



Business Transformation Through Focused Profitability and Cost Analysis



“We’ve done the cutting, we’ve harvested our assets, where’s the growth coming from now? Where do we find those opportunities? Help me make those decisions. Help me find those opportunities and help me make those prioritization choices.”

— David Axson,
Managing Director,
Accenture Strategy

What you don’t know about your business can kill you. In today’s high-paced, information overloaded and increasingly hyper-competitive global business climate, it’s essential that your enterprise is focused on profit.

Historically accepted conventions (what we have always done) and tribal knowledge (may be correct or may be outdated) about what is profitable and what is not could be the equivalent of an organizational decision-making foundation made of quicksand!

Statutory financial reports need to be quickly morphed into strategic profit and loss reports which reflect every angle of decision making about products, services, customers, lines of business, operational processes, and resources to name a few. Your challenge is to have intimate knowledge of true profits and underlying costs from every angle or risk becoming unknown.

Creating a bedrock foundation for decision making is simply a matter of focus. A Profit-Focused Enterprise™ (PFE) approach, along with a business-focused analytical platform for transforming financial data into actionable information for management reporting, are the keys to transforming to a high performance business.

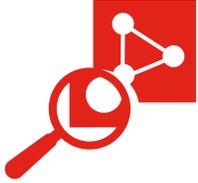
CUSTOMER QUOTE:



SIBS Forward Payment Solutions

“Since implementing Oracle Hyperion Profitability and Cost Management, we’re more efficient and can offer more competitive rates.”

— Nuno Costa, Analytic Accounting and Budget Control Coordinator, SIBS Forward Payment Solutions



- 71% increase over last year in companies planning to cost individual customers this year
- 133% more want to cost by invoice
- 136% more want to cost by transaction
- The economic downturn gave rise to an intensive focus on cost control. And while growth has returned to its position of prominence on the finance agenda, detailed costing practices are needed to stay in the game or get ahead
- Drilling down into more detailed costs is definitely on the minds of most

Oracle EPM Top Trends for 2015 study

CUSTOMER QUOTE:



Driving Transformation Based Upon Profitability and Cost Analytics

Companies have always been in pursuit of delivering superior returns to shareholders. However, in today's business climate, they are forced to probe ever deeper into the data beyond statutory, black-and-white, gross margin financial statements. Companies must now dive deeper into many more dimensions—a multitude of attributes combined with the textures of true costs and revenues that align for a very precise view of how profits are actually made. This deep analysis is often referred to as 'management reporting.' Where does a company invest in management reporting? PFE™ provides guidance.

To manage a Profit-Focused Enterprise, a pragmatic plan or structured framework is needed—the PFE Framework. This framework enables organizations to use the same profit information across the entire enterprise to create strategies for day-to-day decisions.

THE PFE FRAMEWORK™ IS MADE UP OF 4 STEPS

1. Profit Clustering
2. Revenue Attainment
3. Operations Optimization
4. Resource Alignment

The New School

"With Oracle Hyperion Profitability and Cost Management, we can perform calculations using various dimensions, such as program, degree, course level, student's major, and type of student, ultimately enabling us to advance towards our goal of becoming a leading and dynamic university."

—Steve Stabile, Vice President, The New School

BENEFITS

- Identify sources and attributes of profitability with multidimensional analysis
- Accurately allocate costs with a flexible allocation engine that supports any methodology
- Gain confidence in cost allocations and revenue flows with graphical traceability maps
- Strategically allocate resources with accurate profitability and cost information
- Improve marketing programs through product and customer segmentation analysis

Profit-Focused Enterprise Framework™

Step One: Profit Clustering

Who, what, how, and where profits are generated

Step Two: Revenue Attainment

Which customers and products grow revenue profitably versus unprofitably

Step Three: Operational Optimization

Understanding profit levers that align cost to operational dimensions

Step Four: Resource Alignment

Realign capital and period expense resources to the most profitable opportunities





MORE BENEFITS

- Empowers users with visibility and flexibility
- Improves resource alignment
- Delivers a management reporting environment as a companion to ERP and financial reporting applications

The Profit-Focused Enterprise™ Assessment

A PFE assessment is a high level review of how advanced an entity is with regard to the information it uses to make profit decisions. The type of information used determines the maturity level of the entity.

THERE ARE FOUR PFE MATURITY LEVELS:

1. Revenue Only
2. Gross Margin Only
3. Net Margin Only
4. Net Margin Plus

How significant can a PFE assessment be? If company 'A' has an annual revenue of US\$2 billion, and the PFE assessment uncovers a 2.5% improvement, this equates to a US\$50 million profit improvement opportunity.

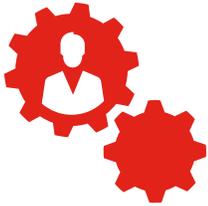
CUSTOMER QUOTE:



interRel Consulting

“We have helped MD Anderson Cancer Center to implement a solution using Hyperion Profitability and Cost Management (HPCM) that helps determine costs down to the resource (physician, nurse, etc.) level for individual services provided to patients. This also helps them to understand medical resource allocations and helps to save more lives with ever reducing resources.”

—Edward Roske, CEO of interRel Consulting



KEY FEATURES

- Business user-driven profitability modeling
- Flexible allocation platform
- Traceability maps
- Business rules engine
- Model validation reporting
- Hierarchy and dimension management
- Multi-dimensional calculations
- Detailed cost and profitability calculations
- Management ledger allocation models
- Powerful analysis and reporting
- Integration with other performance management applications

Help to Transform Your Business

While the PFE™ establishes a prioritized execution agenda for any enterprise in any industry, Oracle and its partners are seeing the following business transformations:

For InterCompany/Shared Services: Organizations are now able to automate their cost allocations for centralized and common functions. Larger organizations can operate under economies of scale by centralizing common functions like IT, HR, Legal and Finance into Shared Service Centers, and allocate the costs to users based on consumption. Multi-national organizations can take into account the tax impacts to inter-company profitability via Operational Transfer Pricing—which ultimately affects the financial reports that stock markets use to evaluate stock price.

For Hyper-Competitive Industries: Industries now have access to analytics that support the critically-needed, nimble pricing of product and service bundles. They can now master profit and loss from every dimension in order to keep pace with competitors so they can protect their profit ‘winners’ and fix their profit ‘losers.’

For Regulated/Semi-Regulated Industries: Organizations can now justify where their profits lie and defend how much they make—all with transparency. Government Agencies operate to insure ‘fairness’ among all parties forcing a heightened need for transparency of the profit and cost assumptions underlying the management reports from which prices are established.

For Strategic, Profitable Growth: Organizations are now able to align fully-loaded costs with their products and services revenue. This is what’s needed to give the true profit perspective.

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