Oracle Profitability and Cost Management Cloud Service

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ENTERPRISE PERFORMANCE MANAGEMENT CLOUD

Insight to profitability and cost should be a fast, intuitive and automatic process, but too often this is not the case. Many companies either spend too much time on manually manipulating spreadsheets and understanding key drivers of profitability or, worse yet, spend no time on understanding due to the perceived complexities of the process. The use of custom-built allocation tools, or black-box calculation solutions, contributes to the problem by creating an over-reliance on IT for a business process that fundamentally should be owned by the *business users*. Oracle Profitability and Cost Management Cloud dramatically changes this situation. It provides business users with a solution to significantly automate and take ownership of allocation-based business processes such as customer/product profitability, management allocations, shared service costing, cost transparency initiatives, and legal entity allocations to support operational transfer pricing.

KEYBUSINESS BENEFITS

- Gain insight to hidden profit and cost across key business dimensions - such as products, customers, sales channels, and more
- Enable business users to take ownership of allocation-based business processes
- Eliminate over-reliance on IT with easy-to-use, point-and-click model building
- Quickly optimize allocation processes with what-if analysis
- Create a culture of accountability with end-to-end transparency for each step of the allocation
- Reduce manual effort through automated data collection

Discover and Act on Hidden Profit and Cost

Oracle Profitability and Cost Management Cloud provides actionable insight into allocation-based business processes by seamlessly combining data from the general ledger and other financial systems with data from operational systems. The solution provides the transparency needed to support analysis within today's complex enterprises.

Figure 1. Configurable dashboards make it easy to quickly visualize profit & costs by key business dimensions.

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KEY FEATURES

- The **"management ledger"** allocation engine provides a best-practice, business-owned framework for complex business allocations, such as recursive and multi-tiered allocations
- The **data management** capabilities enable automated data collection and mapping –improving controls and significantly reducing manual data effort
- The **rule balancing** feature provides unparalleled transparency to each step of the allocation calculation – eliminating the "black box" effect associated with custom allocation solutions
- The **hierarchy and dimension management** is based on the Oracle EPM Cloud framework and ensures alignment with other source financials systems
- **Pre-built analytics**, such as the profit curve and scatter chart, provide significant value out-of-the box and reduce implementation time
- **Configurable dashboards** and reports deliver boardroom-quality reporting to the business user community
- Microsoft Office add-in, **Smart View**, delivers ad hoc analysis and Excel-based interactions
- Since it's a **cloud solution,** there are no capital infrastructure investments required
- Supports **hybrid cloud deployments** with integration to on-premises systems via a REST API based connector

Determining profitability by business dimensions, such as products, services, channels, markets, and legal entities, is often not a simple task. It requires the business elements to be fully burdened with expenses to which they are not directly related. In most cases, the best way to allocate the indirect expenses is to use operational data that ties the indirect expense to the business element. However, combining financial and operational data is often the biggest challenge of profitability analysis. It's typically not prudent to overload the general ledger (making it 'fat') with operational data, such as customer, channel, etc., not needed for statutory reporting. Keeping the general ledger "thin" ensures a streamlined statutory close process. Likewise, manipulating operational and financial data in spreadsheet-based solutions can be very time consuming and error prone. Therefore, these are not ideal ways to address profitability.

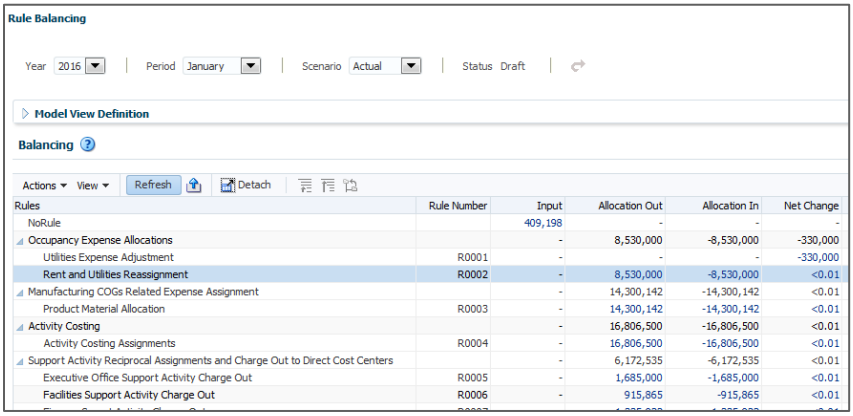
Oracle Profitability and Cost Management Cloud includes robust data management capabilities that enable business users to easily map financial and operational data together. It provides a central hub for automating all allocation-based business processes. The solution is purpose-built for the multi-tiered allocations typically required by today's complex business environments and provides a best practice framework to make model-building easy and consistent, with excellent performance.

Unparalleled Transparency

Instead of the 'black-box' calculations resulting from custom solutions, Oracle Profitability and Cost Management Cloud provides business users with step-by-step transparency into allocation-based business processes affording two main benefits.

First, it significantly reduces the time required for troubleshooting during the creation and editing of allocation calculations. Any unassigned or idle amounts in an allocation stage are clearly listed, making it easy to see if the model is mathematically balanced.

Second, the rule balancing reports create a 'culture of accountability' within the impacted business community by giving insight to the allocation method. The reports are viewable by business users who may be impacted by the result of an allocation, and provide very clear insight into the nature of each allocation stage impacting their line of business. For example, business stakeholders often question large cost allocations given to them due to a lack of clarity. The rule balancing report helps them to understand the precise metrics that drive the allocation. This information may help them to better align their business operations with the strategy of the enterprise.



Rules	Rule Number	Input	Allocation Out	Allocation In	Net Change
NoRule		409,198	-	-	-
Occupancy Expense Allocations		-	8,530,000	-8,530,000	-330,000
Utilities Expense Adjustment	R0001	-	-	-	-330,000
Rent and Utilities Reassignment	R0002	-	8,530,000	-8,530,000	<0.01
Manufacturing COGs Related Expense Assignment		-	14,300,142	-14,300,142	<0.01
Product Material Allocation	R0003	-	14,300,142	-14,300,142	<0.01
Activity Costing		-	16,806,500	-16,806,500	<0.01
Activity Costing Assignments	R0004	-	16,806,500	-16,806,500	<0.01
Support Activity Reciprocal Assignments and Charge Out to Direct Cost Centers		-	6,172,535	-6,172,535	<0.01
Executive Office Support Activity Charge Out	R0005	-	1,685,000	-1,685,000	<0.01
Facilities Support Activity Charge Out	R0006	-	915,865	-915,865	<0.01

Figure 2. 'Rule balancing' reports provide complete transparency to allocation-based business processes.

Purpose-Built Analytics

Oracle Profitability and Cost Management Cloud includes pre-built dashboards and analytical screens that are purpose-built for analysis of complex, allocation-based business processes, and take advantage of the best practice allocation framework. This means immediate value out-of-the-box. Instead of spending countless hours manipulating data for analysis each reporting period, the pre-built framework and analytics gives immediate insight to the drivers of profit and cost.

The "profit curve" report shown in figure 3 is a good example. The vertical axis represents net profitability, and the horizontal axis represents the business dimension (e.g. customer, product, channel, sales person, zip code, etc.). Data points are sorted from left to right on the axis, showing the most to the least profitable members (in this case, customers). The report can be further enriched by combining it with operational data parameters such as '*salesperson by product*' or '*sales channel by product*'. These parameters enable queries such as, show *'Top 20% most profitable customers by sales person'* or '*Bottom 20% customers by sales person'*, thereby providing actionable insight to profitability. There are many other scenarios and parameters that can be used to deliver value to any business processes or business unit.

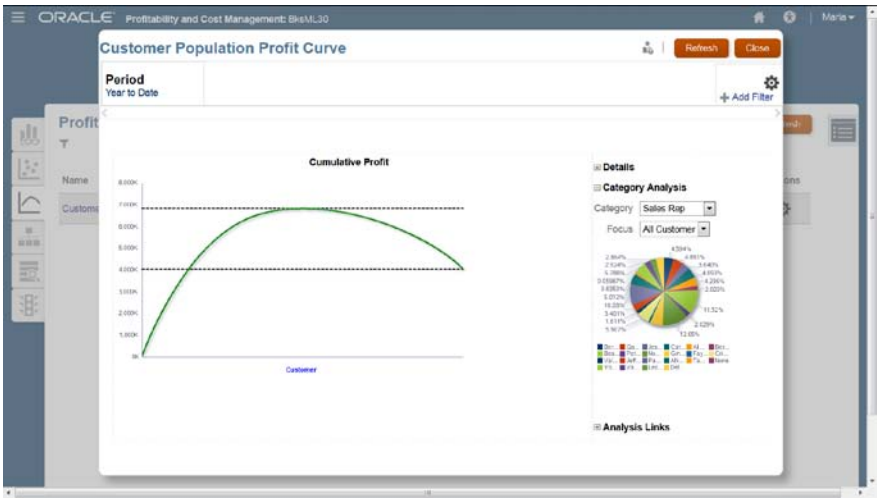


Figure 3. The 'profit curve' report is a pre-built analytical tool in Oracle Profitability and Cost Management Cloud providing analysis of profitability across an entire business dimension – such as customer, product, market, etc.

Business Owned

The allocation rules engine in Oracle Profitability and Cost Management Cloud enables business users to take ownership of rule building and data acquisition. This is important since enterprise profitability analysis must evolve as business evolves (e.g. growth, acquisition/divesture, regulatory changes, competitive landscape, etc.). For example, business users may want to explore the use of different allocation drivers for a certain stage of a multi-tiered allocation process. With Oracle Profitability and Cost Management Cloud, business users can easily make a change in allocation assumptions and compare the new method with the previous method through inherent scenario analysis capability.

A point-and-click interface makes it easy to create or alter complex allocation rules using

ORACLE EPM CLOUD

Oracle's EPM Cloud and on-premises applications provide market leading functionality with fast time to value, simplicity of configuration and pre-built content for deeper integration and easy extensibility.

RELATED SERVICES

- Enterprise Planning and Budgeting Cloud Service
- Enterprise Performance Reporting Cloud Service
- Financial Close and Consolidation Cloud Service
- Account Reconciliation Cloud Service
- Financials Cloud Service

OTHER RELATED PRODUCTS

- Oracle ERP Cloud
- Oracle SCM Cloud
- Oracle HCM Cloud
- Oracle CX Cloud
- Oracle Enterprise Performance Management Applications (on-premises)

the best practice framework. The framework includes validation reports for every step of the allocation process and an auto-documenting feature that allows allocations to be easily audited. This is important when an allocation method is scrutinized internally (e.g. shared service) or externally (e.g. transfer pricing). Furthermore, allocation drivers can be easily re-used across different business processes in a very consistent manner. This significantly improves the controls across all reporting processes.

Integration with Key Business Processes

Oracle Profitability and Cost Management Cloud is designed to integrate with key business processes. Whether it is Enterprise Resource Planning (ERP), a consolidation system, or a planning and forecasting tool, Oracle Profitability and Cost Management Cloud leverages existing investments and complements your IT strategy. Built on the Oracle Enterprise Performance Management (EPM) Cloud, there is seamless data and process integration with other Oracle ERPs such as the ERP Cloud, eBusiness Suite, PeopleSoft, and JDE. Likewise, the solution is designed to work with both Oracle EPM Cloud and on-premises Oracle Hyperion EPM products.

In Summary

A purpose-built allocation solution can make organizations more effective and provide greater insight into profitability and costs within key business dimensions. Oracle Profitability and Cost Management Cloud strikes the perfect balance between a business-owned allocation engine and a rich analytical tool to discover the fundamental drivers of cost. This solution accomplishes both by providing an innovative allocation framework that provides step-by-step transparency to calculations – all while ensuring ease of use and upgradability of an Oracle cloud-based solution.

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

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