SAS® Profitability Management

Understand and manage profitability at the most detailed level

What does SAS® Profitability Management do?

SAS Profitability Management provides more accurate cost and profit calculations based on the rule-driven allocation of expenses and revenue down to the lowest level – the individual transaction. Using information about the profit performance of customer groups or individual customers, product groups or individual SKUs, channels or specific branches, decision makers gain more relevant insight – with the ability to drill down into the details that lie beneath standard P&L statements.

Why is SAS® Profitability Management important?

SAS Profitability Management empowers organizations to make decisions that will effectively grow the bottom line. By providing insight into the factors that influence the cost of profitability, the solution enables decision makers to focus on opportunities for improvement, investigate problems and take corrective actions, and formulate differentiated treatments designed to acquire, retain and grow profitable customer relationships.

For whom is SAS® Profitability Management designed?

SAS Profitability Management is designed for executives, controllers, finance/accounting analysts, and IT and sales managers responsible for understanding the profitability of products, service lines, business units, distribution channels, customer segments, etc.

How can you boost profits from existing business without incurring higher costs? It's a question businesses face daily. But while nearly everyone in an organization pays attention to profitability, often there's no one actually tasked to manage it.

To boost profitability, you must first understand it. That's a challenge, as many organizations combine inaccurate cost information from traditional costing systems with other financial and operational data to generate reports on customers and products. This approach, however, doesn't measure true profitability, nor does it enable the development of customer, product or channel-mix scenarios that can be used to grow the bottom line.

True segment profitability can only be determined by accurately associating costs with business segments. The ability to do this depends on how revenue and costs are managed and tracked in accounting systems. Revenue – generated by the customer – is typically straightforward and often associated automatically with business segments via sales orders, invoicing or funds transfer systems.

Costs, however, aren't associated with business segments as easily since IT, operational, distribution and administrative functions generally support multiple business segments simultaneously. Traditional costing systems assign shared and indirect costs to business segments using arbitrary cost allocations with broad averages (e.g., number of customers), which usually results in severe over- and under-costing.

SAS offers a better way. SAS Profitability Management analyzes profitability at a more granular level than has ever been possible with traditional activity-based management systems. The solution enables decision makers to manage profit as a performance metric, with the ability to:

- Understand revenue and cost drivers.
- Segment the customer base.
- Analyze costs to serve.
- Test and execute new strategies.

Key benefits

- **Identify the true value of customers, products or channels – and how they became that way.** Measure and track the profit performance of customer groups and individual customers, product groups and individual SKUs, channels and specific branches, or a combination of these. Define and redefine segmentation reports on the fly.
- **Gain an accurate, insightful view of segmented profitability.** Distribute profitability information throughout the organization to those who need it, in a format they can understand. The solution's powerful, yet easy-to-use multidimensional reporting functions let you see the actual costs and profitability scores assigned to specific customers, products, channels, etc.
- **Accurately model costs and revenues where costs are incurred.** Model costs at the transactional level so you can make confident strategic and tactical decisions that will positively affect the bottom line. Detect potential problems, identify opportunities for improvement and turn those opportunities into action.

Product overview

Based on the award-winning SAS Business Analytics Framework, SAS Profitability Management takes user-defined rules and calculates cost and profit based on the correct allocation of revenue and expenses to the individual transaction. This allows organizations to avoid the common pitfall of arbitrarily distributing shared and indirect costs to products, services, channels and customers. SAS Profitability Management gives you the ability to:

- Allocate expenses and revenue to individual business transactions using robust, yet highly flexible analytics to calculate profit and loss at the most detailed level.
- Actively manage profitability as a performance metric down to the most granular level – across billions of transactions and interactions.
- Understand why and how individual customers and products affect the bottom line.
- Gain insight into key drivers and trends for making decisions that lead to effective business growth.

Web-based, multidimensional reporting

SAS Profitability Management generates Web-based, profit-and-loss OLAP reports at the customer, product, SKU or any other level you need. Reports are based on cost data derived from any costing system, including traditional costing and ABC models, as well as revenue data derived from invoices and other billing mechanisms. Therefore, users can report profit and loss for large dimensions (e.g., a customer dimension that has 100 million members).

Fine-grained, rules-based revenue and expense allocation

Managing the assignment rules is at the heart of SAS Profitability Management. The rules manager interface provides a mechanism to organize and manage assignment. Users can create rules that will automatically establish the assignments to allocate cost rates for products and customer support activities to individual customers, products, SKUs, etc. based on sales and support transaction volumes.

Transaction table input management

SAS Profitability Management can derive the sources for the dimension, behavior, rules, transaction and reporting output tables from any external system and virtually any data source. You need only register them in the SAS Metadata Server.

Scalability

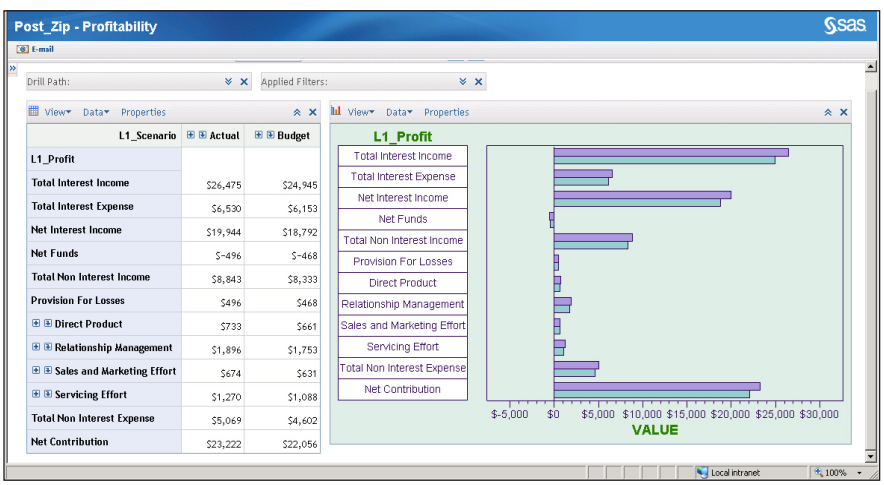
Accurately calculate profit and costs for a large number of products, channels and customers at frequent time intervals. This enables the calculation of profitability at a detailed level for substantial volumes of cost drivers and transactions – something that was previously impossible. The result is reduced cycle time for the entire calculation and reporting process.

Transaction-level cost calculations

Traditionally, costs are modeled at a high level. SAS Profitability Management, however, models costs and profit where they are incurred – at the transaction level. By calculating costs and profit at the individual transaction level, you get the most detailed and accurate representation of profitability. In addition, a rules-based engine defines rules for cost calculation with ease.

Support for multiple costing and management methods

With literally hundreds of costing and management methods, models and theories to choose from, SAS Profitability Management gives you the flexibility to choose the method that best fits the way your business is designed.



Fully customized P&L reports are surfaced through a user-friendly Web reporting interface.

Optional integration with SAS® Activity-Based Management

For those interested in generating cost rates from an activity-based system, SAS offers the option to add SAS Activity-Based Management, our market-leading activity-based costing solution.

Advanced analytics

SAS' advanced analytic capabilities enable you to apply profitability information in the context of your current business issues so you can get the most out of your profitability information. Profitability is a key metric in many analytic efforts, including forecasting customer/product mix, distribution analysis, lifetime value, best-fit models and many more. Your organization's revenue, cost and profit data – calculated at the transaction level – can be fed into SAS Analytics for deeper insight into your business.

Shared technology platform

SAS' open platform provides common metadata, integrated reporting, advanced analytics and cross-platform data integration, delivering tremendous value to your entire organization. Multiplatform and mixed-platform support enable you to fully exploit your existing IT resources. The SAS platform also delivers all the necessary supporting technology to enhance process of accessing, calculating and deploying profitability information.

Key features

Drillable, customizable P&L reporting

- Fully customizable P&L reports are available through a Web reporting interface. The reports show revenue, cost contributors, total profit and other value categories (e.g., capital charges, risk allowances) in the vertical format typical of the P&L statements generated by financial systems.

Assignment scalability

- Value assignment for more than 1 billion cost assignments.

Drive multiple values

- The costs driven to individual transactions for customer, product, SKU, etc. behaviors can be of any type – cost, revenue, capital, etc. Example: Behavioral cost values (visiting an ATM) and revenue values (ATM fees) could be based on the same driver calculation method.

Assign individual or multiple behaviors for customers, products, SKUs, etc.

- The assignment rules can match a single transaction to both single and multiple behaviors and track the values associated with each one uniquely.

Flexible driver rules

- Assigned values can be calculated using two separate driver methods: unit or total values.

UI-based rules creation

- Create advanced rules based on virtually any costing methodology (top-down, bottom-up, time based, time splits, time capture) using numeric, dimensional lineage and string comparisons in selection clauses.

Model build via import

- Build an entire model based on tables that can be registered into (specified through) the SAS Metadata Server. This can be done for individual or multiple tables.
- Tables can be in multiple formats from multiple data sources.

Output tables available for use by additional SAS and third-party applications

- The reporting tables are output and registered in the SAS Metadata Server, allowing them to be used for reporting and analysis by all SAS solutions and analytic products, as well as many additional third-party applications.

Dimension table management

- Store unlimited dimensions from virtually any external data source for use in reporting and assignment rules.

Technical requirements

Client environment

Operating systems

- Windows XP Professional Service Pack 2, 32-bit
- Windows Vista, 32-bit

Web browsers

- Microsoft Internet Explorer 6.0 Service Pack 2
- Microsoft Internet Explorer 7.0 Service Pack 2 (preferred)

Java

- JRE 1.5

Server environment

Operating systems

- Windows 2003 Server
- Windows 2003 Server Enterprise Edition is required to utilize more than four processors
- HP/UX (Itanium)
- Solaris 10 (SPARC)
- AIX (PowerPC) 5.3/6.1, 64-bit

Application server environment

Operating systems

- Windows 2003 Server
- Windows 2003 Server Enterprise Edition is required to utilize more than four processors
- HP/UX (Itanium)
- Solaris 10 (SPARC)
- AIX (PowerPC) 5.3/6.1, 64-bit

Java

- Java 2 SDK 1.5

Web server

- WebSphere 6.1.xx (AIX 5.3/6.1 64-bit; Windows 2003 32-bit, 64-bit)
- WebLogic 9.2 (HP/UX (Itanium) 32-bit, 64-bit; Solaris 10 (SPARC) 64-bit; Windows 2003 (32-bit))
- JBOSS version 4.2 (Windows 2003; 32-bit, 64-bit)

SAS® Metadata Server environment

Operating systems

- Any SAS-supported operating system

Java

- JRE 1.5 (if SAS metadata console is installed)

Databases

- SAS data sets (preferred)
- MYSQL 5.0.67
- Microsoft SQL Server 2005 Service Pack 2
- Oracle 11g

SAS® Workspace Server, SAS® OLAP Server and SAS® Transaction Assignment Server

Due to the disk-intensive nature of OLAP and transaction assignment processing, this computer preferably should have an enhanced hard disk subsystem for greater data throughput.

Operating systems

- Windows 2003 Server; 32-bit, 64-bit
- Windows 2003 Server Enterprise Edition is required to utilize more than four processors
- HP/UX (Itanium)
- Solaris 10 (SPARC)
- IBM AIX 5.3/6.1

SAS® Transaction Assignment Server (optional)

The SAS Transaction Assignment Server may optionally be moved to its own host. This is most useful for deployments that prefer a Windows environment for standardized technologies, but have existing IBM AIX servers with enhanced hard disk subsystems for greater data throughput capabilities.

Operating systems

- Windows 2003 Server; 32-bit, 64-bit
- Windows 2003 Server Enterprise Edition is required to utilize more than four processors
- HP/UX (Itanium)
- Solaris 10 (SPARC)
- IBM AIX 5.3/6.1

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