $19.8m arising from a taxation change introduced in the May 2010 Budget affecting the depreciation treatment of property assets.
- $17.4m of writedowns and provisioning in the international mail business.
- $5.3m relating to the writedown of various assets, including property and aircraft, whose value has been affected by economic conditions, and other adjustments.
- A reduction of $29.9m associated with ParcelDirect Group, NZ Post's 50:50 courier joint venture with DHL in Australia.

Mr Bolger said the non-recurring items were largely non-cash expenses. "As such, our cash position remains strong and the group's commercial value, as well as our debt servicing capability, is not materially affected."

The board declared a total dividend for the year of $6.42 million.

NZPA

International Business

Why did this happen?

- For a number of reasons, but one of them was inadequate information available for making decisions …

What used to happen…

- Data extracted out of an antiquated system as csv files
- Manual excel spreadsheets linking to numerous other manual spreadsheets
- Occasional manual entries into spreadsheets overriding formulas which were rolled over to subsequent spreadsheets
- If anyone wanted a trend view each month's data would need to be extracted for individual spreadsheets and collated together

International Business

What did TM1 enable…

- Helped to understand the problem
- Have trend data available at your fingertips in a timely manner
- TI processes have eliminated the potential for spreadsheet errors where formulas were linking to wrong other spreadsheets or cells or where formulas had been overwritten
- Allowed “one source” of the truth

Note: There is still plenty of potential for further improvements in this area as this has been put in as a “quick fix”

International Business

How we do it in TM1…

- Pulled the csv files into TM1 (next step is to get the data into our EDW)
- Created Cubes for Rates, as well as recording whether accounts with a country were still outstanding
- Created Turbo Integrator (TI) processes to perform the calculations in TM1

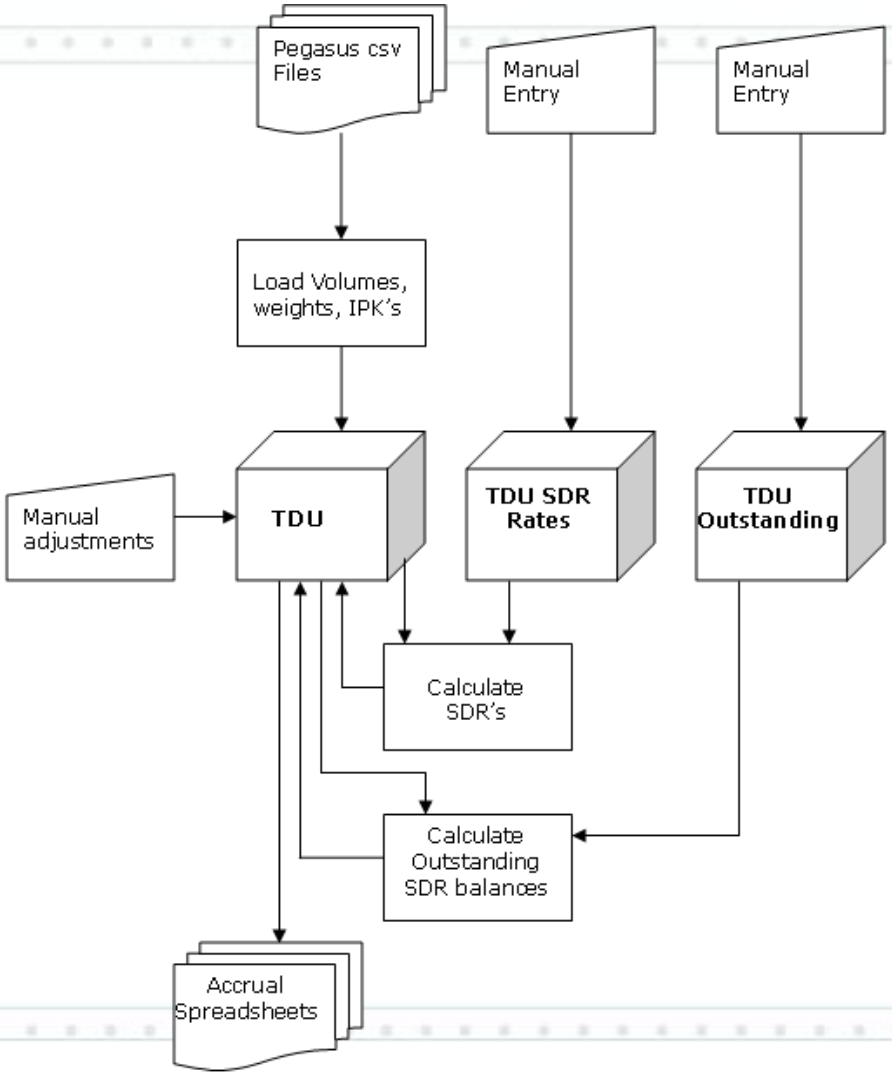
International Business

How we do it in TM1…

Terminal Dues (TDU):

Also have a similar set up for:

- Terminal Credits (TCR)
- Express Mail Service (EMS)
- Registered and Insured
- Extraterritorial Office of Exchange (ETOE's)



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Month End Process Improvement

What used to happen…

- Manual spreadsheets that were either linked to TM1 data of some sort or used extracts out of TM1 cubes
- Calculations were performed solely in excel
- Quite often data was copied from one worksheet to another and even used in other spreadsheets
- Stamps Gross-up Journal is required to “gross-up” stamp sales to their RRP and used to take about 30 minutes during month end
- SPUD Journal is required to allocate the costs of people working on specific projects to the projects and could take up to 2 hours if problems occurred

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Month End Process Improvement

What did TM1 enable…

- Calculations were brought into TM1 to eliminate potential for spreadsheet errors
- Eliminated the need to copy data from spreadsheet to spreadsheet – had one source of the truth
- Improved the accuracy of the journals
- Improved the time it takes to prepare the journals
- Stamps Gross-up Journal took about 5 minutes the first month end it was run (and only took that long as it was new to the user)

Month End Process Improvement

How did we do it in TM1…

Stamps Gross-up Journal

- System data for unit rates was used rather than a manual excel spreadsheet where rates were entered & never updated based on a “guess” at a point of time.
- Mapping tables were used to determine which GL product code the detailed product code “actually” went to.
- Exclusions as well as all calculations were built into a TI Process that copied the data from one cube to another rather than having to manually extract the data to exclude.
- MDX built into excel enabled a “zero suppressed” view to be output into excel to enable easy uploading into the GL system.

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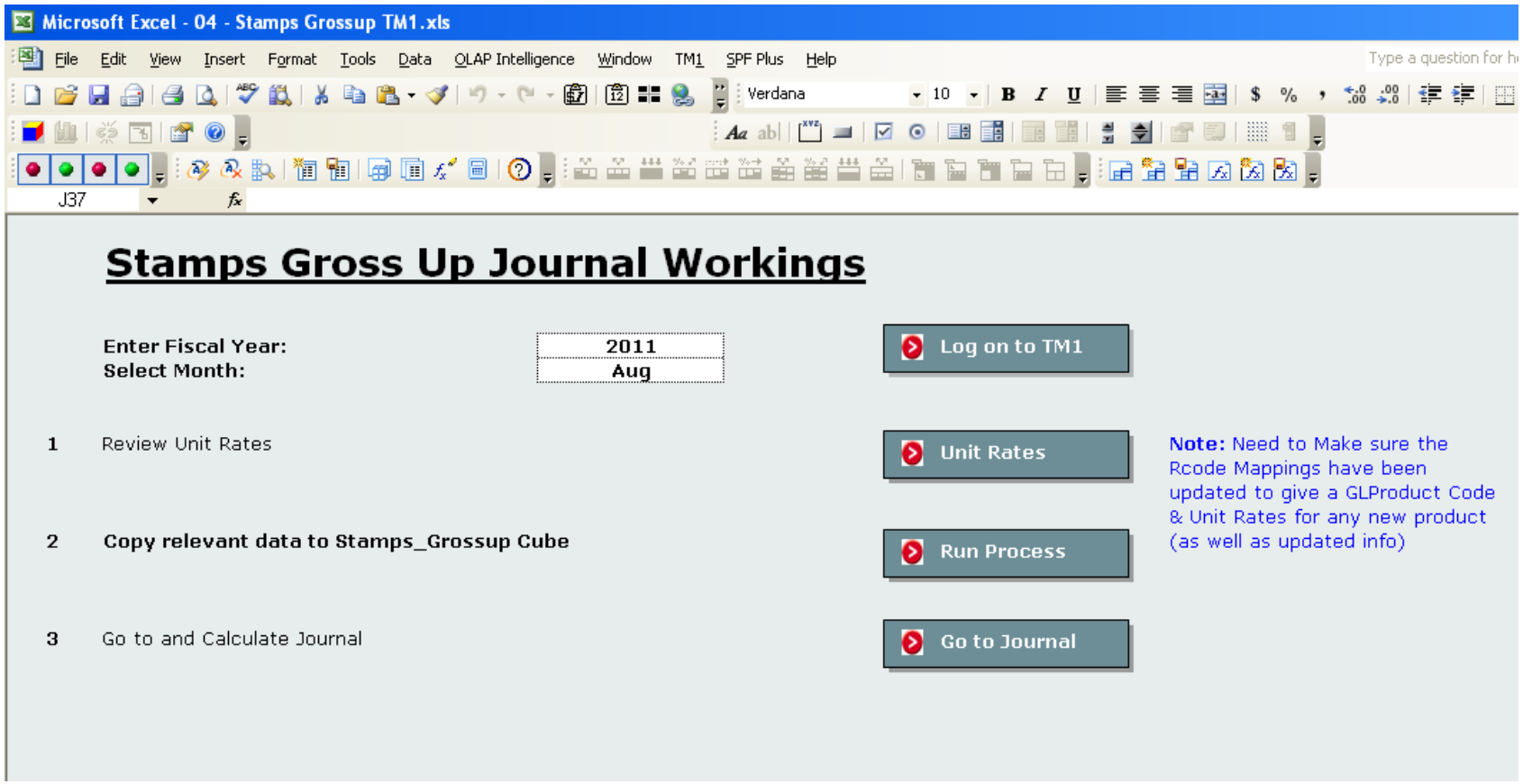
Demonstration



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Month End Process Improvement

How did we do it in TM1…

SPUD Journal

- Mapping tables generated from system data were used to determine which combinations of Project & activity are valid, which departments staff fall into and what rates to apply, as well as which departments projects should be coded to.
- MDX queries on data to be included as well as all calculations were built into a TI Process that copied the data from one cube to another rather than having to manually extract the data and then use vlookup formulas to determine which data to include.
- MDX built into excel enabled a “zero suppressed” view to be output into excel to enable easy uploading into the GL system.

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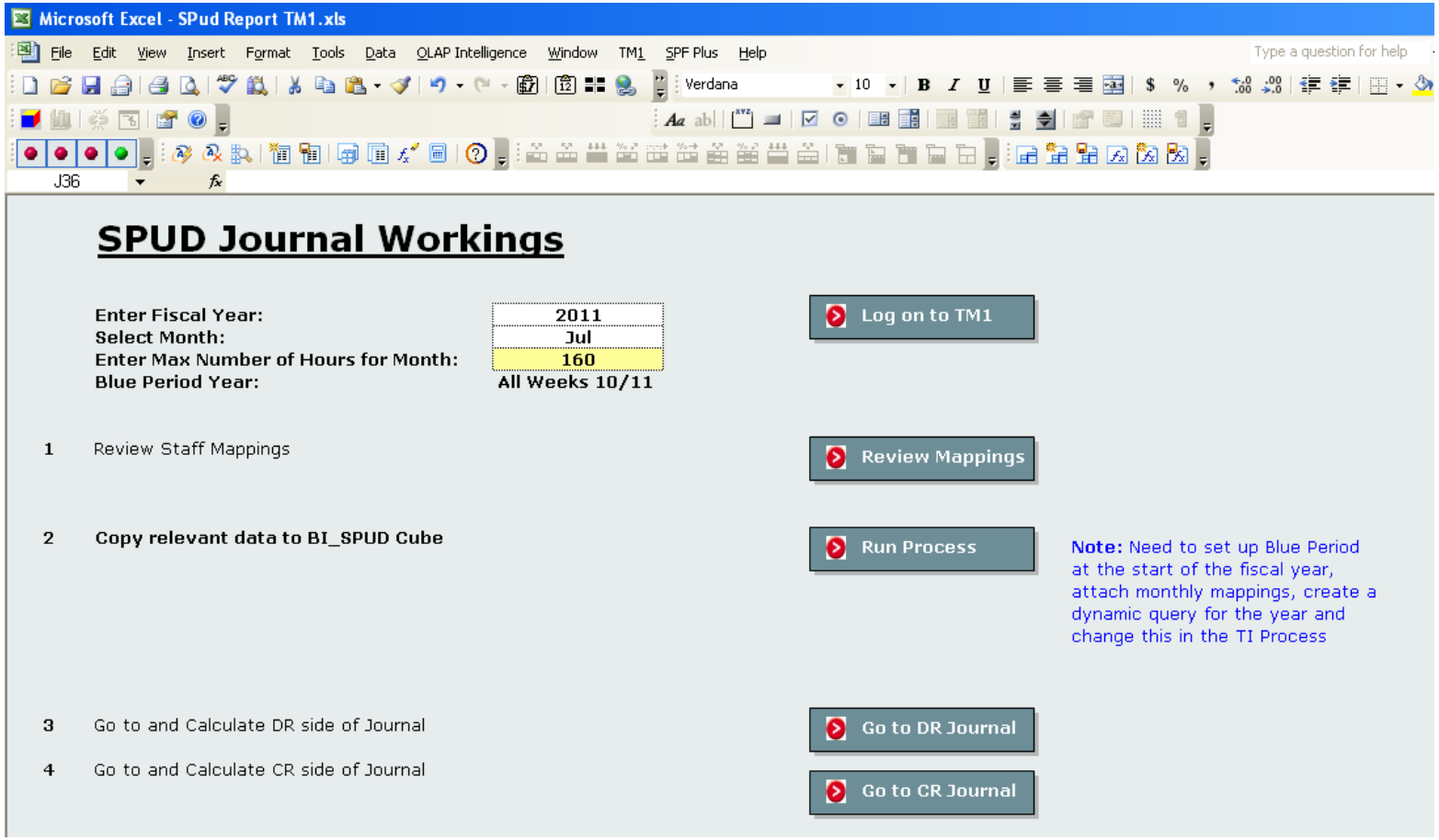
Demonstration



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Prepaid Liability Model

Why is it required…

- To assist Finance in determining the amount of revenue that should be set aside on the balance sheet for unearned revenue as customers are still holding unused stock items.

What used to happen…

- Model was developed as a freeware visual basic application, therefore was dependent on one person having the ability to support it.
- The model ran overnight so was not very timely when it came to reruns.
- The data interrogated only analysed approximately 40% of the prepaid product sales and applied the results to the total prepaid sales population.
- Output from model was limited – graph, xps document & error files.

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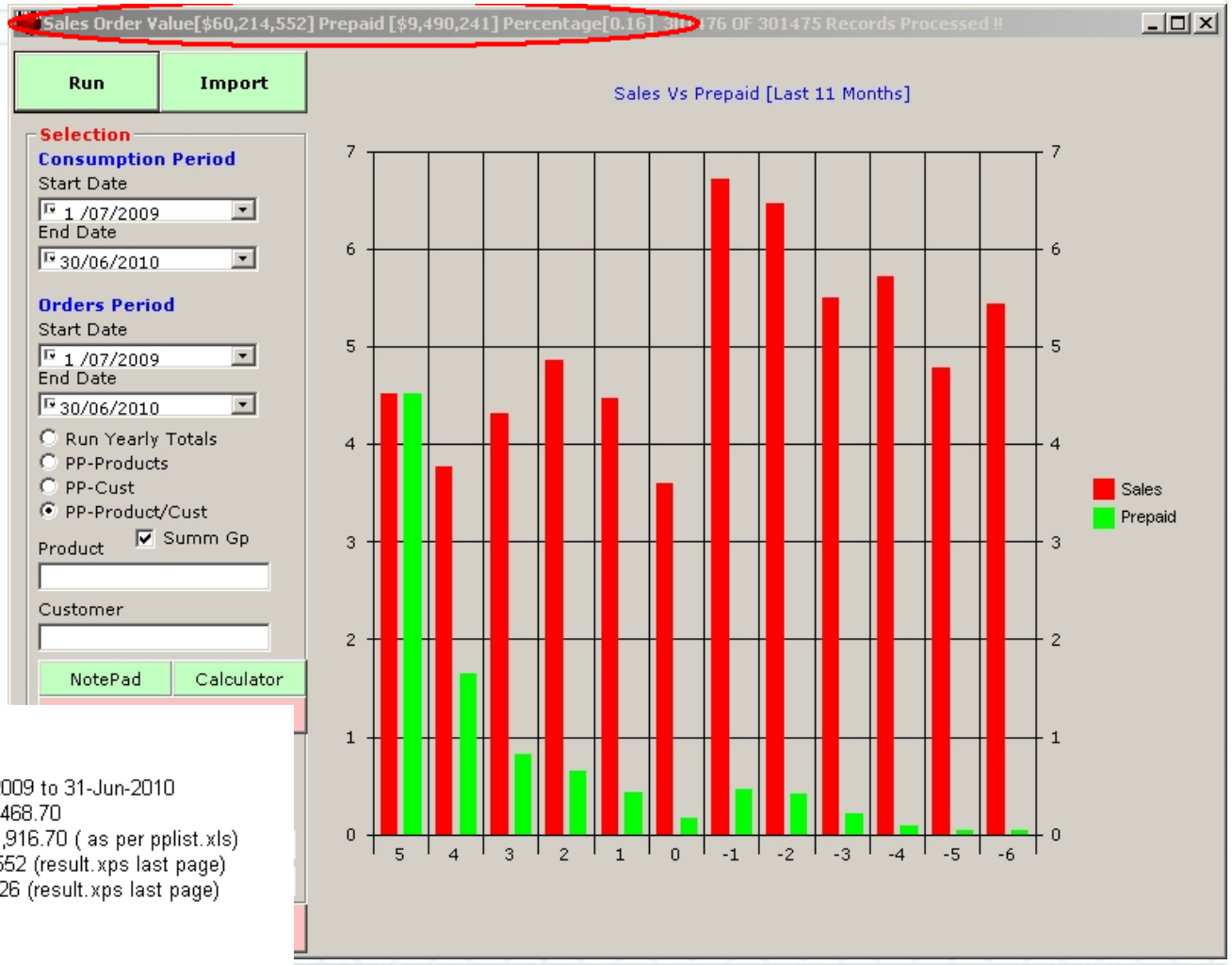
Prepaid Liability Model

Outputs from previous model…



WEEKEND RUN RESULT
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Order/Consumption Period	> 1-July-2009 to 31-Jun-2010
Pharos Closed Order Value	> 84,454,468.70
Excluded Items	> (24,239,916.70 (as per pplist.xls)
Relevant Closed Order Value	> 60,214,552 (result.xps last page)
Prepaid Value	> 4,804,026 (result.xps last page)
Percentage	> 7.97%

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Prepaid Liability Model

Outputs from previous model…

xps document – 882 pages

Error file

Data for "excluded" product

Monday, 12 July
9:42

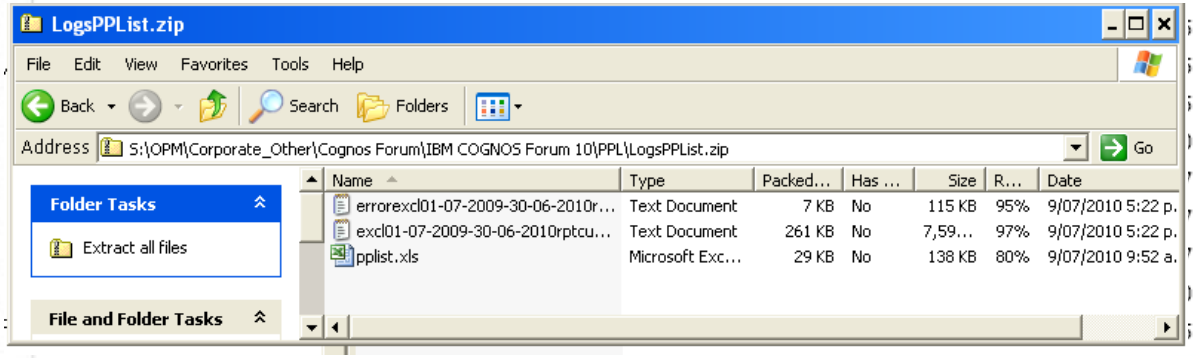
New Zealand Post Prepaid Liability Confirmation Letter

This report displays the orders that were delivered for your customer based on consumption habits and orders delivered between the dates indicated below.

Please confrim that the following data is correct and that amount shown as Prepaid Qty is a correct estimation of stock held by your customer as confirmed by your customer or your best judgement of your customer by signing below and providing any necessary comments. Thank you for your input.

Customer Name ALL Customer
Order Date Range 01-07-2009 <--- To ---> 30-06-2010
Consumption Habit Date Range 01-07-2009 <--- To ---> 30-06-2010

Cust ID	OrdMth	OrdValue	QtyShp	AveQty	Mths	PrepaidQty	PrepaidValue
Product Cat >>	BSPL						
10202064	01-2010	490.84	1.00	0.75	5.50	0.00	0.00
10202064	02-2010	377.96	1.00	0.75	4.50	0.00	0.00
10202064	06-2010	490.84	1.00	0.75	0.50	0.63	306.78
					10.50	0.00	0.00
					9.50	0.00	0.00
					8.50	0.00	0.00
					0.50	11.50	2,712.47
					4.50	0.00	0.00
					0.50	5.42	2,046.78
					8.50	0.00	0.00
					3.50	4.25	1,606.31
					5.50	0.00	0.00



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Prepaid Liability Model

What did TM1 enable…

- It allowed a movement away from a custom built solution that does not have ongoing IT support
- The model can now be calculated instantly once all inputs have been agreed
- Full visibility of inputs and calculations is available for review as well as unusual (e.g. stockpiling) behaviour to be identified and adjusted for.
- By calculating prepaid liability based on 100% of customer detail the model seems more stable, with movements more in line with expectations based on volume movements.
- The TM1 cube allows analysis of the prepaid liability amount down to customer and product level if required.

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Prepaid Liability Model

How did we do it in TM1…

- Created mapping cube to determine which products should be included in the Prepaid Liability Model (PPL)
- Utilised CMS Monthly Revenue cube data already in TM1 and copied relevant data to a PPL Cube
- Applied the same logic as the previous model and performed calculations within a Turbo Integrator (TI) process
- TI process used to add a new “version” and then copy data to the new version to maintain data for previous calculations

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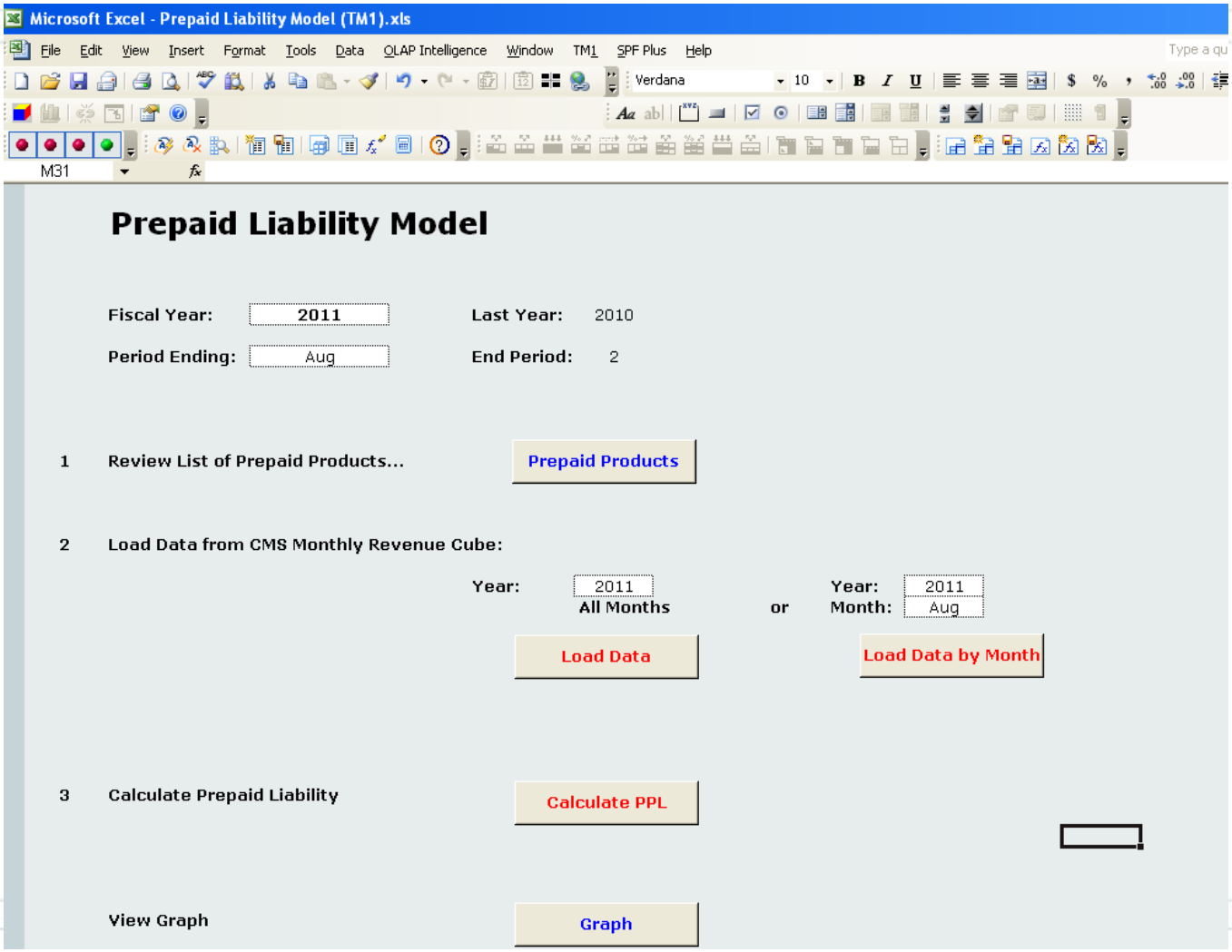
Demonstration



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Summary

The possibilities are endless with TM1.

We have improved just a few areas with the following…

- Use system data where available
- Created Mapping cubes
- Created TI processes to copy data and perform calculations behind the scenes
- Used MDX in excel reports to output the results in a user-friendly format

Any Questions??