SAP BusinessObjects™

SAP Solution in Detail
SAP BusinessObjects Enterprise Performance Management Solutions

SAP BusinessObjects Profitability and Cost Management

COST AND PROFITABILITY REPORTING

COMPLEMENTARY STRENGTHS OF SAP® SOLUTIONS

Organizations that run the SAP® ERP application and deploy controlling software for certain aspects of cost and profitability reporting also deploy the SAP BusinessObjects™ Profitability and Cost Management application. This enables them to gain deep understanding and insight into their costs and profitability and model scenarios to improve financial performance. Here is an examination of the two solutions from a technical perspective, discussing underlying data structures and exploring differences between the solutions that may influence the choice in their deployment, as well as the business benefits of using them together.

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EXECUTIVE SUMMARY

A CONSIDERED CHOICE FOR COST AND PROFITABILITY REPORTING

Many companies, especially those involved in manufacturing and distribution, already use controlling functionality in SAP® software, particularly product cost controlling, which uses a "pull-through" methodology that is integrated with transactions in the SAP ERP application. Calculating the value of manufactured goods transferred into stock and work in process is essential for producing the profit-and-loss account and balance sheet. Some companies go further and use other controlling components to analyze indirect costs and to calculate net profitability of segments such as products, customers, or business channels. The main functionality involved is profitability analysis, which integrates information from within SAP ERP, such as sales and distribution, materials management, financials, production planning, and other controlling components.

SAP now offers the SAP BusinessObjects™ Profitability and Cost Management application, which enables organizations to gain deep understanding and insight into their costs and profitability and model scenarios to improve financial performance. Increasingly, organizations that run SAP ERP and deploy controlling software for certain aspects of cost and profitability reporting also deploy SAP BusinessObjects Profitability and Cost Management.

While not going into a detailed comparison of functionality, this paper examines the two solutions from a technical perspective, discussing, for example, the underlying data structures and functionality for model building and maintenance, simulations, tracebacks, and shared services costing. The paper then explores how differences between the solutions may influence the choice in their deployment, as well as the business benefits of using the two solutions together.

Increasingly, organizations that run SAP ERP and deploy controlling software for certain aspects of cost and profitability reporting also deploy SAP BusinessObjects Profitability and Cost Management.

COMPLEMENTARY SAP SOLUTIONS

STRENGTHS OF SOLUTIONS FOR PROFITABILITY AND COST REPORTING

Enterprise resource planning (ERP) applications focus on controlling how transactions and money flow through an organization. Profitability analysis functionality (known to many SAP customers as the CO-PA component in the controlling module) accesses online transaction processing (OLTP) structures and core database tables within the SAP ERP application. OLTP structures are the industry standard for ERP applications, which are characterized by high volumes of data entry and retrieval transactions, a large community of users, and the need for speed. Relational OLTP databases, like those at the heart of SAP ERP, are designed to generate and store data as fast as possible.

While this enables the "pull-through" capture of costs needed to calculate a value for manufactured goods transferred into stock and work in process, OLTP data structures are not optimized for the deep analysis of indirect costs and reporting, as the two needs are incompatible. Contrast OLTP with multidimensional online analytical processing (OLAP) structures where the focus is on organizing, analyzing, and displaying data. Profitability analysis functionality is the standard link between the worlds of transaction processing and analytical processing; from a technical point of view, it is situated within the OLTP environment.

This has a number of implications when it comes to cost and profitability reporting that need to be addressed. For example, companies can combine the OLTP strengths of SAP ERP with the strengths of the SAP BusinessObjects Profitability and Cost Management application, which is built on an optimized OLAP data structure. With predefined dimensionality and functionality for cost and profitability analysis, the application facilitates model building and simulations. It uses relational data structures for calculating the individual costs associated with an ultra-high number of sales order lines, customer accounts, or SKUs. The unit rates calculated in a multidimensional data structure are then applied to millions of records in a relational data structure.

Working with Data

Figure 1 shows the core flows of financial data required for cost modeling and profitability reporting and how they are linked through a number of controlling components, typically cost center accounting, product cost controlling, and overhead cost controlling, before being available to the profitability analysis component (CO-PA) for the profitability calculation. These components receive data from other SAP ERP components such as sales and distribution and materials management. If activity analysis is needed, the activity-based costing component may be deployed.

Integration of Costing and Operational Data

One of the key benefits of this close integration is that the profitability analysis component can draw up-to-date information of revenues and discounts from the sales and distribution component and standard product costs from the product costing component. The use of profitability analysis data for contribution margin reporting at the customer or product level of detail is a fundamental strength. Such information

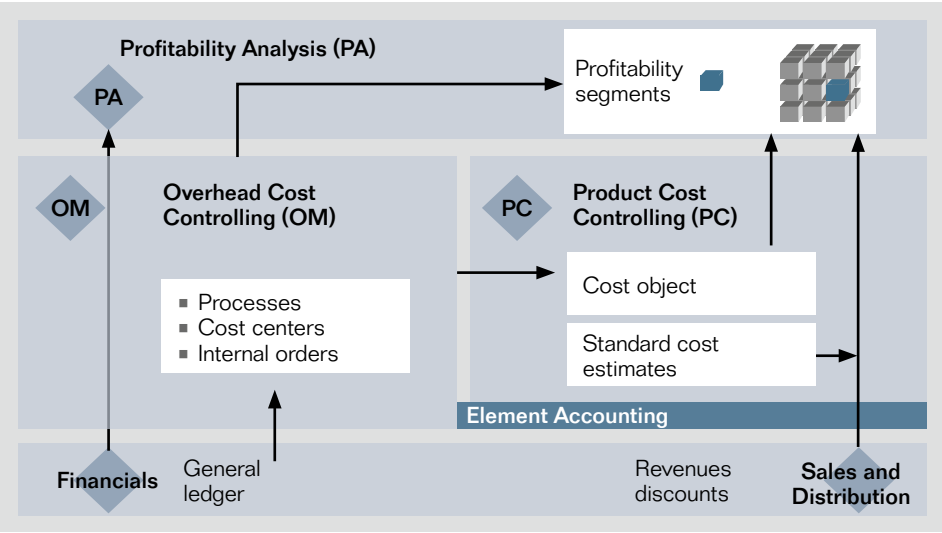

Figure 1: Financial Data Flow for Cost and Profitability Reporting

can be transferred from the profitability analysis component into the SAP NetWeaver® Business Warehouse (SAP NetWeaver BW) component or OLAP data stores for analysis and reporting.

All SAP controlling components are fully integrated with other operational components in the SAP ERP application, making it possible to access data captured in SAP ERP for use in cost allocations. For instance, the number of purchase orders could be used as a cost driver in a template allocation by taking the existing data from the logistics information database, which is updated automatically when a purchase order is posted.

The obvious advantage of integration is that data used in costing is linked to the operations of the organization. Where standard tariffs and standard cycle times are being used, cost can be assigned as part of transaction processing. However, where driver volumes are being used for cost assignments, these cannot be known until period end so that results and reports, other than for standard cost, cannot be generated until month end.

When data is needed but not available in SAP ERP, it must be collected and loaded into the application. A built-in survey tool can be used to collect data from contributors and can be configured to deliver the gathered data to the component where it's needed, such as the profitability analysis component.

When You Need More

Such close integration eradicates many of the data integration issues typically encountered when implementing cost and profitability reporting. However, inevitably there is the need to access a driver that is not readily accessible in the logistics information database. Even when a company has a policy of deploying SAP applications in preference to those of other vendors, it is still likely that some of the driver data needed to assign line-item expenses to activities and activities to cost objects resides in systems running non-SAP applications. For instance, calculating the cost of IT services can involve bringing data from disparate systems, such as incident management recording systems and usage monitoring tools, into the costing model. While this is relatively easy to achieve with vendor-agnostic tools for data import and data integration, there may be technical issues bringing such data into a component of the core SAP ERP application.

Data Extraction and Loading from Heterogeneous Systems

SAP BusinessObjects Profitability and Cost Management has been developed with a data acquisition layer that enables easier integration with heterogeneous legacy systems from a variety of software vendors. While any tool for data extraction, transformation, and loading (ETL), such as the SAP BusinessObjects Data Services software, can be used to load data, the application has built-in tools and functionality that enable data to be loaded from disparate systems. For example, a built-in data-loading tool, called the "data bridge," enables model builders to import, validate, and summarize data from popular database technologies, ERP applications, general ledger, data warehouses, and transaction processing systems.

SAP BusinessObjects Profitability and Cost Management has been developed with a data acquisition layer that enables easier integration with heterogeneous legacy applications from a variety of software vendors.

Large volumes of data can be validated and imported directly from an external database without the need to first create flat files. This functionality is particularly useful when importing transaction-level data from data warehouses.

However, regardless of how much data can be imported automatically, some driver data is not captured in any system. In the past, this data had to be collected manually across the business, collated, and then loaded into the cost model.

SAP BusinessObjects Profitability and Cost Management allows users to enter such data over the Web directly into the application's database. The use of this functionality with the associated work management tool allows data collection routines to be scheduled, automated, and monitored. This function and the integration with e-mail for automated reminders eliminate much of the repetitive, tedious work associated with data collection, allowing more frequent reporting.

Once data is loaded into the predefined dimensions of SAP BusinessObjects Profitability and Cost Management, it is accessible through the user interface and is ready to be worked with. Figure 2 shows a model builder's view of the core dimensions.

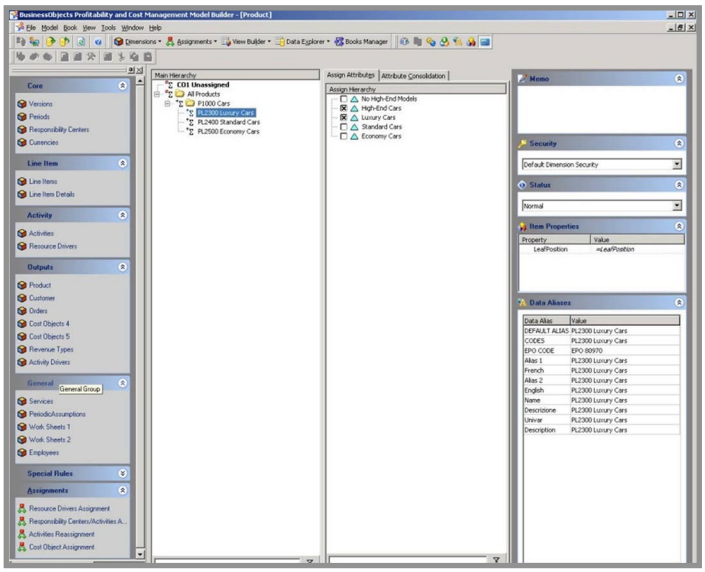

Figure 2: Model Builder's View in SAP® BusinessObjects™ Profitability and Cost Management

Working with Cost Models

Cost models are one way to test and show the cause-and-effect relationship between business activities and resources consumed. Typically, a cost model consists of multiple tasks or activities as well as cost elements for each task that define the use of resources such as materials, labor, machinery, and investments.

Delivering Standard Product Costing and Variance Analysis

Although controlling functionality is fully integrated with SAP ERP, building cost models requires the deployment of additional components. Controlling is reconciled with the financial general ledger by account for revenues and costs to the corresponding cost elements. When required, controlling cost-center accounting functionality can be used to assign costs to activities (activity types), which can be aggregated by the activity-based costing function into business processes before being assigned to products via product costing or other business segments in profitability analysis. The flow of process quantities and the corresponding costs is fully integrated into the operational quantity and value flow in SAP ERP.

Resource drivers are called activity types. At predefined intervals, overhead resources from cost centers are assigned to the process or activity by activity type. To enable the assignment of service cost from support functions to profitability segments, a number of allocation cycles or templates need to be configured sequentially in different components. As a result, model building and maintenance are tasks for the SAP team within IT or an external IT services provider, rather than the finance team.

When there is a requirement for automated product costing using standard production plans and cost estimates (see the right side of Figure 1), the close integration of profitability analysis with SAP ERP has many benefits and delivers standard product costing and variance analysis with "pull-through" processing. This is essential functionality for calculating a value for manufactured goods placed into stock and work in process, both needed for the production of the month-end profit-and-loss account and balance sheet. However, when there is a requirement to develop deeper insight

into overhead costs, particularly in the support functions, and to assign these to cost objects based on a costing methodology that is more rigorous than simple apportionment, then working with profitability analysis and the other controlling functions becomes challenging. The required functionality can be delivered; however, it is likely to require expertise, time, and resources. Running a large profitability analysis calculation that goes down to a very detailed level with a high volume of transactions – such as individual customer accounts, SKUs, or sales order lines – can present a challenge in any environment. Care needs to be exercised with profitability analysis to ensure that it does not compromise more pressing month-end processes and reporting taking place in SAP ERP.

Handling the Complexities of Allocating Costs

Compounding the issue of cost and profitability reporting in the profitability analysis component is the complexity that results from having multiple types of cost allocation methods available for use in controlling. These methods include assessment, distribution, settlement, overhead calculation, direct- and indirect-activity allocation, template allocation, and top-down distribution. Each method has a different functionality and purpose and also a different user interface. Consequently, when making complex assignments across a large number of cost objects, the model builder needs to be familiar with the functionality and diligent in ensuring that all expenses are fully assigned so that the resulting customer or product profitability reporting is complete.

> One of the inevitabilities of cost and profitability reporting is that users want to be able to see what costs have been assigned to the customers or products they manage and understand exactly how those assignments have been made.

Besides the complexity of having to build what is essentially a single, end-to-end cost and profitability reporting solution across a number of components, once costs are actually posted within SAP ERP, they have to be reversed out if they are no longer required. Such an approach is entirely appropriate when costing "actuals." However, it is less suitable for modeling costs in future periods where there needs to be greater flexibility to model scenarios quickly and test assumptions repeatedly. Similarly, users frequently want to test alternative assignments, fine-tuning the model until it matches with their understanding of how costs behave in reality. This is better done in a tool where assignments can be changed quickly with minimal effort.

Building Models That Reflect Business Reality

Model building in SAP BusinessObjects Profitability and Cost Management has been developed to enable trained members of the finance team to build and maintain models themselves. Using the mouse to point and click, model builders can make complex assignments and reassignments that can be amended or undone without difficulty and can be varied quickly by responsibility center, period, and version with overrides.

Using this application, model builders can assign line-item expenses directly to cost objects or pool costs to services and then assign them to cost objects – and can take them through an activity layer when and where this is needed. Indirect activities that occur throughout the organization, such as management and supervision, cannot be assigned scientifically to cost objects with any causality and, consequently, too often get spread through simple apportionment. With SAP BusinessObjects Profitability and Cost Management, the costs of indirect activities can be reassigned with a few mouse clicks to the direct activities carried out in departments wherever the activity occurs. Similarly, any attribute of a cost object, such as the physical size or color of the product, that is available in the model can be used to assign cost and is available immediately for analysis and reporting. As a result, model building can be straightforward and fast.

Figure 3 shows the main screen used for assigning line-item expenses, services, or activity costs to cost objects, all assignments and overrides being done with very few mouse clicks. In this example, the cost of an activity called "Make Sinks" is being assigned to all types of sinks and to all customers who purchase one or more sinks, first sending the cost to the product dimension using the number of manufacturing minutes as the driver and then to the customer using the weight of goods shipped. Using this one screen, a model builder can vary this assignment by department, period, or version; change the order of the assignment; or pick a different driver.

If the model builder needs to make an assignment that cannot be done using the point-and-click functionality of the application, there is a built-in rules editor that uses standard Visual Basic scripting and comes with a simple wizard that enables a model builder to write even the most convoluted assignments.

Within SAP BusinessObjects Profitability and Cost Management, any piece of data can have attributes automatically associated with it at the time it is loaded into the model or manually assigned to it by the model builder. In addition to the use of attributes with cost objects, line items can be flagged as a fixed cost or variable cost so they reflect how costs behave in simulations and what-if analyses. Similarly, where activities are used, they can be flagged as value-adding or non-value-adding (a task, such as correcting errors, on which no value is placed) and targeted for removal and a source of cost saving.

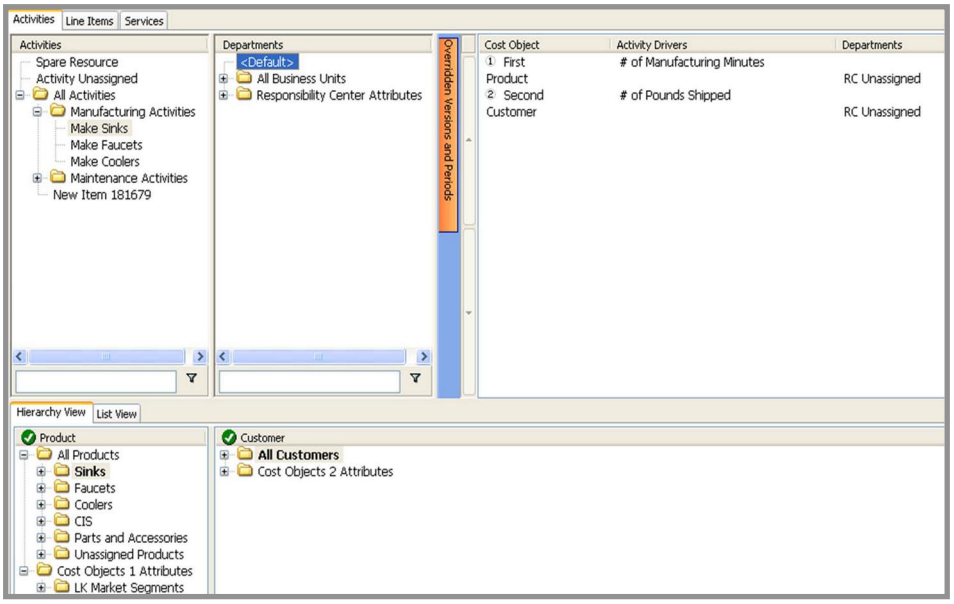

Figure 3: Assignment Screen in SAP® BusinessObjects™ Profitability and Cost Management

One important aspect of cost modeling worth further elaboration is the need to run a number of iterations of a model to refine assignments and calibrate the model until everyone is satisfied that it adequately reflects how costs really behave within the business. This is achieved apart from the SAP ERP application. Running numerous simulations to understand what needs to be done to improve financial performance can reveal a number of factors, such as minimum order quantities, price lists, and standard discounts, that need to be fed back into various tables in SAP ERP. Again, there is considerable benefit in being able to model such changes and assess how financial performance is impacted outside the enterprise's core ERP application.

Maintaining Models

It is important to save time on software maintenance so that the organization can concentrate on performing analysis and simulations.

The data used by SAP ERP controlling components is interrelated, and the model builder must be aware of these relationships. The entered data must be defined in the context of all the

components that utilize the data. For instance, when a new cost element is added, certain relationships need to be assessed in order to have correct data in place, such as whether it is a primary or secondary cost, which hierarchies or groups need updating, whether a general ledger account is needed, and which value field to use in the profitability analysis component.

SAP BusinessObjects Profitability and Cost Management is built specifically for modeling and simulation. Model maintenance is simplified due to a single centralized database, object-oriented architectural design, and dimension relationships that can be built into the models. Changes occurring in one place can be reflected immediately across the entire model.

Testing Changes with Simulations

Costing in SAP ERP tends to be focused solely on past periods, although it is possible to deliver functionality for simulations by integrating planning and budgeting functionality into the profitability analysis landscape.

To gain the maximum benefit from deploying a cost and profitability reporting solution, it is important that users can test how possible changes in variables such as volumes, customer mix, and cycle times impact costs and profitability by conducting their own what-if analyses. One of the most powerful forms of simulation is to be able to "back-calculate" a cost and profitability model to deliver a driver-based planning and budgeting solution. Users reforecast volumes, drivers, and assumptions for future periods while locking certain costs as fixed and allowing others to vary, generating a detailed forecast of line-item expenses.

Such functionality comes as standard in SAP BusinessObjects Profitability and Cost Management, with users able to test assumptions online and have results calculated automatically. Using this comprehensive business-modeling functionality, users can produce a dynamic plan that can be updated on demand by refreshing key operational data or by changing key assumptions to forecast line-item expenses rapidly. This allows for the smooth integration of costing and driver-based or activity-based budgeting models. Users can rapidly see how changes they make to driver volumes impact resource requirements and costs in future periods – and how this can alter the profitability of products and customers. This is invaluable functionality for those organizations that want insight into the projected costs of products and services to more accurately price future offerings, improve overall performance, and optimize enterprise profitability.

To gain the maximum benefit from deploying a cost and profitability reporting solution, it is important that users can test how possible changes in variables such as volumes, customer mix, and cycle times impact costs and profitability by conducting their own what-if analyses.

Tracing Costs Back to Activities

One of the inevitabilities of cost and profitability reporting is that users want to be able to see what costs have been assigned to the customers or products they manage and understand exactly how those assignments have been made. Without being able to see this, users tend not to believe the reports and rarely use them for decision support. They see the reports simply as financial exercises that have no credibility within the business. Therefore a complete traceback should be available to trace costs from cost objects (products, customers, and so on) back to activities and then back to the originating general ledger account or department expenses. For example, a user should be able to find out what proportion of the cost of product A is made up of salaries from a specific cost center and the basis of this assignment.

The controlling components in SAP ERP do not have built-in traceback functionality, although a drill-down reporting function is provided. A number of different modules are typically involved in the flow of costs from the general ledger to profitability segments in the profitability component. As a result, providing traceback functionality can require an investment in time and resources.

Because SAP BusinessObjects Profitability and Cost Management contains the entire flow of costs, it is always possible to trace back the final results to their origins. For instance, the traceback grid values, namely TracebackValue, TracebackFixedValue, and TracebackVariableValue, are provided to visualize the traceability of the final results in grids. These values record the costs that contribute to a cost object through targeted responsibility centers and activities originating from specific responsibility centers and line items. This information can be displayed in Web-based interfaces, called Web books, so that users can slice and dice the data, effectively doing their own traceback whenever they need to.

Costing Shared Services

The cost of shared-services functions can be a major portion of an organization's operating expenses. It is important to deploy an application that can calculate the costs of the individual services that shared-services functions provide and automatically manage the cross-charges between the provider and the internal customers. Being aware of the cost of shared services can help organizations maintain cost efficiency and reduce overhead expense as a proportion of revenue.

Shared-services costs are assigned across multiple components in SAP ERP. Delivering services costing and cross-charging requires the sequential completion of templates or allocation cycles within the various controlling components. Once calculated, charges can be posted directly to cost centers in the cost center accounting component.

It is important to deploy an application that can calculate the costs of the individual services that shared-services functions provide and automatically manage the cross-charges between the provider and the internal customers. Being aware of the cost of shared services can help organizations maintain cost efficiency and reduce overhead expense as a proportion of revenue.

SAP BusinessObjects Profitability and Cost Management enables you to automate the calculation and cross-charging of shared-services costs, incorporating reiterative reallocations among shared-services functions that provide services to one another, such as IT and HR. Using this functionality, your organization can recharge shared services to recover costs, manage them as a profit center, or handle them in any other way you wish, giving both internal customers and service providers visibility into how the charges are derived.

DEPLOYMENT SCENARIOS

GUIDANCE FOR MAKING INFORMED CHOICES

The controlling components in SAP ERP and the SAP BusinessObjects Profitability and Cost Management application both support sophisticated costing and profitability analysis, including activity-based costing, when and where it is needed. A detailed comparison would undoubtedly reveal broadly comparable core functionalities. However, the ways that functionalities are delivered are very different, and you should consider this when deciding how to deploy them to make the optimal use of their combined features.

Reporting Costs and Profitability

In an environment where SAP ERP is the only or the predominant ERP application, some of the controlling components will undoubtedly already be in use. Their suitability for enterprise cost and profitability reporting is driven by the detailed business requirements as described in the following sections.

Contribution Analysis and Reporting

In this situation, the requirement is for operational-level cost and profitability reporting, such as product profitability using standard costs. The emphasis is on understanding contribution margin or direct costs and their variances rather than overhead costs. Because of its close integration with SAP ERP, the profitability analysis component should be the first consideration.

Segmented Cost and Profitability Reporting

Where the need is for high-level segmented cost and profitability reporting that rarely needs to be modified, and all of the data needed for modeling is available within SAP ERP, then deploying the profitability analysis component and associated components for apportioning overhead should be considered first. In such instances, the output is used only within finance for management reporting rather than for decision support.

Handling Indirect Costs and Support Services

Many organizations do a good job of controlling direct costs. The real challenge is to develop deeper insight into support services and other overheads and understand how these are consumed by products, customers, and channels. In addition to apportioning overhead expenses for direct costs, such insight requires more complex cost assignments that are based on drivers and true causality.

In this situation, you may want to enhance the use of cost models and give members of the finance function the ability to calibrate and maintain cost models themselves without ongoing support from external contractors or in-house IT resources. Such a strategy could help you reduce IT costs and lower your cost of ownership in software investments.

A further consideration should be accuracy and completeness. Complex assignments can be made in various controlling components. However, if you are dealing with a high number of cost objects, such as when working at the level of individual products or customers, it can be difficult to monitor that all expenses are assigned and that assignments are consistent. In such situations, you can take advantage of the flexibility offered by SAP BusinessObjects Profitability and Cost Management to make complex assignments through a single screen and the ease with which unassigned costs can be identified.

Working in a Heterogeneous Environment

If you deploy a number of ERP applications from a variety of vendors or need to access data from a variety of source systems, as is the case in shared-services costing in IT, then you should consider adding SAP BusinessObjects Profitability and Cost Management. It is designed to work with disparate data sources, comes with a number of tools for loading data, and has open data tables that can be used with third-party data management tools.

When Simulation Is a Key Requirement

Improvements come about when you identify the underlying causes of underperformance, test assumptions to rectify them, and implement changes. To gain

the maximum benefit from deploying a profitability and costing solution, it is important that users can test how possible changes impact costs and profitability by conducting their own what-if analyses. SAP BusinessObjects Profitability and Cost Management provides the necessary functionality to meet your simulation needs.

When Integrated Enterprise Performance Management Is the Goal

Increasingly, organizations are moving away from stand-alone implementations of budgeting, costing, financial consolidation, ERP, and other performance management applications such as strategy management. They are moving toward closed-loop business performance optimization in which data can be shared seamlessly among applications and ultimately accessed through a single user interface.

Linking common tools for information management and business intelligence, this approach integrates ERP with business intelligence, enterprise performance management, and the increasingly important areas of governance, risk, and compliance.

As part of the SAP BusinessObjects enterprise performance management solutions, SAP BusinessObjects Profitability and Cost Management is the selected solution on the SAP product road map for delivering cost and profitability management. The integration of ERP with enterprise performance management delivers true business performance optimization.

Empowering Users with Integrated Transaction and Analytic Solutions

The obvious implication of the above points is that there is sound rationale for deploying both solutions in tandem, taking advantage of their complementary strengths to deliver differing elements of the overall costing and profitability reporting requirement.

Being totally integrated into transactional processing makes the profitability analysis component an ideal staging area for capturing revenue and sales data at the customer and product level. Furthermore, having functionality such as the materials ledger makes the controlling component the ideal place for calculating the actual direct cost of products. These costs can be transferred to the profitability analysis component and then loaded into SAP BusinessObjects Profitability and Cost Management. Here other indirect costs and corporate overhead can be costed accurately using a variety of sophisticated assignment methodologies, delivering a solution that is also available for simulations and what-if analyses.

Figure 4 shows an example of the flow of financial data in a scenario where controlling components and

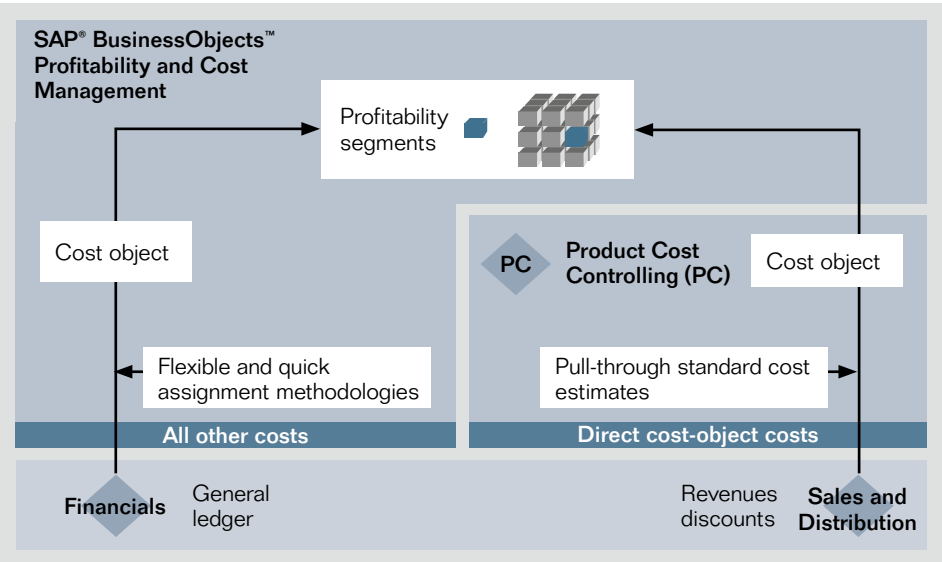

Figure 4: Flow of Financial Data Using Complementary SAP Solutions

SAP BusinessObjects Profitability and Cost Management are used together.

Combining the strengths of costing and profitability reporting functionality provided by the controlling components of SAP ERP with SAP BusinessObjects Profitability and Cost Management is not new. Many organizations have already implemented such a joint solution, taking direct costs that have already been allocated to products in SAP ERP and combining them with assigned overhead costs modeled in SAP BusinessObjects Profitability and Cost Management. Such organizations made use of the complementary functionality in their cost and profitability reporting when SAP and Business Objects were independent vendors. Now data integration makes it easier to use the two solutions in tandem, enabling organizations to tailor a cost and profitability reporting solution to match their needs.

Many organizations have already implemented a joint solution, taking direct costs that have already been allocated to products in SAP ERP and combining them with assigned overhead costs modeled in SAP BusinessObjects Profitability and Cost Management.

Any data needed for calculating costs can be loaded into SAP BusinessObjects Profitability and Cost Management by a variety of means:

- Flat files or data held in relational data structures – such as OLE DB for OLAP, (ODBO), multidimensional expressions (MDX), or the BAPI® programming interface, including data held in SAP NetWeaver BW – can be loaded using the user-friendly data bridge tool that is shipped as part of SAP BusinessObjects Profitability and Cost Management.
- High volumes of data can be loaded directly into SAP BusinessObjects Profitability and Cost Management using its bulk data loader functionality. This includes data from SAP NetWeaver BW, which is made available through the SAP NetWeaver BW open hub.
- Other data residing in SAP ERP or other third-party sources can be loaded using the SAP BusinessObjects Financial Information Management application, an ETL tool that enables members of the finance team to connect, map, and load data themselves.

Results that have been calculated in SAP BusinessObjects Profitability and Cost Management can then be loaded back into SAP NetWeaver BW using its database connect functionality. This data can then be combined with direct costs calculated in the profit analysis functionality (CO-PA) of the SAP ERP Financials solution and other enterprise data held in SAP NetWeaver BW to give comprehensive cost and profitability reporting. Existing investments in SAP Business Explorer tools can also be leveraged for querying the data and reconciling that the expenses sent to SAP BusinessObjects Profitability and Cost Management match assigned costs. These tools can also be used for detailed scenario modeling, such as assessing how changing the price of an individual product or the discount given to an individual customer impacts profitability.

For More Information

To find out more about these complementary solutions, call your SAP representative or visit us online at www.sap.com/solutions/performancemanagement.

QUICK FACTS

www.sap.com/contactsap

Summary

Gain a deep understanding of the levers affecting costs and profitability by deploying the SAP® BusinessObjects™ Profitability and Cost Management application with the SAP ERP application. You can identify underlying causes of underperformance, test potential changes, and take action to reduce costs and optimize profitability of products, customers, and channels.

Business Challenges

- Limited visibility into cost and profitability details
- Inefficient cost reporting that fails to provide insights for improving financial performance
- Lack of transparency into cross-charges and insufficient insight into support-services costs

Key Features

- **Activity-based costing** – Make informed decisions that optimize customer and product profitability and reduce the cost to provide services
- **Shared-services costing and cross-charging** – Align resources and capacities with demand, reduce delivery costs, and gain process transparency
- **On-demand, what-if scenario analysis** – Model costs at any level, down to highly granular transaction data
- **Driver- and activity-based costing** – Accurately cross-charge IT and other shared services with predefined dimensions and reiterative reallocation functionality

Business Benefits

- **Visibility** into the drivers impacting costs and profitability, including IT shared services
- **Optimized costs and profitability** thanks to a detailed understanding of multidimensional drivers such as product, service, customer, and channel
- **Improved alignment** by matching operational capacity and support functions with demand for effective strategy execution
- **Incisive decision making** through rapid identification of underlying causes of changes in organizational cost and profitability, coupled with the ability to test the impact of potential adjustments
- **Greater return on investment** by building on, leveraging, and extending SAP ERP strengths, such as performance excellence and reliability of online transaction processing

For More Information

Call your SAP representative, or visit us online at www.sap.com/solutions/performancemanagement.

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