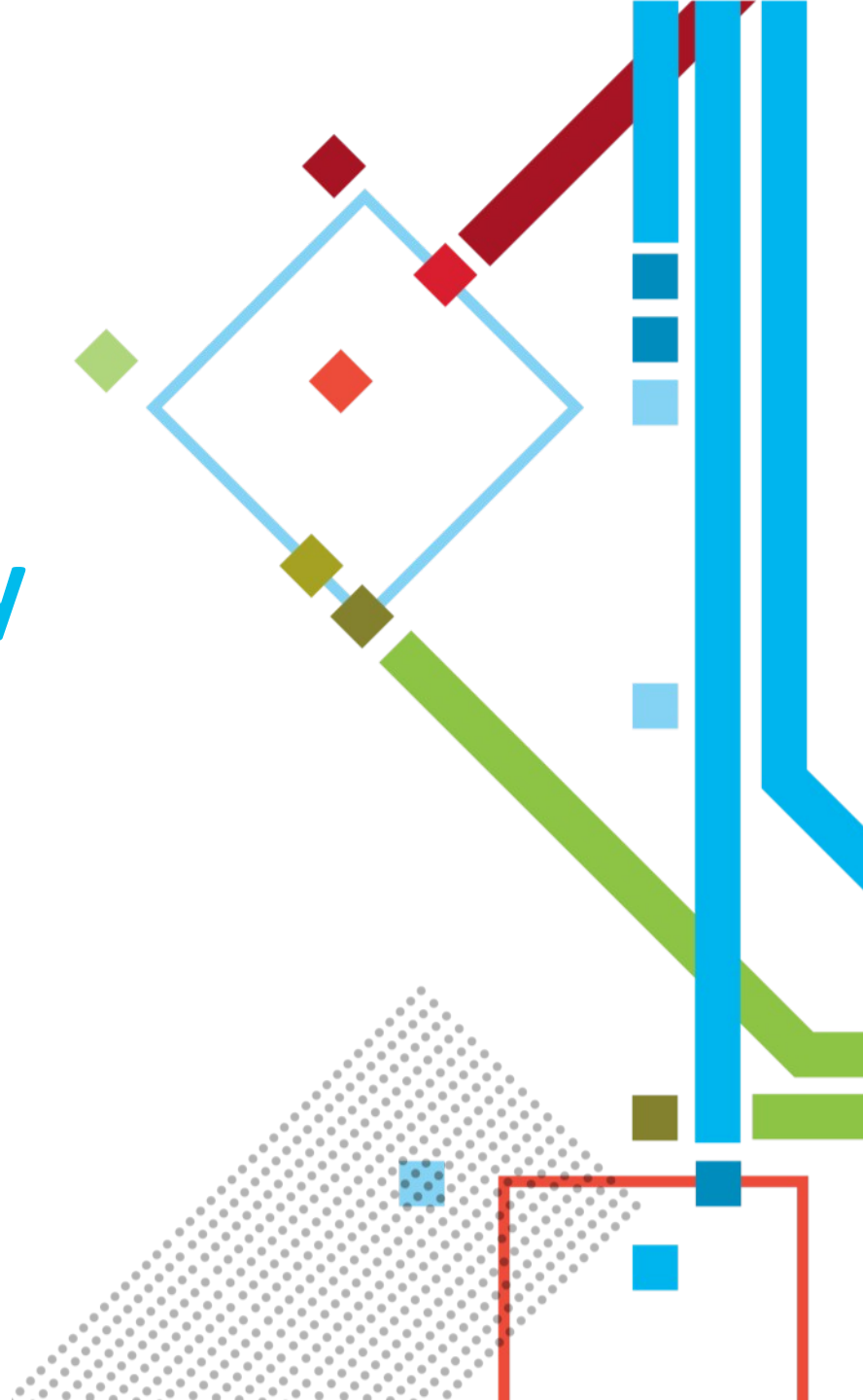


**IBM Finance Forum 2011**

Anticipate and shape business outcomes

# Smarter Profitability Management

Christoph Papenfuss  
Global Best Practices Leader  
IBM Business Analytics



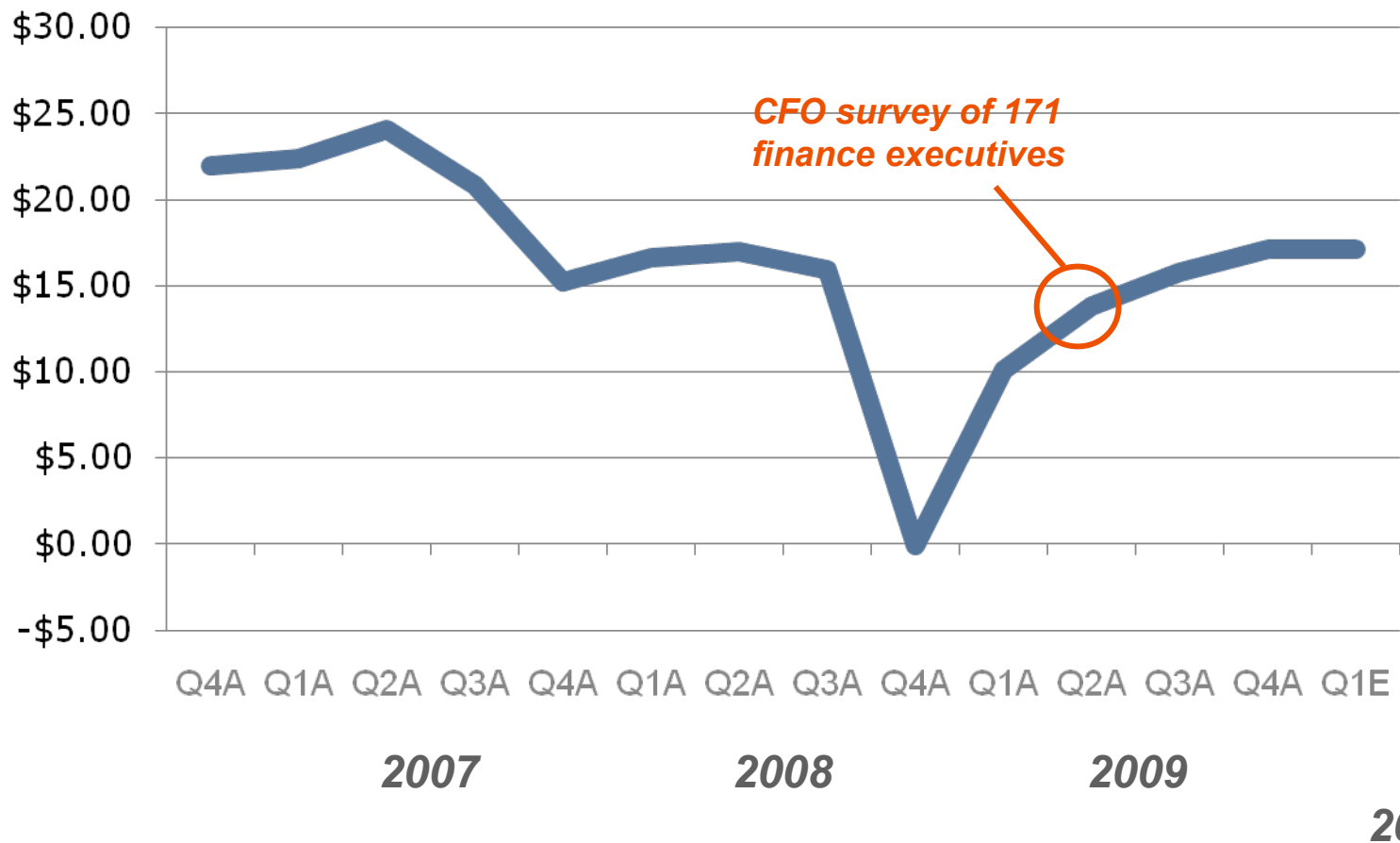
# Agenda

- Profitability Management today
- IBM Cognos for Financial Analytics
- Financial Analytics in action



# 2009-2010: A slow climb out of the abyss

Operating Earnings Per Share—S&P 500



S&P 500. Source: CapitalIQ

**amazon.com.**

↑ Performance → Q4 2008 was best quarter ever  
↓ Backdrop → Largest drop in consumer spend in decades

**IBM**

We transformed the IBM company and you can see it in our financial performance...If we hadn't there is no way '08 would have been record (revenue), record (profits), record (cash)!  
- Sam J Palmisano, Chairman and CEO, IBM

# When the going gets Tough..... What do these companies have in common? .....the tough get Going!

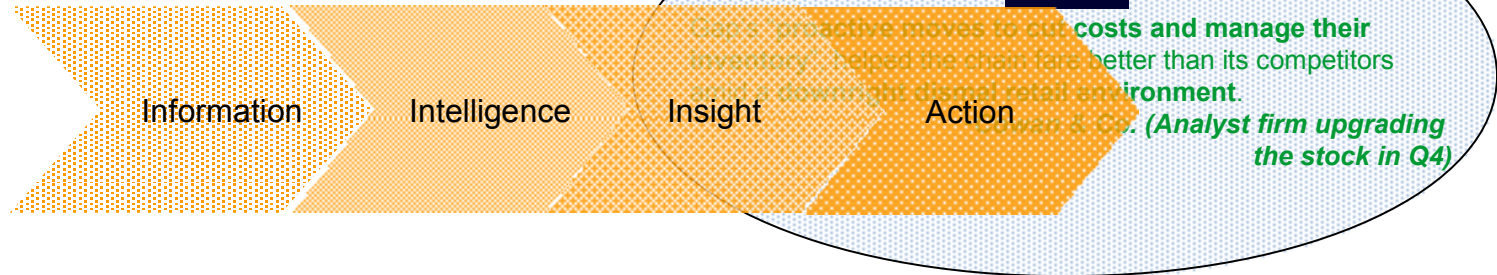
**amazon.com.**

**GAP**

**IBM**

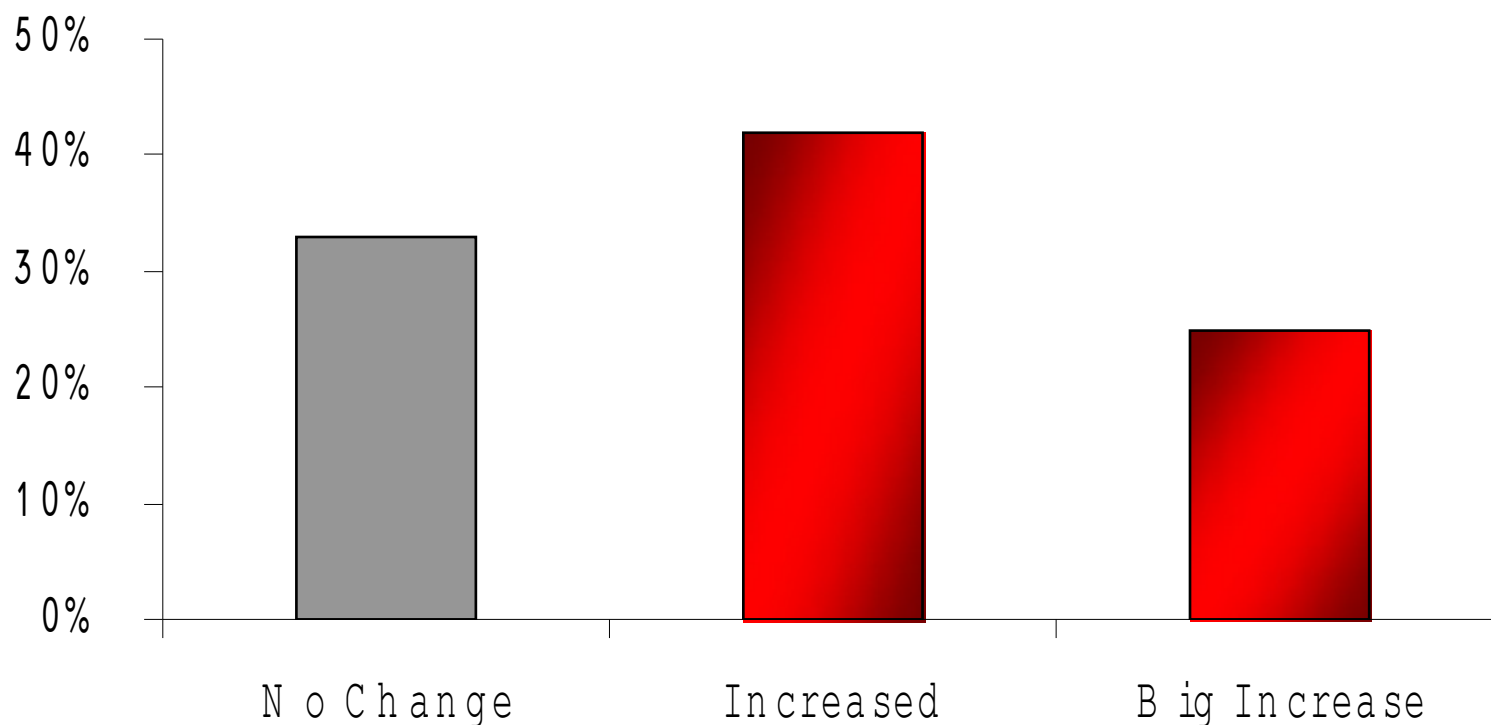
Kennedy (1888-1969)

**GAP**

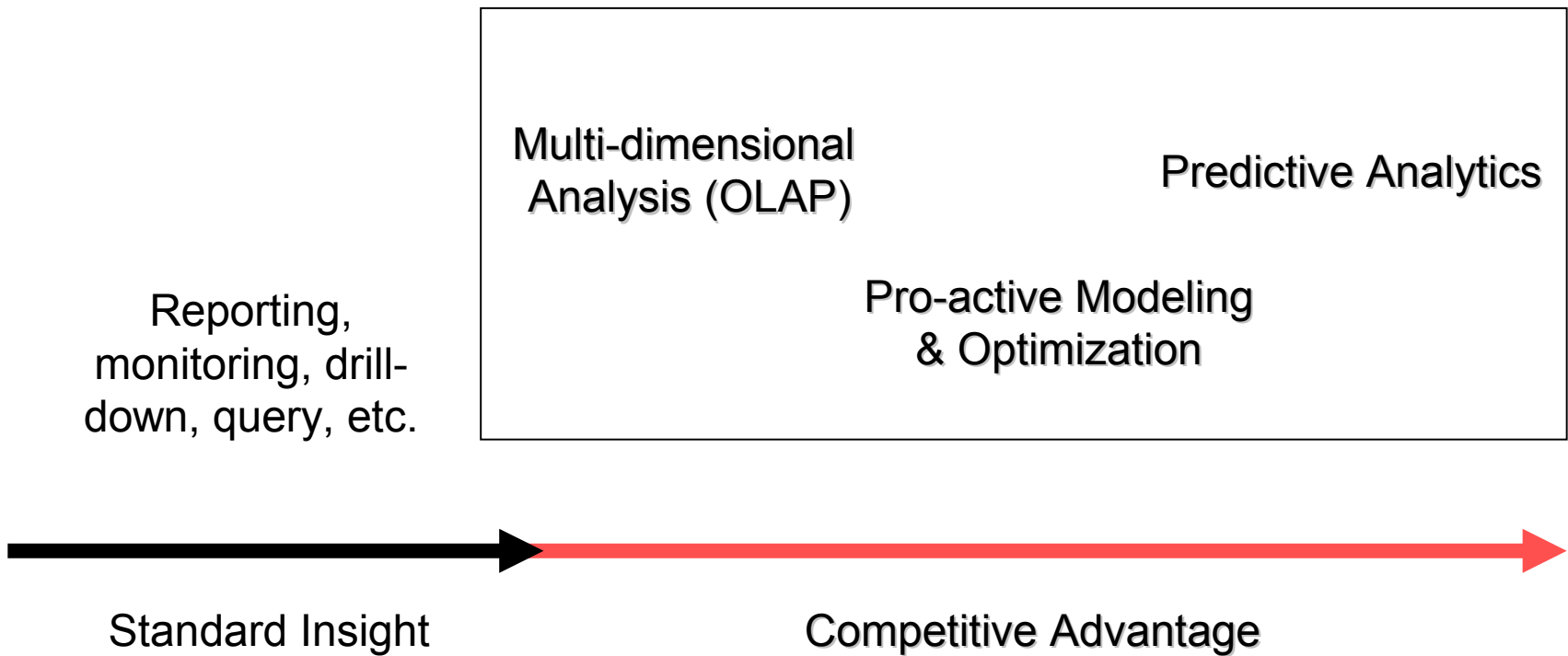


# ....what the world calls as “Analytical Competitors”

# The frequency of profitability reviews has increased



# Smarter profitability management



# Multi-dimensional Analysis (OLAP)



# Profitability Analysis should be timely & complete

- Products (SKUs, Product Groups...)
- Customers (Customers, Customer Groups....)
- Channels (Direct, Indirect, Outlet....)
- Region (North, South, West, East...)
- Employees (Reps, Sales Team, etc...)
- Suppliers (Vendors, Categories, etc..)



# How can we squeeze this into a spreadsheet?

|    | A      | B   | C   | D   | E   | F   | G   | H   | I   | J   | K   | L   | M   | N     |
|----|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 1  |        |     |     |     |     |     |     |     |     |     |     |     |     |       |
| 2  |        | Jan | Feb | Mrz | Apr | Mai | Jun | Jul | Aug | Sep | Okt | Nov | Dez | TOTAL |
| 3  | 100000 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 4  | 100001 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 5  | 100002 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 6  | 100003 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 7  | 100004 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 8  | 100005 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 9  | 100006 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 10 | 100007 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 11 | 100008 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 12 | 100009 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 13 | 100010 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 14 | 100011 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 15 | 100012 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 16 | 100013 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 17 | 100014 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 18 | 100015 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 19 | 100016 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 20 | 100017 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 21 | 100018 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 22 | 100019 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 23 | 100020 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 24 | 100021 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 25 | 100022 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 26 | 100023 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 27 | 100024 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 28 | 100025 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 29 | 100026 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 30 | 100027 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 31 | 100028 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 32 | 100029 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 33 | 100030 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 34 | 100031 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 35 | 100032 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 36 | 100033 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 37 | 100034 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 38 | 100035 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 39 | 100036 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 40 | 100037 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 41 | 100038 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 42 | 100039 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 43 | 100040 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 44 | 100041 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 45 | 100042 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 46 | 100043 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 47 | 100044 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 48 | 100045 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 49 | 100046 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 50 | 100047 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 51 | 100048 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 52 | 100049 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |
| 53 | 100050 | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -   | -     |

1 Version  
 1 Measure (Profit)  
 12+1 Months  
 500 Products  
 =  
 1 Spreadsheet  
 6500 Cells



# And how about customers?

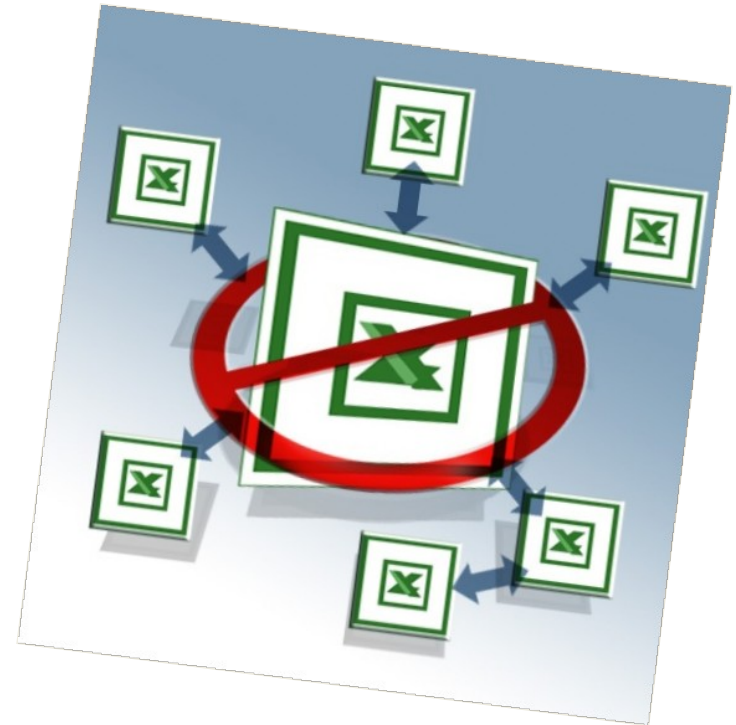


4 Versions  
 1 Measure (Profit)  
**10** Customers  
 12+1 Months  
 500 Products  
 =  
 40 Worksheets,  
 2600000 Cells

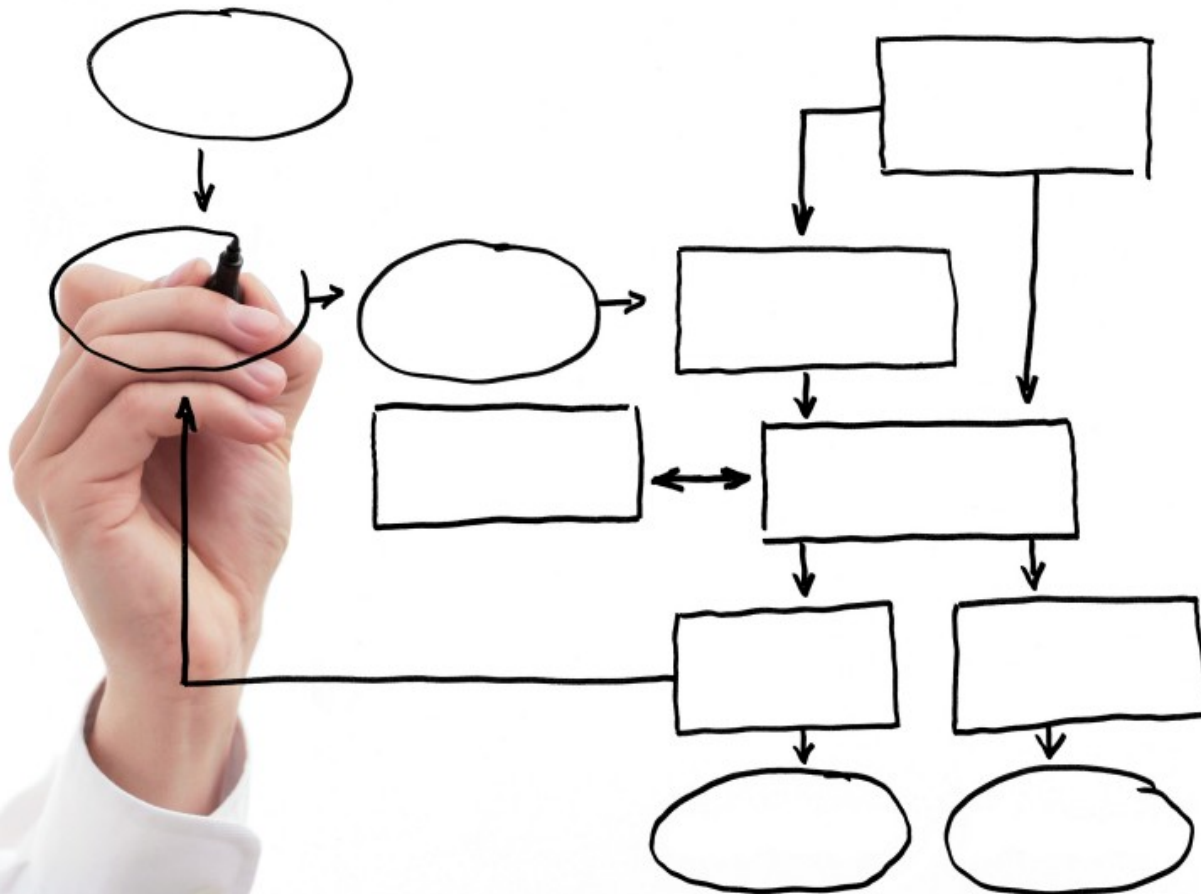


# And what happens next?

4 Versions  
50 Measures  
**1000** Customers  
12+1 Months  
**5000** Products  
**10** Channels  
**15** Regions  
**255** Sales Reps



# Collaboration is essential, too!





# Pro-active modeling & optimization

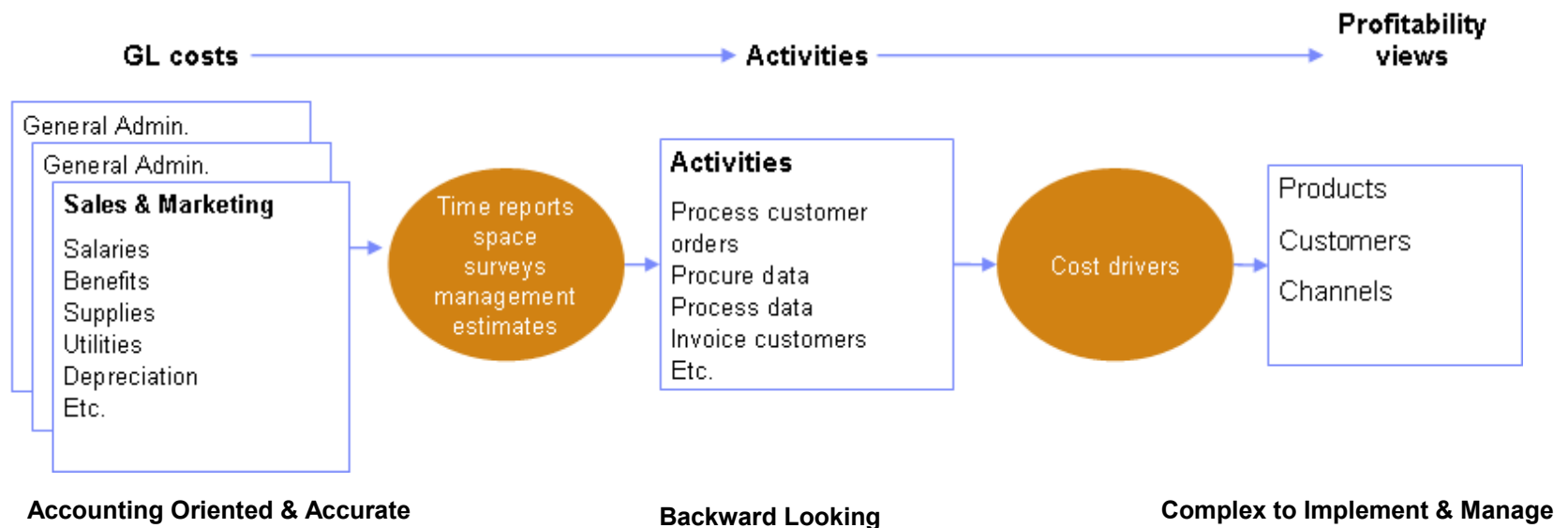


# Exploding variations of products & service offerings

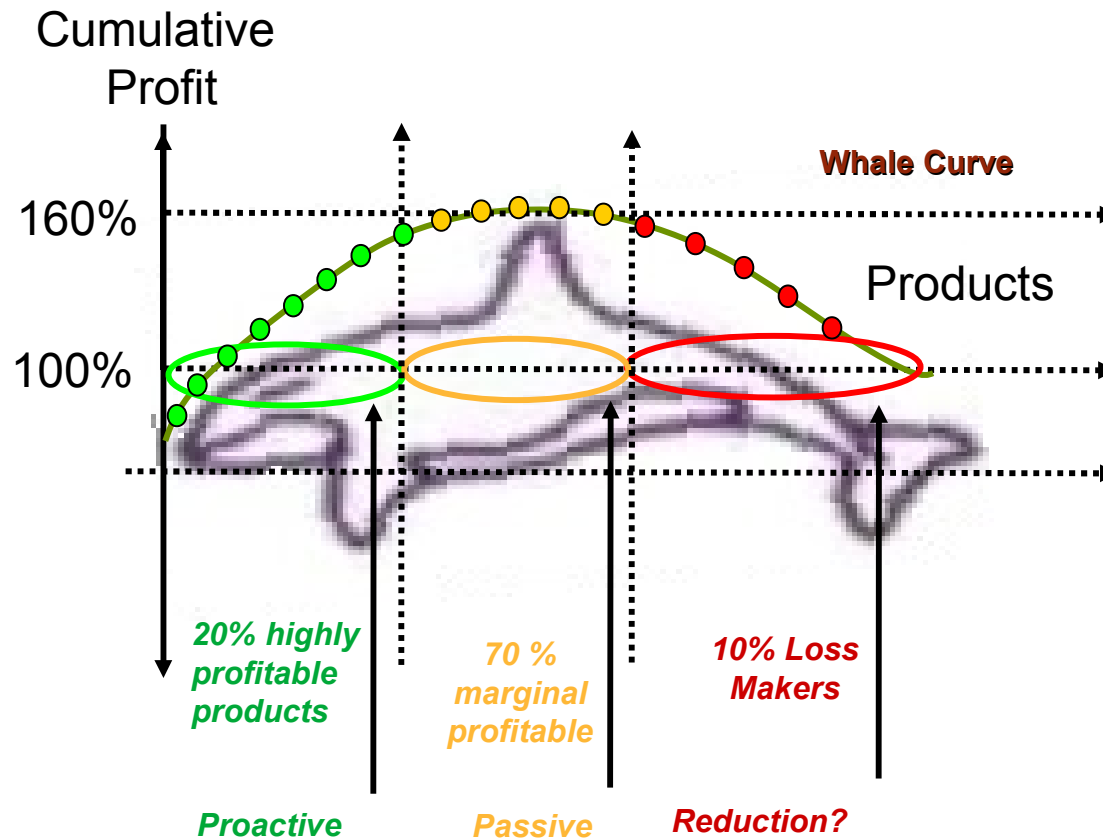




# Many processes are backward looking



# Examine your product & customer mix



WSJ Blogs >

Search The Wa

# The Wallet

« Going Back  
Raising the

The Wallet covers the latest personal finance and investing news and trends

FEBRUARY 23, 2009, 10:28 AM ET

## American Express Paying Customers \$300 To Leave

Article

Comments (59)



Email



Printer Friendly



Permalink

Share:



Yahoo! Buzz



Text Size



By Mary Pilon



A few years ago, credit card companies were throwing money at people to get them to sign up. Now, as they struggle to contend with a wave of defaults, they may pay you to leave.

At least that's the case with American Express, which is offering some card members \$300 to pay off their remaining balance and close their accounts.



Margin Analysis



Total Stores

FreshFcstVersions Fresh Measures 1

Feb 08 Fcst

| FreshProducts                  | Qty       | Cost of Goods Sold | Revenue    | Gross Margin | Gross Margin % |
|--------------------------------|-----------|--------------------|------------|--------------|----------------|
| Total Products                 | 1,821,368 | 4,663,902          | 15,999,083 | 11,335,180   | 70.8%          |
| Prepared Salads                | 137,625   | 142,421            | 753,401    | 610,979      | 81.1%          |
| Prepared Meats                 | 347,535   | 1,104,252          | 3,714,615  | 2,610,363    | 70.3%          |
| Baked Goods                    | 249,022   | 361,406            | 1,996,263  | 1,634,857    | 81.9%          |
| Prepared Whole Meals           | 171,452   | 711,526            | 2,102,243  | 1,390,718    | 66.2%          |
| Prepared Frozen Meals          | 269,927   | 1,102,352          | 2,907,730  | 1,805,377    | 62.1%          |
| Prepared Fruit and Cheese      | 228,111   | 467,628            | 1,822,607  | 1,354,979    | 74.3%          |
| Prepared Organic               | 105,163   | 405,528            | 1,455,217  | 1,049,689    | 72.1%          |
| Prepared Side Dishes and Soups | 312,533   | 368,789            | 1,247,007  | 878,218      | 70.4%          |

Hidden

Marketing Costs

Brand Contribution Chart

Gross Margin Chart

# Pro-active with Predictive Analytics



# Discover patterns in your data





# 10

**COGNOS**

Reporting, drill-down,  
query, etc.

Multi-dimensional  
Analysis (OLAP)

Pro-active Modeling  
& Optimization

Predictive Analytics



Standard Insight

Competitive Advantage





## Online



- Cinematch
- Throttling (customer profitability)



- Also purchased (customer profitability)



- Farecast Predictive Analytics

## Professional Sports



- HR Analytics

### Harvard Business Review

[www.hbrprints.org](http://www.hbrprints.org)

*Some companies have built their very businesses on their ability to collect, analyze, and act on data. Every company can learn from what these firms do.*

### Competing on Analytics

by Thomas H. Davenport

## Travel & Entertainment



- Customer Loyalty



- Revenue Management / pricing optimization (product profitability)

## Financial Services



- Customer Profitability



- Consolidated Risk Management

# Session Summary

- Financial Analytics help you drive your profits
- IBM Cognos provides you with powerful analysis capabilities
- Connect with us. **Today.**

“What is the ROI?

It's the same as asking what's the ROI  
on tires for your car,” he says.

“We can't do business without it.”

*Mark Der, MAB*

