Profit Improvement in Retail

Uncover hidden profit opportunities

Many enterprises make critical decisions with incomplete insight and transparency into profit drivers. Profit eroding decisions are unintentionally made without reference to views such as customer, product, and channel. **The lack of maturity of this information and the omission of depth and breadth can cost enterprises as much as 2% or more to the bottom-line!**

In a recent Oracle sponsored research note, 75% of respondents indicated they currently perform some form of product profitability reporting, and two-thirds of respondents indicated an intended move towards customer profitability analysis. How accurate and mature is the information used in this reporting and what decisions are being made?

ORACLE®

ENTERPRISE PERFORMANCE MANAGEMENT SYSTEM

A Profit-Focused Enterprise (PFE)™ is one that uses the same profit information across the entire value chain to analyze and create strategies for day-to-day decisions.

Become a Profit-Focused Enterprise™

The Profit-Focused Enterprise™ (PFE) framework (Figure 1) provides an integrated and collaborative view of profitability across the Retail Value Chain. Adopting this framework in conjunction with Oracle Hyperion Cost and Profitability Management (HPCM) provides a roadmap to quickly identify and prioritize high potential profit initiatives and align resources more closely to customer demands.

There are four steps in the PFE™ framework:

1. Profit Clustering - Uncover hidden opportunities via segmentation
2. Revenue Attainment - Identify the "Right" revenue
3. Operational Optimization - Identify the most efficient delivery of products and services
4. Resource Alignment - Rectify misalignment resources to profit clusters

The resultant PFE™ roadmap is the action plan for delivery of quantifiable benefits.
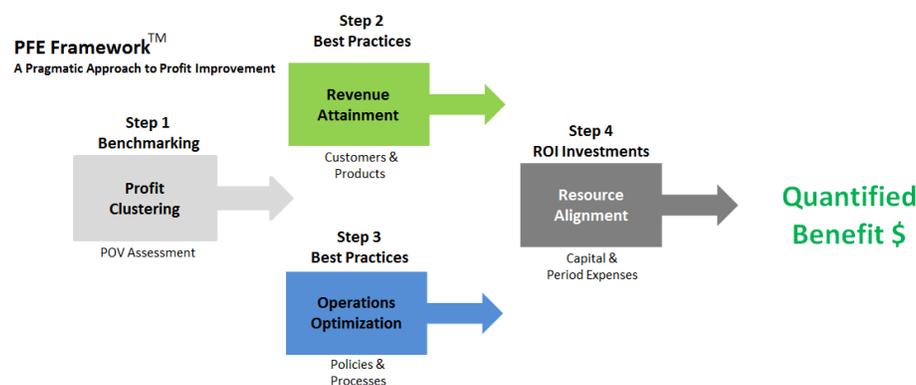
ABOUT ORACLE HYPERION PROFITABILITY &COST MANAGEMENT (HPCM)

Oracle Hyperion Profitability and Cost Management (HPCM) is a systematic and sustainable solution that transforms traditional accounting information into strategic and tactical profit and loss statements.

These strategic and tactical P&L's facilitate the rapid identification of actionable insights based on profit performance in the target profit clusters. It drives business performance by benchmarking the drivers of cost and profitability and empowers decision makers to improve resource alignment.

In conjunction with A&M Profitability and Cost Management Services, HPCM drives business performance by highlighting the drivers of cost and profitability and empowering users to improve resource alignment.

HPCM leverages the power and flexibility of the 30 year history and evolution of Oracle Essbase for faster, more accurate and timely multi-dimensional analysis.

Figure 1 – PFE™ Framework

The Retail Value Chain

Before an entity can become a Profit-Focused Enterprise™, it must understand the value added steps - marketing how the assortment contributes to the consumer lifestyle, the ways in which the consumer 'experiences' the brand, the technology used to support the experience, and the management of the physical engagement (labor) with the consumer. The Retail Value Chain is the correlation of these steps plus the relationship of all expenses necessary to generate revenue.

Oracle Hyperion Profitability and Cost Management (HPCM) is the enabling technology behind a Profit-Focused Enterprise™. As SKUs moves through the Retail Value Chain (Figure 2) from suppliers to customers, decision-makers at each step in the process are provided with Profit & Loss (P&L) statements geared to their goals and objectives. In the diagram below, Strategic P&L's for supplier, distribution center, transportation, store, product (sku), customer, etc., are available to support each stakeholder, all based on a single version of the profit truth. Organizations can choose to focus on one process for immediate value, or the entire value chain to become a true Profit-Focused Enterprise™.

BENEFITS

- Identify and prioritize profit initiatives with multi-dimensional analysis
- Accurately assign, allocate, and match costs to revenues for the target profit clusters
- Strategically match resources to the most profitable opportunities
- Improve marketing and sales programs by focusing on targeted customers, products, and channels
- Target improved profitability of customer service across all channels
- Share profitability insight across the organization for consistent data driven decision making
- Gain confidence in revenue and cost assignments with graphical traceability maps
- Use profitability as a performance metric to benchmark operational efficiencies
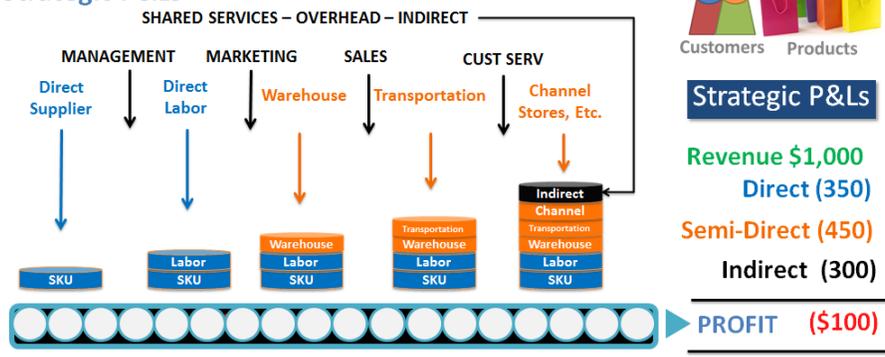

Figure 2: Accumulating Cost - Retail Value Chain

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