

ORACLE LANDED COST MANAGEMENT



FEATURES

- Single, integrated landed cost solution - Logistics, Financials, Procurement
- Automatic financial update of variances between landed cost actuals and estimates
- Powerful allocation engine prorates charges based on weight, volume, quantity, or value
- Flexible rules engine for determining a template of estimated charges
- Landed cost component estimates and actual values maintained for reporting
- Charge estimates and actual variances update inventory valuation and GL
- Consideration of VAT recovery
- Multiple currencies and multiple units of measure
- Charges tracked as expenses or liabilities

Oracle Landed Cost Management (LCM) gives organizations financial visibility into their extended supply chain costs, including transportation and handling fees, insurance, duties and taxes. Since these types of charges can compose a significant portion (upwards of 40%) of an item’s cost, it is important to accurately incorporate them into overall financial processes and decision making activities. Oracle LCM initially estimates these costs and later updates them with actual amounts as they become known, allocating them to shipments, orders, and products. This allows companies to maximize profits, improve visibility into outstanding liabilities, enhance competitiveness, and ensure that complex trade activities are compliant with regulatory mandates.

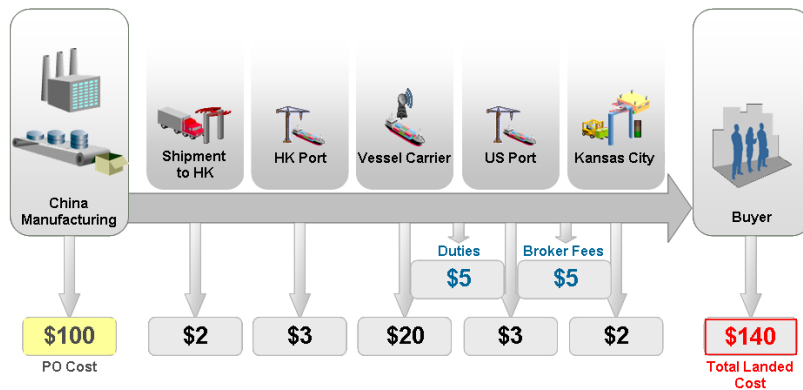


Figure 1. Impact of extended costs on total landed costs for an inbound shipment

Maximize Product Profitability

Oracle LCM illuminates the hidden costs associated with complex supply chains. It automatically captures and itemizes extended costs and charges such as freight, insurance, and brokerage fees as well as duties and taxes. With Oracle LCM, these costs are flexibly allocated and assigned back to the products for which they should apply. Now, this step occurs during the receiving and invoicing processes instead of becoming some latent reporting process long after the transactions have taken place. Oracle LCM then immediately updates Inventory costs, which replaces the system’s standard PO cost with the new landed cost as the basis for cost method calculations. This provides better item cost tracking and creates more accurate profitability reports. Furthermore, LCM users can identify additional cost reduction opportunities simply by viewing the per unit breakdown of the item’s various cost factors or elements.

Item AS54888		Quantity 10	UOM Each	
From	Type	Amount	Unit Landed Cost	
AS54888	ITEM PRICE	11,000.00	1,100.00	
FREIGHT	CHARGE	1,100.00	110.00	
INSURANCE	CHARGE	10.92	1.09	
Total		12,110.92	1,211.09	

Graph to display

AS54888 FREIGHT INSURANCE

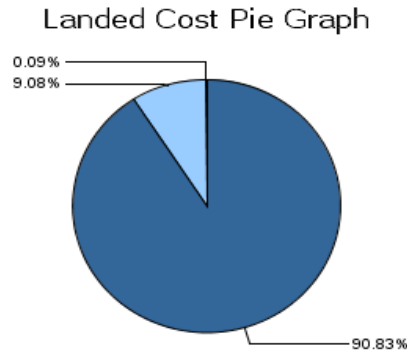


Figure 2. Item unit landed cost breakdown.

Equipped with this information, companies can more accurately track product performance against profitability targets and budgets.

Enhance Competitiveness

When a company can identify and measure all of the extended supply chain costs—charges, fees, duties and taxes—they can start to optimize their supply networks. They have the fundamental information necessary to more strategically source products and components from lower cost foreign locations. This also allows them to better justify or negotiate contracts with vendors or potential customers. Finally, they can price goods with the full understanding of the charges that have historically been associated with bringing that item to market.

Increase Financial Visibility into the Supply Chain

Oracle Landed Cost Management provides organizations better visibility into their outstanding liabilities. Tracking estimated costs as soon as they are known gives product line managers, as well as financial professionals, more insight into their exposure for budgeting and reporting. Estimated charges are either automatically generated using rules driven charge templates or are manually entered during the receiving process. These values update the inventory value, in addition to Oracle Financials, and get revised as actual charge invoices are validated. Early estimation and accounting provides insight into additional fees and charges that were not typically known until well after invoices were received. Furthermore, Oracle Landed Cost Management automatically attributes those charges back to the individual product responsible for the charge, not just to the high-level parent product or category. This is often the first time an organization is able to gain insight into this product specific information, or it replaces a manual, error prone step of loosely estimating any additional charges to related product categories.

KEY BENEFITS

ORACLE LANDED COST MANAGEMENT HELPS ORGANIZATIONS GAIN INSIGHT INTO ALL OF THE "REAL" COSTS ASSOCIATED WITH ACQUIRING PRODUCTS ENABLING THEM TO:

- Maximize product profitability
- Increase financial visibility into the extended supply chain
- Enhance sourcing competitiveness
- Ensure regulatory compliance

RELATED PRODUCTS

Oracle Landed Cost Management integrates logistics, procurement, and financial applications to provide a comprehensive landed cost tracking solution.

- Oracle Procurement
- Oracle Inventory
- Oracle Cost Management
- Oracle Payables
- Oracle Advanced Pricing
- Oracle Transportation Management

RELATED SERVICES

The following services are available from Oracle Support Services:

- Oracle E-Business Suite Accelerators
- Oracle University
- Oracle Consulting

Furthermore, it gives users the opportunity to identify budgetary errors by comparing estimated, planned charges to actual charges incurred once invoices are received.

Allocations										
Operating Unit		Vision Operations		Shipment Date		06-Nov-2008		Shipment Status		Completed
Receiving Location		M5-Denver		Shipment Type		DOM-SHIP				
Action <input type="button" value="Submit"/> <input type="button" value="Go"/>										
Expand All Collapse All										
Focus	Component Number	Component Type	Component Reference	Item	Estimated Amount	Actual Amount	Quantity	UOM	Unit Landed Cost	
	38	Shipment	Domestic Shipment							
	1	Line Group	2084							
	1	Shipment Line	Goods	AS54888	12,110.58	16,110.42	10	Each	1,611.04	
	1	Shipment Line Allocation	Goods		11,000.00	15,000.00				
	2	Charge Line Allocation	FREIGHT		1,100.00	1,100.00				
	1	Charge Line Allocation	INSURANCE		10.58	10.42				

Figure 3. Estimated vs. Actual Landed Cost Breakdown

Oracle LCM provides better insight into an organization’s outstanding liabilities by tracking estimated logistical costs and import duties/taxes as soon as they are known.

Ensure Compliance

Oracle LCM helps to support compliant business practices. Itemizing and tracking all acquisition costs as they apply to a product is a global best practice for industries with complex supply chains. It enables these organizations to better link their product supply flows with their financial processing and reporting. However, this specifically helps organizations operating in regions with specific regulations requiring item specific profitability documentation and income tax calculations like Brazil, India, and Romania. In addition, Oracle LCM does not over calculate costs when they include taxes such as VAT, where a certain amount is eligible for tax recovery. Finally, Oracle LCM helps to tie charge invoices to receipts providing the evidence to authenticate inventory cost declarations and financial reports.

Oracle LCM provides the foundation for an organization to more effectively understand how physical supply chain activities occurring in the extended supply chain affect an individual product’s total delivered product cost.

Contact Us

For more information about Oracle Landed Cost Management, please visit oracle.com or call +1.800.ORACLE1 to speak to an Oracle representative.



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