

ORACLE INTEGRATED MARGIN PLANNING

KEY FEATURES AND BENEFITS

FEATURES

- Margin planning models capturing operational detail related to materials, production and transportation costs
- Dynamic planning of costs and margins based on operational and financial drivers
- Packaged solution content covering predefined models, calculation logic, planning templates and reports
- Predefined integration with Oracle Hyperion Planning and Oracle business intelligence solutions

BENEFITS

- Improved predictability in attaining margin performance targets
- Rapid time-to-value through fast implementation
- Significant improvements in planner productivity
- Improved collaboration and alignment across finance and operations

Oracle Integrated Margin Planning is a performance management application that enables businesses to predictably manage margins and cost of goods sold (COGS) using detailed cost modeling based on operational drivers and assumptions. This prepackaged solution incorporates granular models of key COGS elements such as materials, labor and transportation costs, enables rich modeling and driver-based planning of margins and costs, and helps align operational performance with top-down financial targets. It empowers managers and analysts in finance and operations to proactively manage margins even in the face of extreme variability related to cost and revenue drivers.

Margin Planning: The Business Challenge

Finance executives and managers in every business are under tremendous pressure to make realistic and achievable projections on key financial metrics such as revenues, COGS, and gross margins. In the face of today's extreme business volatility, they are struggling to capture the impact of rapid changes in costs and operational drivers, and to incorporate them into their financial planning process in a timely manner to support proactive decisions.

In the industrial goods sector, prices of raw materials such as steel or aluminum typically have a high impact on COGS and margins. Similarly, grain prices affect the performance of food manufacturers, and petrochemical inputs have a huge impact on consumer product businesses. Given the dramatic swings in the prices of these commodities in recent years, it has become critical for finance managers to make informed assumptions on their prices, translate them into financial impact, and prepare recommendations for proactive plan revisions. They also need to couple these and other costs with the fluctuations in demand—including volume revisions, mix shifts across products, regions and channels, and pricing changes—and translate all these key operational drivers and assumptions into financial impact.

Existing planning solutions in finance and operations provide little value in addressing the margin planning challenge. While supply chain solutions address demand and supply planning complexities, they are quite weak in translating these operational plans into financial impact. Financial planning solutions do not incorporate adequate depth in COGS modeling and are typically based on high level assumptions such as standard costs at the product family level. As a result, financial planners typically struggle with offline spreadsheet models to manually piece

together a reasonable picture of costs and margins, resulting in substantial value loss from ineffective margin management and poor productivity.

Integrated Margin Planning: The Right Solution

Oracle Integrated Margin Planning is a purpose-built solution designed to effectively address the margin planning challenge. It uniquely combines *operational intelligence* with *financial intelligence* to provide granular cost models that enable margin and COGS planning based on operational drivers.

The key elements of the integrated margin planning solution approach are:

- Provide in depth operational models based on bills of materials, plant capacity and labor resources, and transportation networks, to capture materials, production and transportation costs in a bottom up fashion.
- Link granular operational drivers and assumptions to the above models and incorporate detailed financial calculations to translate changes in drivers into financial metrics.
- Provide the ability to perform what-if analysis typically covering the following steps:
 - a. Forward-looking changes to operational drivers.
 - b. Assessment of the resultant financial impact.
 - c. Identification of margin and revenue gaps relative to financial plan targets.
 - d. Evaluation of plan revisions such as pricing changes, cost reductions and volume plan revisions to help close the performance gaps.

The screenshot displays the Oracle Integrated Margin Planning software interface. At the top, there is a header with the 'den' logo and the title 'Assumptions Material Details'. Below this is a table with columns for Part, Location, Effective Date, Material Type, Unit Cost (local currency), Lead Time, Make or Buy, Finished Good, and Description. The table lists various material parts such as 100-0824-COM, 100-0828-COM, etc. An 'Impact - Q3 plan review v2' dialog box is open, showing a summary of key metrics: Key Metrics (Gross Margin %:CY: 66.51%, Gross Margin Delta: (\$97,938), Projected Revenue: \$0, Projected Revenue,CY: \$2,079,766,969), Key Assumptions (China Labor Rate per Hour: 10.25, DVD Custom ASIC Unit Cost: 12.00, Digital Video Sourcing % - CHN: 50.00%), Impact Details (Fixed Exceptions: 0, Introduced Exceptions: 0, Baseline Exceptions: 14, Call Comments: 0, Data Changes: 2), and Excess Labor Cost (3 of 3) and Excess Transportation Costs (3 of 3) sections. The dialog box also includes a 'Close' button.

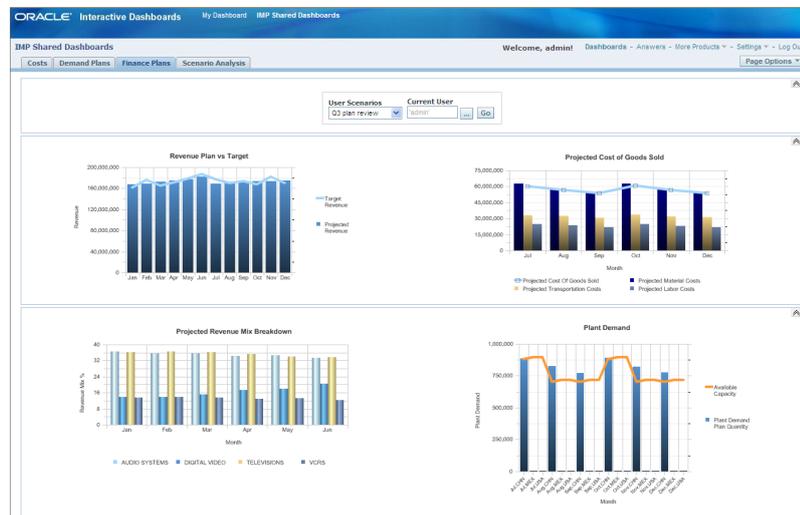
Driver-based margin impact analysis using key operational assumptions

Packaged Solution Content

Oracle Integrated Margin Planning leverages Oracle Integrated Operational Planning technology for cross-functional modeling, impact analysis, and scenario management. It delivers a rich set of out-of-the-box solution content covering the

following key areas:

- Predefined cubes, dimensions, and measures for COGS modeling and financial alignment.
- Prebuilt operational models for materials, capacity, labor and transportation, and associated calculation logic for material requirements (MRP) and rough cut capacity calculations.
- Packaged templates for margin planning and scenario analysis.
- Prebuilt reports, charts and dashboards using Oracle business intelligence technology.
- Predefined integration with Oracle Hyperion Planning to capture financial plans and planning assumptions, as well as data interface tables for integration with operational systems.



Predefined dashboards and reports based on Oracle business intelligence technology

Rapid Business Value

Oracle Integrated Margin Planning takes guesswork out of COGS and margin planning and enables financial planners and executives to attain predictable performance. It helps them to make more timely and impactful decisions even in the face of extreme business variability. By eliminating the patchwork of spreadsheet models, it delivers significant improvements to planner productivity. In addition, with shared models for cross functional planning and impact analysis, it provides a robust platform for improved collaboration and alignment across finance and operations. The pre-packaged solution content substantially reduces solution deployment timeframes, delivering rapid value and lower cost of ownership.

RELATED PRODUCTS

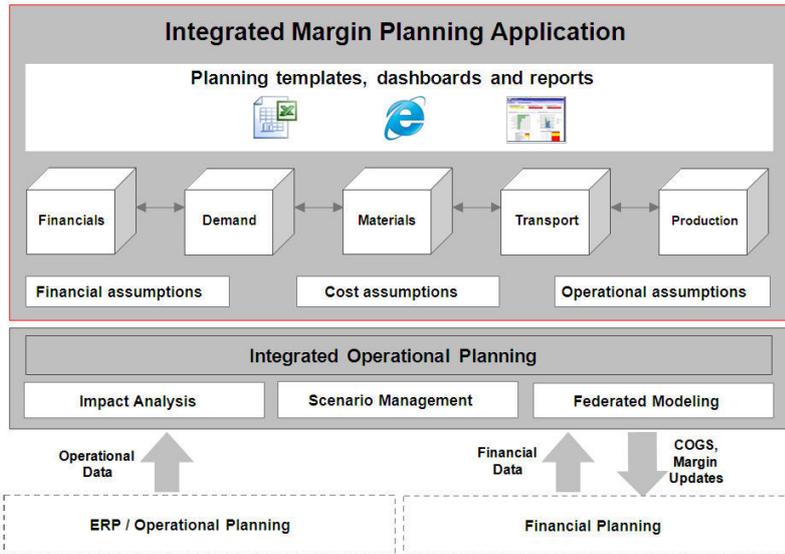
**ORACLE'S
PERFORMANCE
MANAGEMENT
APPLICATIONS**

Oracle's performance management applications comprise a modular suite of integrated applications that support a broad range of strategic and financial performance management processes to enable management excellence. Part of Oracle's enterprise performance management system, these applications can be quickly deployed out of the box, extended with Oracle's business intelligence product family, or tailored to meet your organization's specific needs.

RELATED PRODUCTS:

Oracle's performance management applications include the following products:

- Strategy Management Solutions
- Financial Close and Reporting Solutions
- Enterprise Business Planning Solutions
 - Oracle Hyperion Planning
 - Oracle Hyperion Capital Asset Planning
 - Oracle Hyperion Workforce Planning
 - Oracle Integrated Operational Planning
 - Oracle Hyperion Public Sector Planning and Budgeting
 - Oracle Crystal Ball
- Profitability and Cost Management Solutions
- Enterprise Dimension Management Solutions



Prepackaged solution content for rapid time to value

Contact Us

For more information about Oracle Integrated Margin Planning, please visit oracle.com or call +1.800.ORACLE1 to speak to an Oracle representative.

 | Oracle is committed to developing practices and products that help protect the environment

Copyright © March 2010, Oracle and/or its affiliates. All rights reserved.

This document is provided for information purposes only and the contents hereof are subject to change without notice. This document is not warranted to be error-free, nor subject to any other warranties or conditions, whether expressed orally or implied in law, including implied warranties and conditions of merchantability or fitness for a particular purpose. We specifically disclaim any liability with respect to this document and no contractual obligations are formed either directly or indirectly by this document. This document may not be reproduced or transmitted in any form or by any means, electronic or mechanical, for any purpose, without our prior written permission.

Oracle is a registered trademark of Oracle Corporation and/or its affiliates. Other names may be trademarks of their respective owners.