



# FINANCE FORUM

2009

## ***Profitability & Growth with Financial Analytics***

Edgar Gomez

Financial Performance Solution Specialist,  
IBM Cognos Software



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## analytics Ubiquity... .....and some are IBM Cognos customers

### Online



- Cinematch
- Throttling (customer profitability)



- Also purchased (customer profitability)



- Forecast Predictive Analytics

### Professional Sports



- HR Analytics

### Harvard Business Review

[www.hbrreprints.org](http://www.hbrreprints.org)

*Some companies have built their very businesses on their ability to collect, analyze, and act on data. Every company can learn from what these firms do.*

### Competing on Analytics

by Thomas H. Davenport

### Travel & Entertainment



- Customer Loyalty



- Revenue Management / pricing optimization (product profitability)

### Financial Services



- Customer Profitability



- Consolidated Risk Management

**Do we think, or Do we know?**

– Gary Loveman, CEO, Harrah's Entertainment

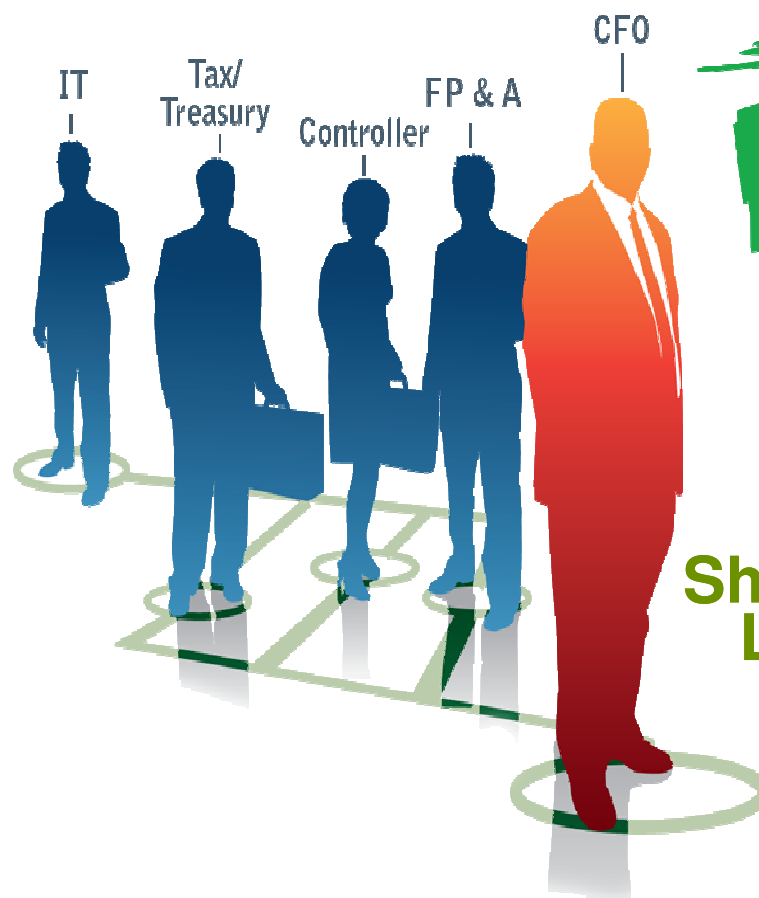
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so what? how does it matter?

## The Coming Power Shift to the CFO

### Long Term Wellness

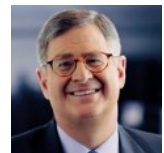


- Drive cash flow
- Cut costs
- Improve profits
- Manage risk

### Short Term Lifeline

**New leaders emerge who win not by surviving the storm but by changing the game. Changing the game requires process transformation that infuses "intelligence" into our decision-making and management systems not just speed and capacity."**

Sam J Palmisano  
Chairman and CEO, IBM



**Adding strategic business value by becoming a more effective business partner is one of the "top priorities" for CFOs in 2009**

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The Hackett Group  
World-Class Delivery

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how is the session going to  
help **YOU?**

**\$ Capture both short term and long term challenges facing Finance Organization and how IBM Cognos Financial Performance Management (FPM) addresses the same**

**\$ Learn the world view and IBM Cognos way on analytics. Also learn how “financial analytics” is evolving to solve analytical problems across the enterprise**

**\$ Understand how IBM Cognos can deliver “value” through financial analytics to solve extended Finance Organizational problems - not just during these “turbulent economic times” but also in CFOs pursuits to “transform the enterprise”**



today's talk has **3 sections**

## ***CFO Challenges & IBM Cognos FPM***

- ⚡ CFO challenges during turbulent times
- ⚡ Required CFO actions
- ⚡ IBM Cognos FPM in the context of CFO challenges

## ***Financial Analytics & IBM Cognos Approach***

- ⚡ What are Financial Analytics?
- ⚡ World view and the IBM Cognos way
- ⚡ Customer Profitability – A sample
- ⚡ Customer Successes

## ***IBM Cognos Value Proposition***

- ⚡ IBM Cognos Performance Mgmt. Partnership
- ⚡ Needs and IBM Cognos offerings
- ⚡ Financial Analytics Solutions & Blueprints
- ⚡ IBM Cognos Commitment to the Performance Mgmt. Agenda

## CFO challenges during turbulent times

### The new economic environment proves challenging

#### New Economic Environment

- Unprecedented constraints on access to credit and capital; Unwinding of over-leverage
- Falling demand, increased price sensitivity as consumers and enterprises cut back
- Disruptions in supply chains, partner and customer arrangements
- Restructuring of industries: Firms fail, sold off overnight
- New regulatory authorities

#### Management Challenges

- Manage short term financial matters
- Review and validate or reset the company strategy
- Reprioritize projects/investments
- Interact with the board to assure priorities are correct and are being followed
- Take decisive actions



Succeeding in the New Economic Environment  
IBM Institute of Business Value, Nov. 2008

2

Succeeding in the New Economic Environment: November 2008

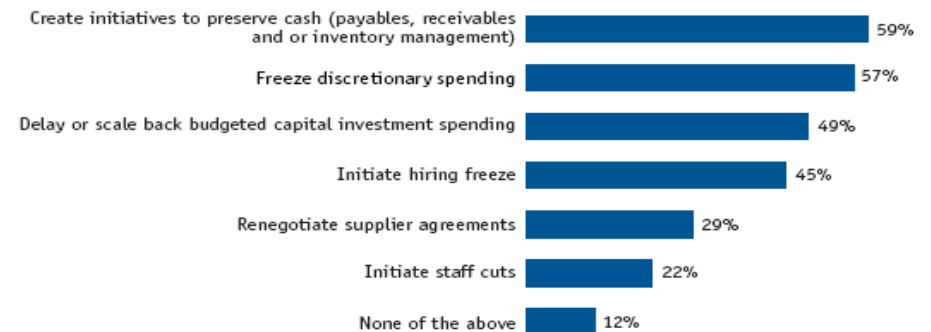
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WHAT'S ON THE CFO'S MIND: FINANCE'S HIGHEST-PRIORITY STRATEGIC ISSUES FOR 2009

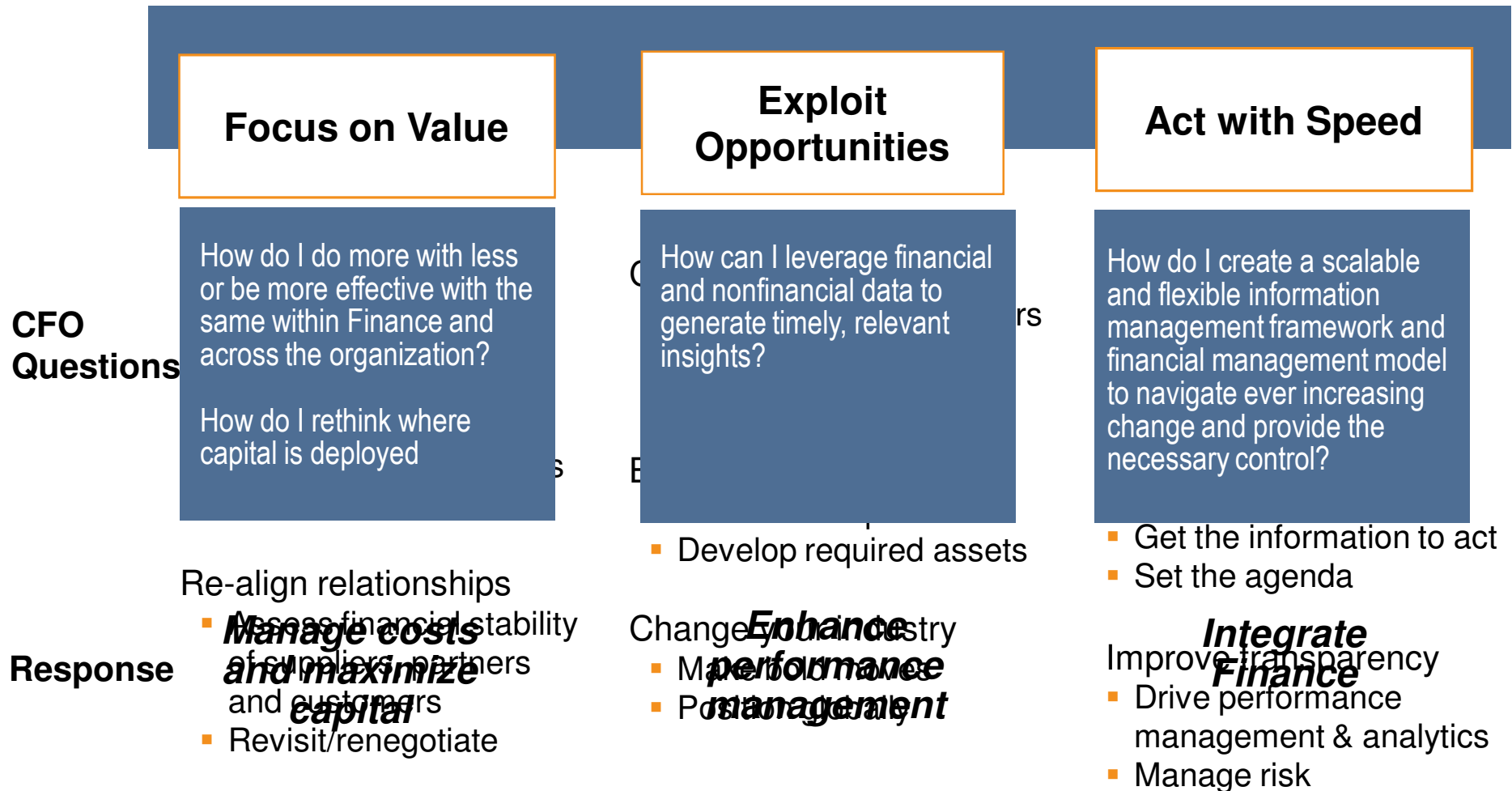
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FIG. 1 Finance organizations' immediate responses to the unfolding economic crisis (multiple responses permitted), 2008



Source: The Hackett Group, 2008

## prescribed CFO Actions



# *Status Quo is Failing the Office of Finance*

## **Spreadsheets Failing**

“there have been well-documented cases of errors and losses resulting from spreadsheet manipulation errors and accidents.”

Source: Major Analyst Firm, August 2007

## **Disparate Systems**

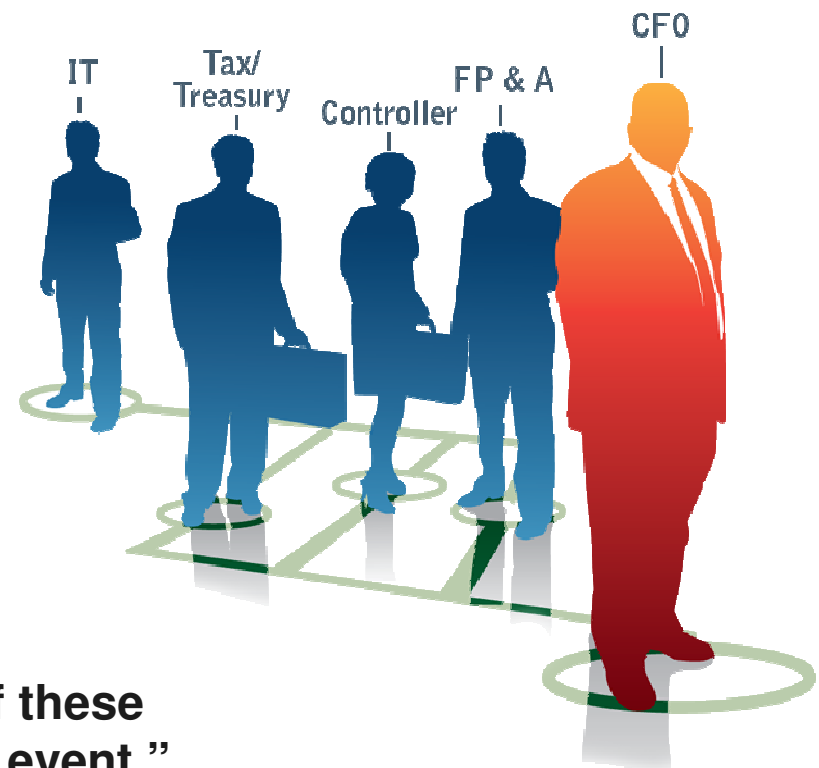
“Average finance organizations operate 11 finance systems per billion dollars of revenue.”

Source: Hackett Group, 2007

## **Business Risks**

“62 percent of enterprises ... encountered a major risk event ... 42 % of these enterprises were not well prepared for the event.”

Source: IBM Global CFO Study 2008



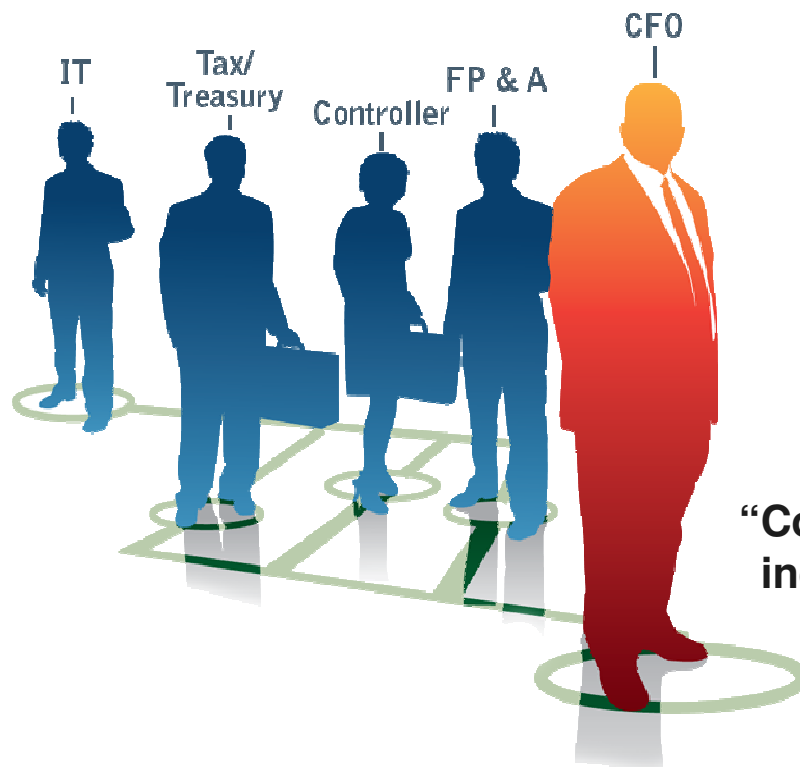


## *...But Forward Thinkers are Thriving*

### Driving Performance

**“68% anticipate serving as the performance management experts for the rest of the company.”**

Source: IBM Cognos / CFO Research, 2008



### ...Enterprise Rewards

**“ World-class EPM organizations deliver 2.4 times the returns of industry-peers companies.”**

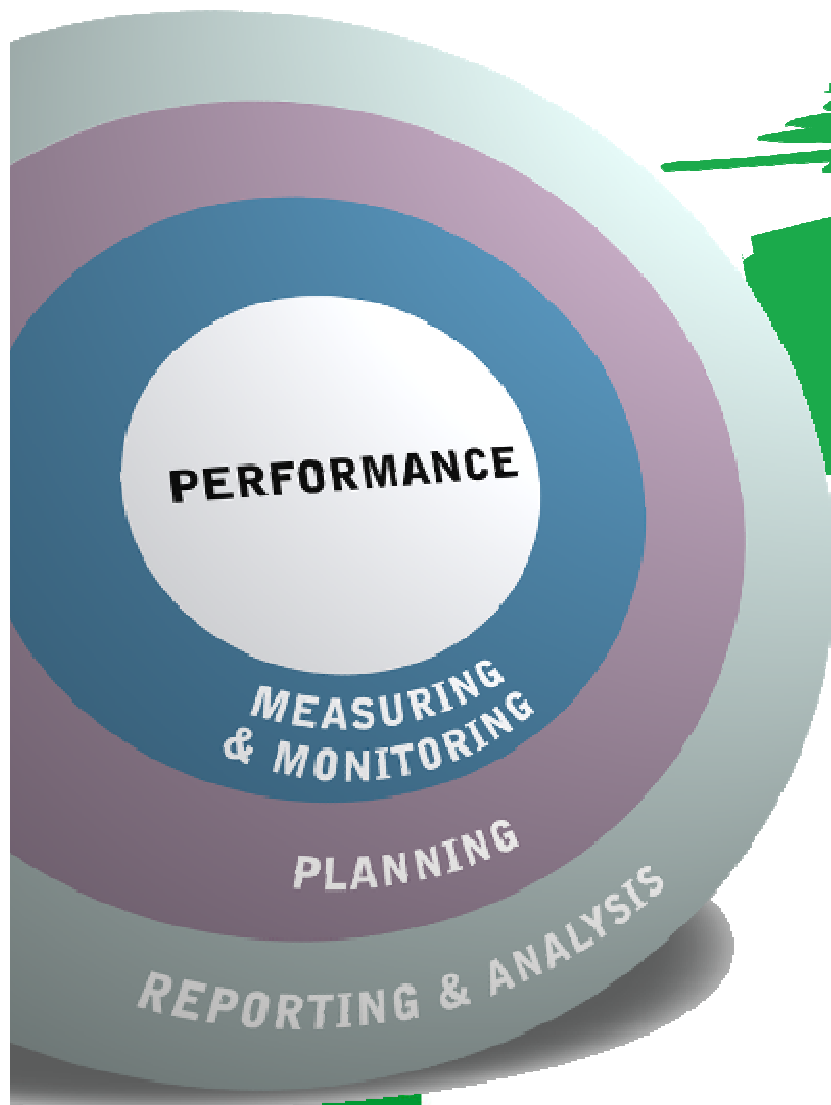
Source: Hackett Group, 2008

### ...with Professional Upside

**“Corporate performance and CFO performance are inextricably linked; CFOs that deliver shareholder value are most likely to achieve the next career step they desire.”**

Source: CFO Executive Board, Strategies for Inflecting CFO Performance, 2004

## ***Put Performance Management to work in Turbulent Times...***



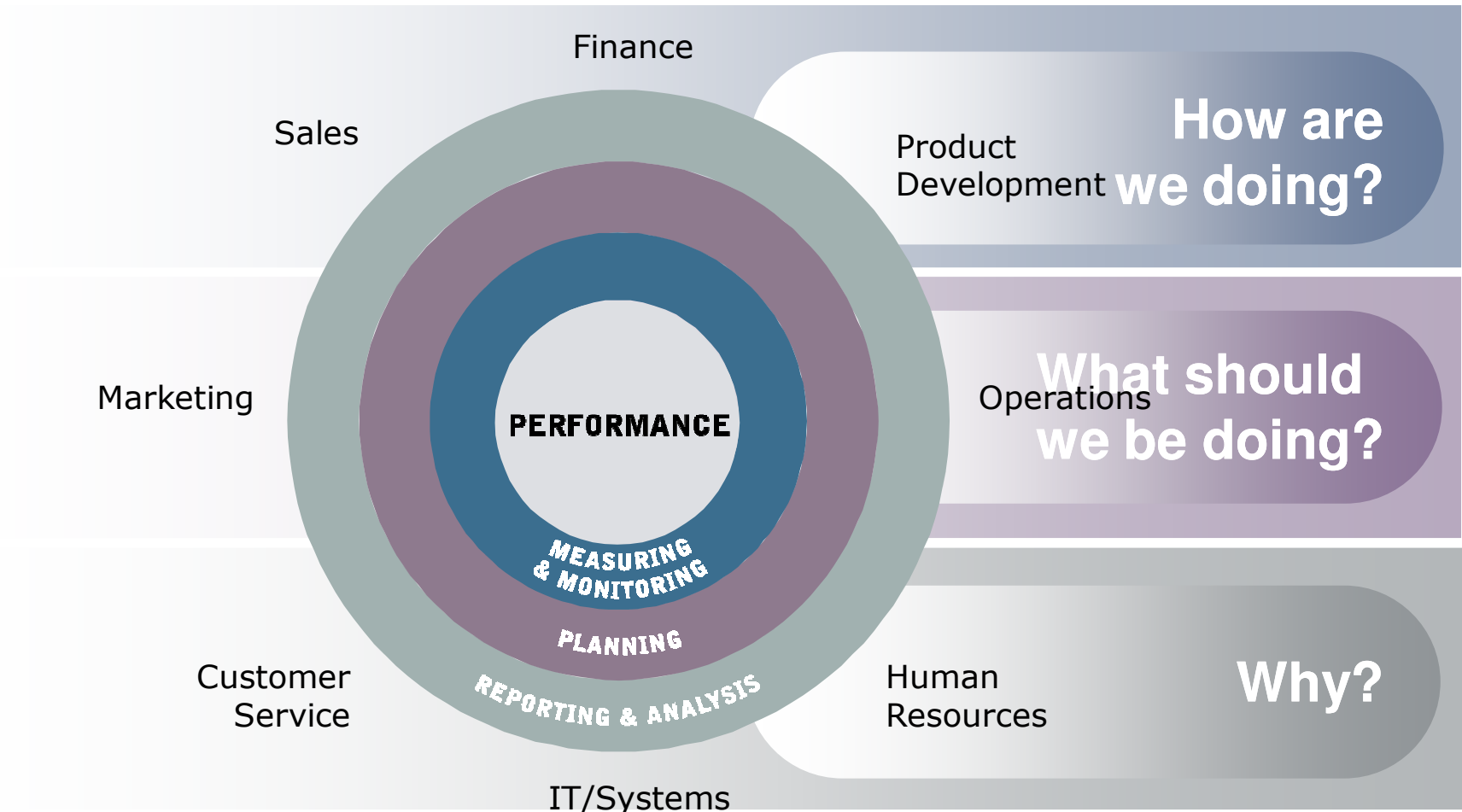
- Cut costs
- Improve profits
- Drive cash flow
- Manage risk

***Delivering new Intelligence that is complete, insightful, and actionable...***

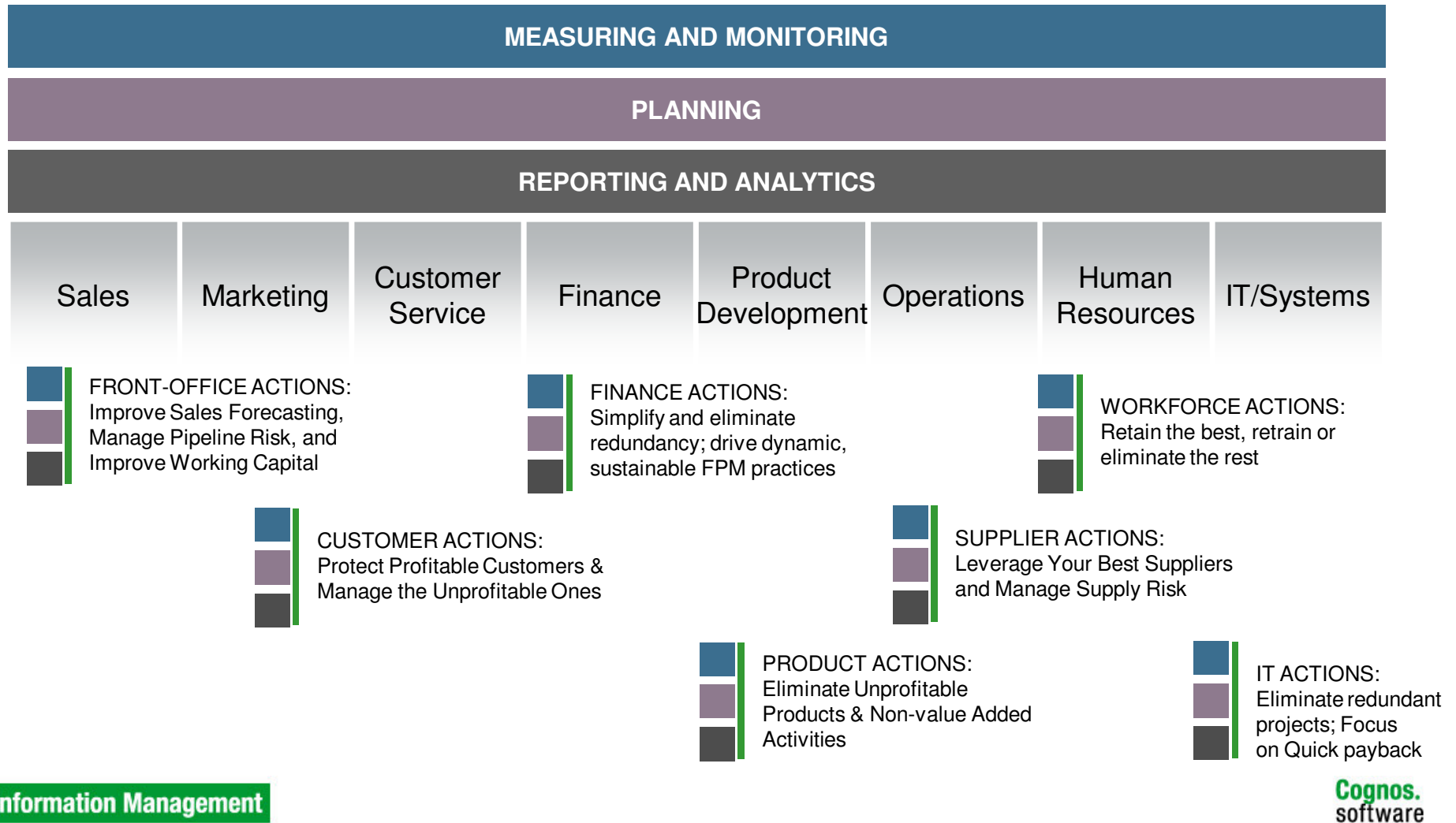
***Driving smart decisions for better business outcomes***

# ***BI and Performance Management***

## ***Plan, Understand and Optimize Performance***



## ***BI and Performance Management Drives Performance in Turbulent Times***



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## ***Financial Analytics & IBM Cognos Approach***

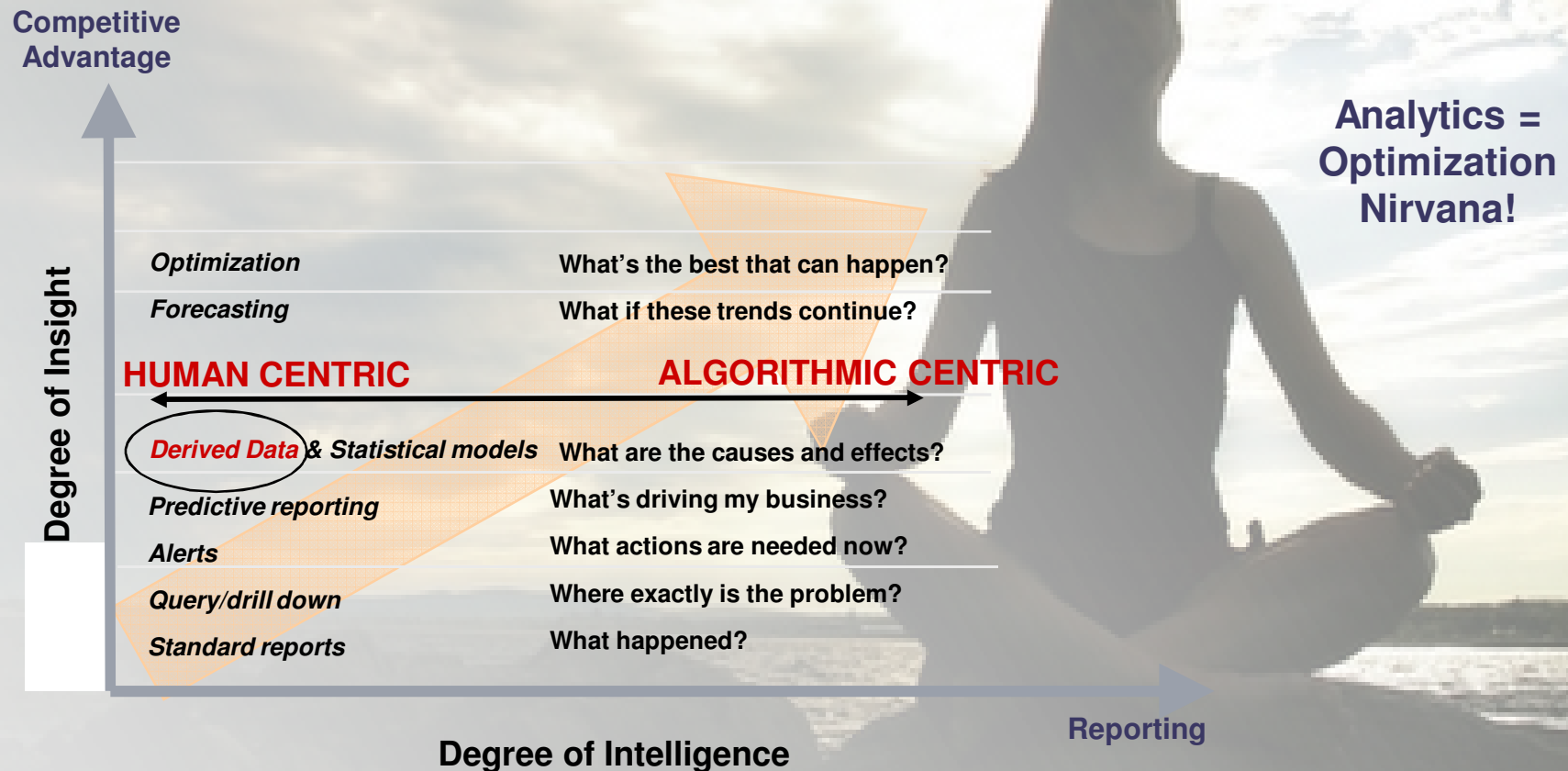
- ⚡ What are Financial Analytics?
- ⚡ World view and the IBM Cognos way
- ⚡ Customer Profitability – A sample
- ⚡ Customer Successes

## ***IBM Cognos Value Proposition***

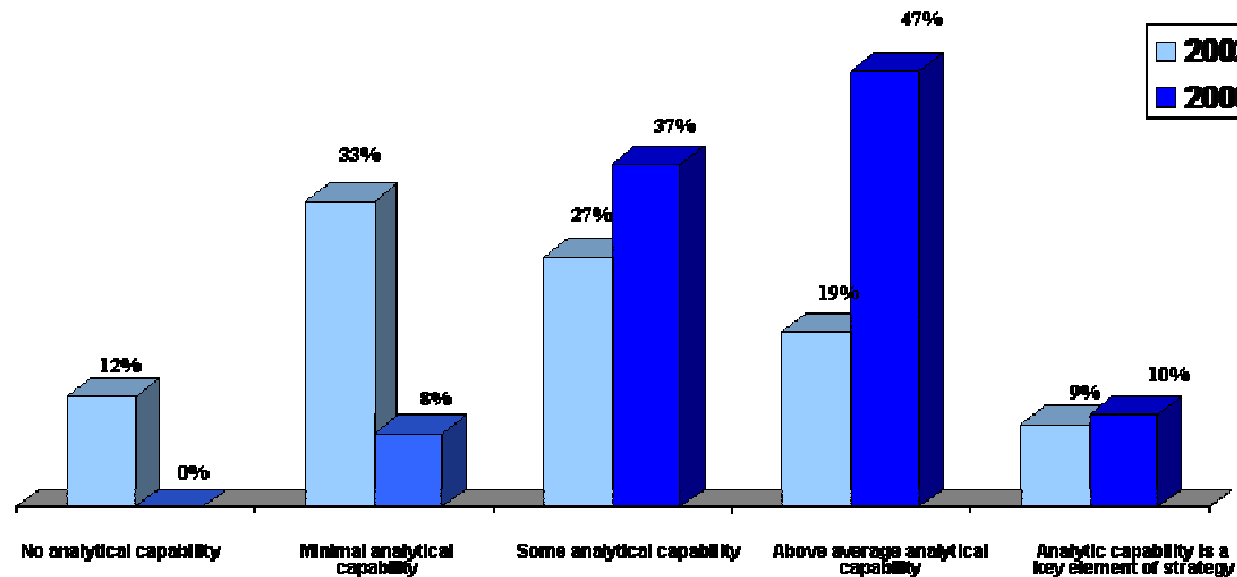
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## what are Analytics?

**“analytics” is about gaining broad intelligence and deep insight from available information to engineer business optimization**



is the world moving towards more Analytics?



Source: Accenture study, N=205/392 companies

...and does more analytics mean better performance?

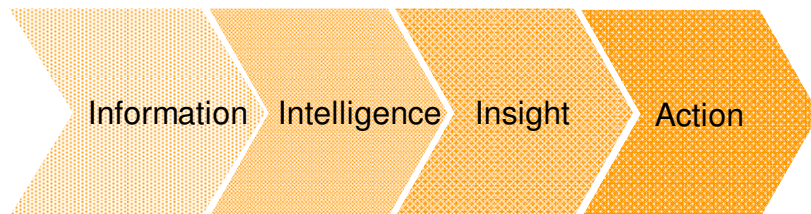
**15% of top performers versus 3% of low performers**  
*indicated that analytical capabilities are a key element of their strategy*

# Customer Profitability – a sample Financial Analytics problem



## Challenges & Needs

- Who are my profitable customers?
- Who do I retain and who do I fire?
- How can I segment my customers based on profitability?
- What actions can I take (marketing mix) to influence change?



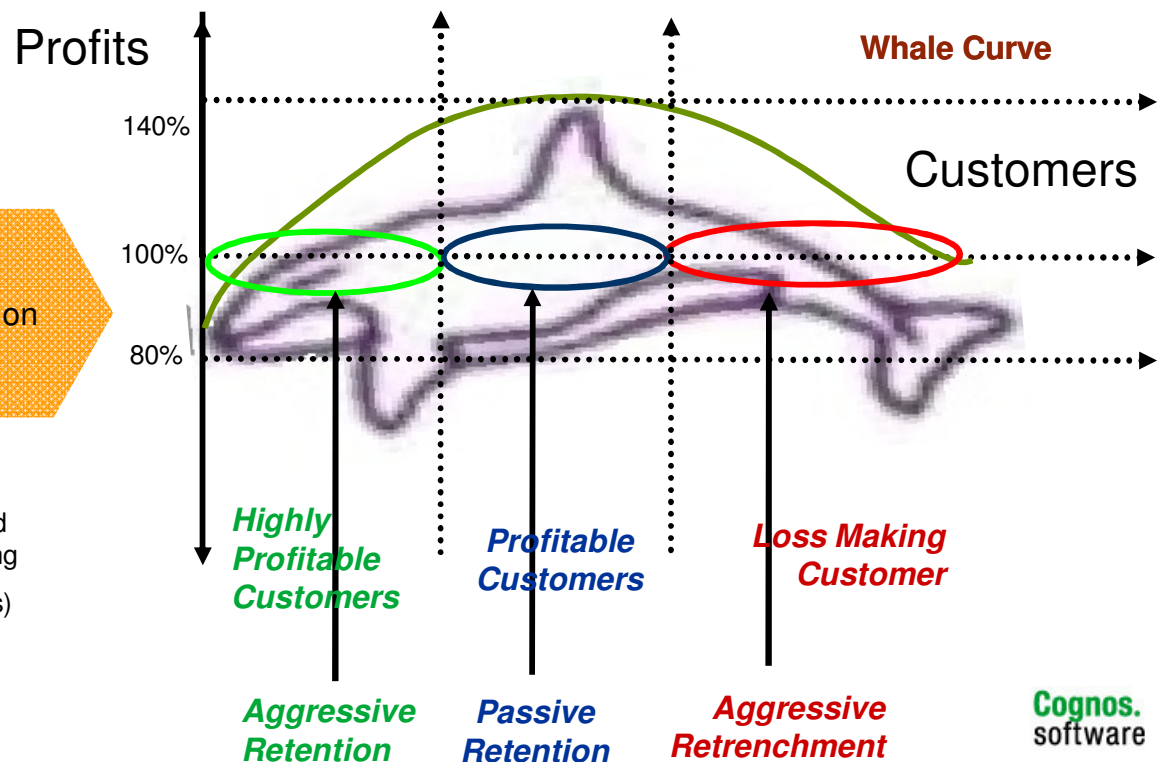
Dimensional  
shift from  
traditional  
product to  
customer  
accounting

**Information Management**

Revenue  
recognition  
and cost  
allocation  
(including  
ABC  
paradigm)

Customer  
Segmentation

Targeted  
Marketing  
Mix (4Ps)





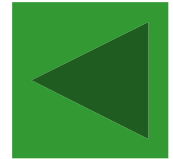
## *Pelephone*



Pelephone relies on TM1's unique ability to **scale millions of mobile subscription transactions and hundreds of service managers** to provide the most competitive rates and services available

## Performance Pain

- Retaining profitable customers
- Predicting customer loss events
- Growing subscriber usage



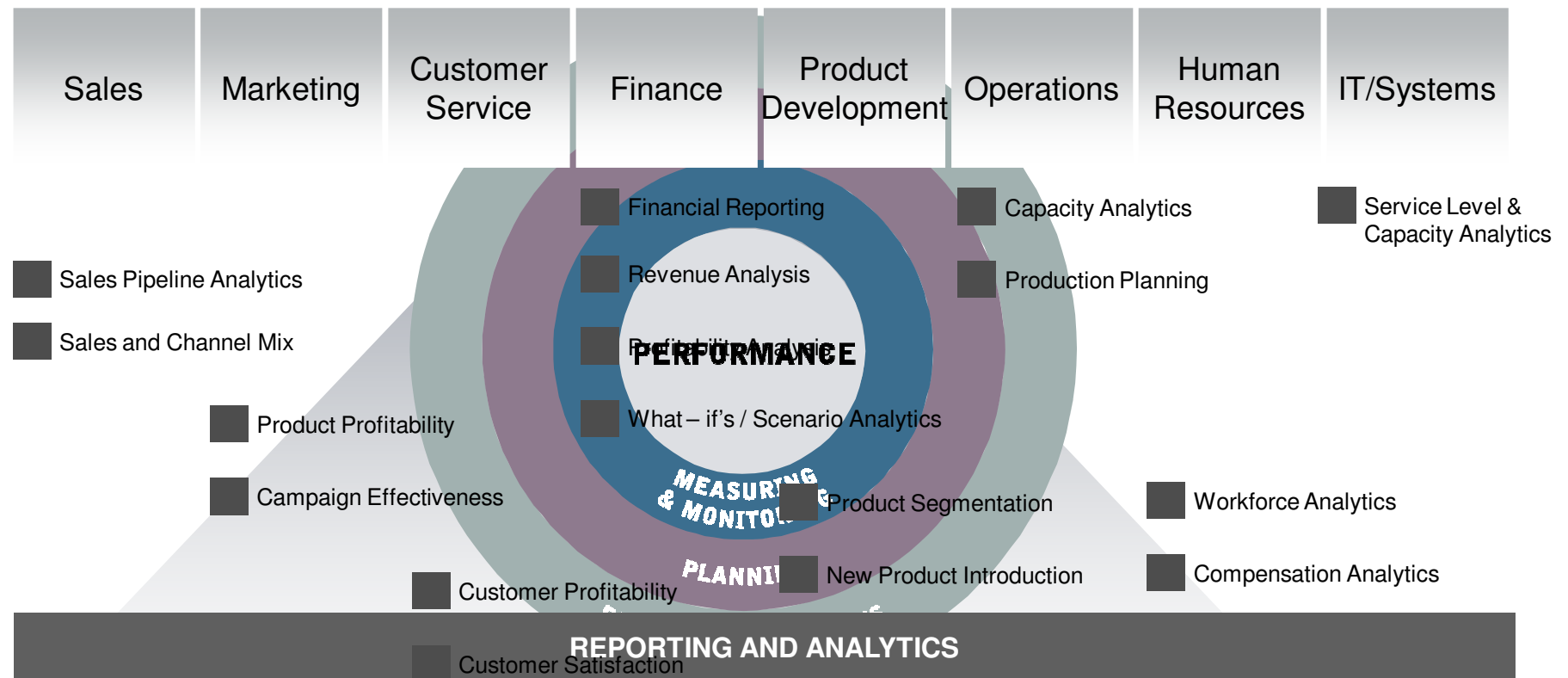
## IBM Cognos Solution Impact

- Continuous analysis of subscriber base
- Proactively tailor service offers to serve individual customer needs
- Reduce churn and grow subscriber base and usage

financial analytics is a **cross enterprise** discipline

## **Financial Reporting and Analytics**

*Plan, Understand and Optimize Performance*



**Financial Performance  
Management**

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software

## Is analytics the last yard of the information mile?

In "God" we trust, rest all bring "Data" to the table  
– Edward W Demming

### Information On Demand

Unlocking the Business Value of Information  
for Competitive Advantage

Customer & Product  
Profitability

Financial  
Risk Insight

Workforce  
Optimization

Dynamic  
Supply Chain

Multi-Channel  
Marketing

### Business Optimization

### Better Business Outcomes

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Optimize business  
performance

Business Intelligence  
& Performance  
Management

Information Integration,  
Warehousing,  
& Management

Establish, Govern, and Deliver Trusted  
Information

Optimize content-based Operational  
& Compliance Processes

Data Management

Content Management

Manage data over its lifetime

**Information Management**

**Cognos.**  
software



## what are some of our customer successes?



*Our analysis of player performance is as complex and dynamic as the work of high-powered business analysts in Fortune 500 companies, and we need to use the same robust, flexible interface to achieve reliable results. Conducting complex analysis in real-time allows us to improve our planning processes and IBM Cognos TM1 enables the agents themselves to view reports and perform almost limitless 'what-if' scenarios for further analysis of the data.*

- **Doyle Pryor**, Assistant General Counsel  
of the **Major League Baseball Players Association (MLBPA)**.



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# *Performance Management Partnership*



## **Why Cognos?**

- Best in Class and Owned by Finance Solutions
- Connect Financial & Operational Performance Enterprise-wide, Enterprise-deep
- Independent Performance Management System that span all data, transaction systems and enterprise investments

## IBM Cognos Addresses Broad Analysis Needs



Embrace and Extend Your Existing Infrastructure

### Trending *Slice and Dice*

- Personal exploration
- Compare & contrast
- Rotate and nest
- Work disconnected
- Sales trend analysis
- Market analysis

### Analytical Reporting *Drill*

- Top down view
- Drillable reports
- Sort top & bottom
- Review then query
- Market shifts
- Product ranking

### Scenario Modeling *What-if*

- Model scenarios
- Reorganize, reshape
- Compare scenarios
- Save versions
- Financial analysis
- Profitability analysis

### Predictive Modeling *What might be*

- Uncover patterns
- Apply algorithms
- Mine data and text
- Predict outcomes
- Fraud prevention
- Churn analysis



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challenges in addressing these analytical needs....

Line of Business



Visualization & Interaction



Business Modeling

Arithmetic vs. Excel Expressions

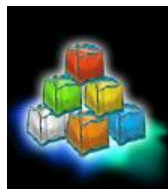
$3 + 1 =$	$= 3 + 1$
$4 - 3 =$	$= 4 - 3$
$2 \times 2 =$	$= 2 * 2$
$4 \div 2 =$	$= 4 / 2$
$4^2 =$	$= 4 ^ 2$

Rules Language



Scenario Forecasting

Information Technology



Multidimensional Cubing

Scalability & Performance



IT Specialist



Information –  
Access,  
Quality,  
Timeliness

Information Management

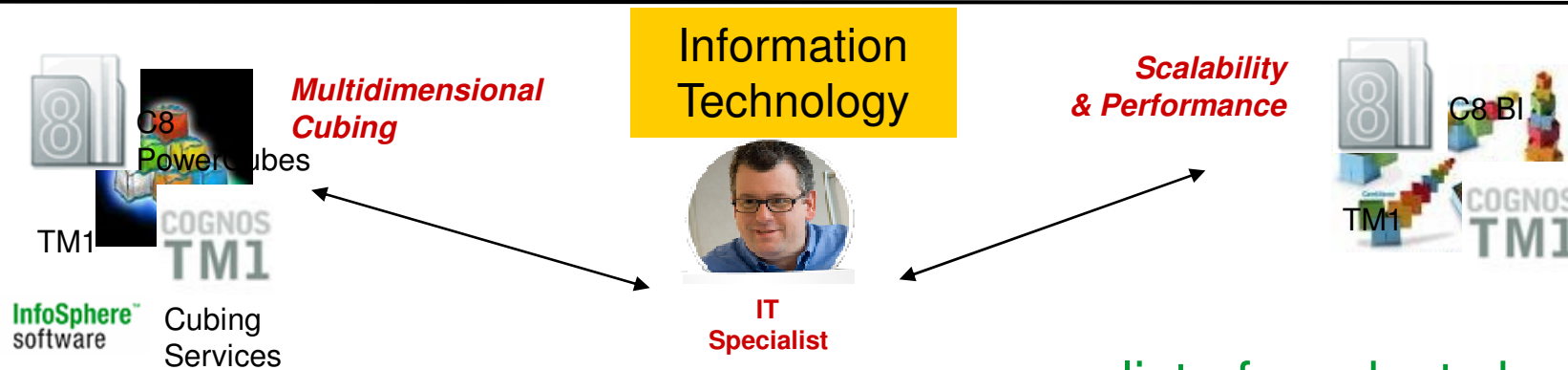
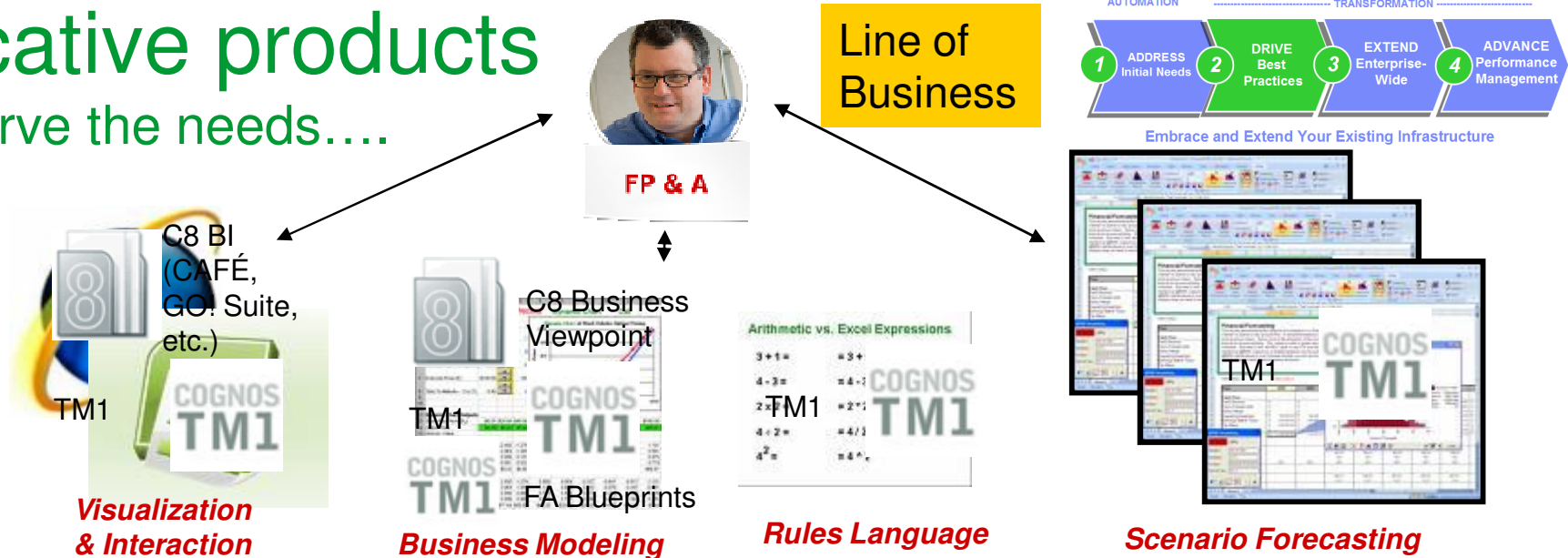
.....is consistent across the problem domain

Cognos.  
software





indicative products  
that serve the needs....



.....list of products by no means comprehensive

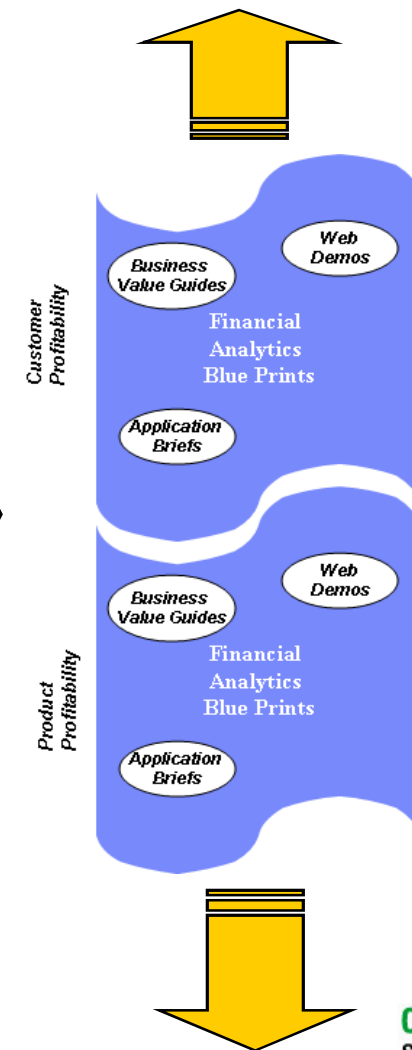
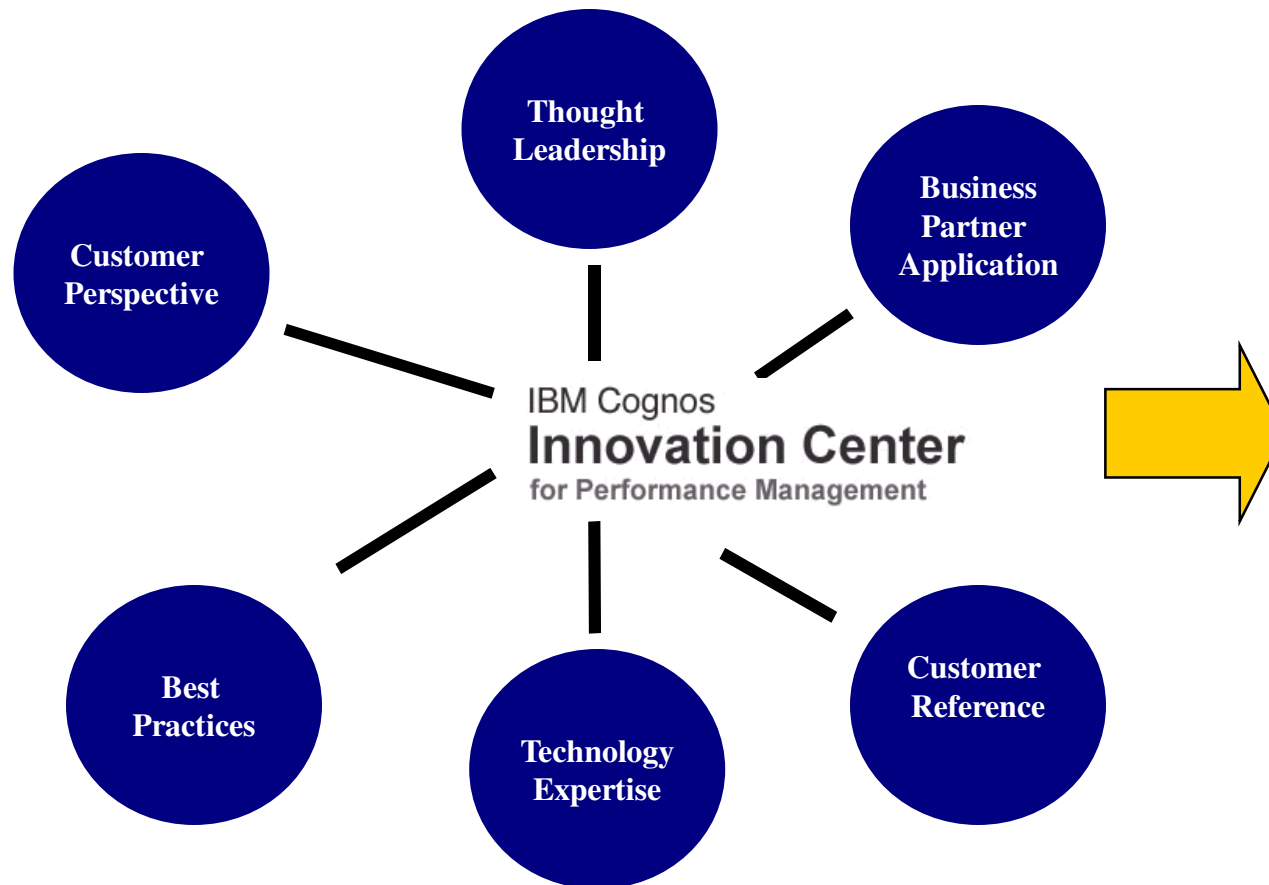
**Information Management**

**Information – Access, Quality, Timeliness**

**IBM Information >>> On Demand**

**Cognos. software**

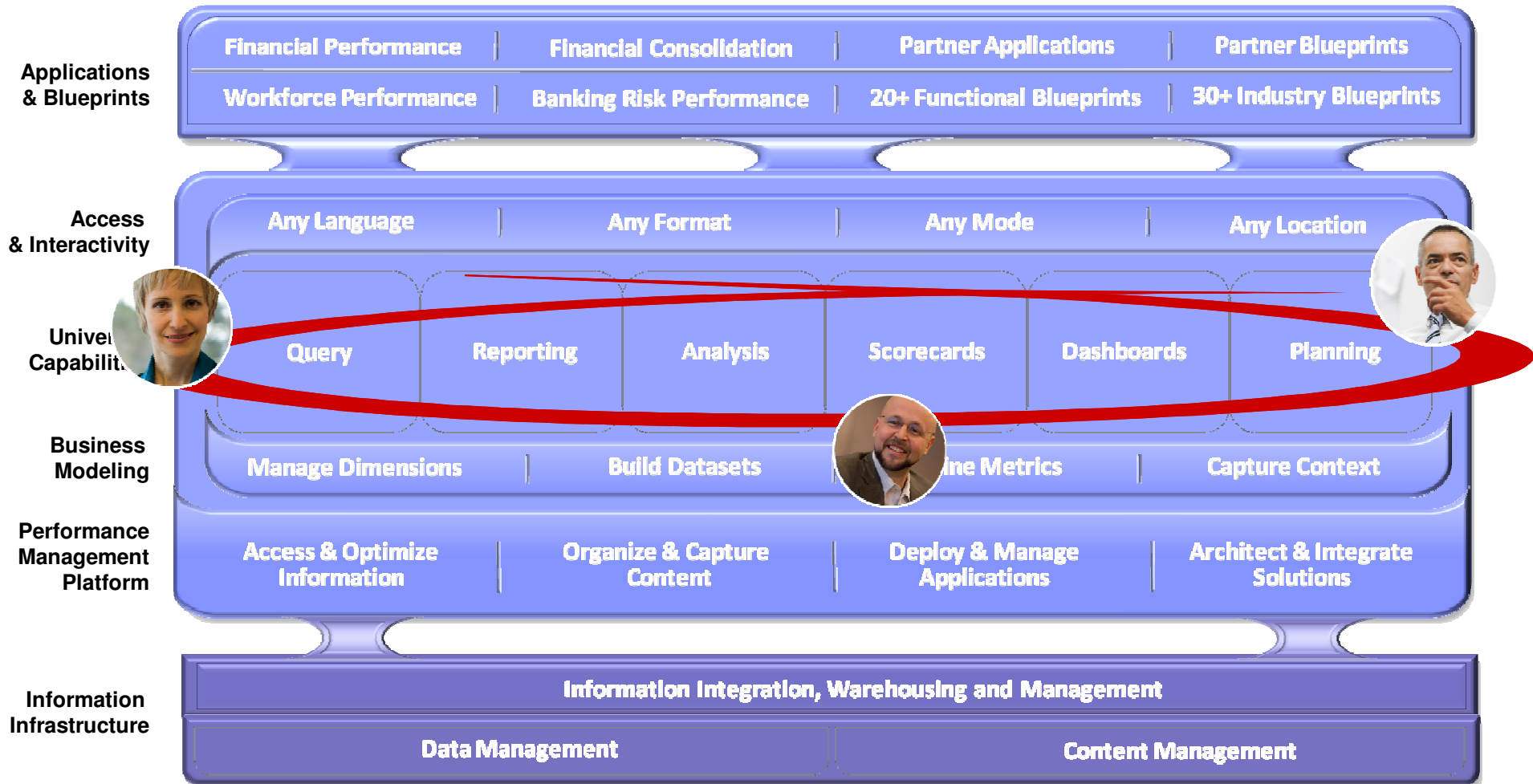
Build upon **thought leadership** to deliver customer **value** through point innovation



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software

## IBM Cognos Performance Management System

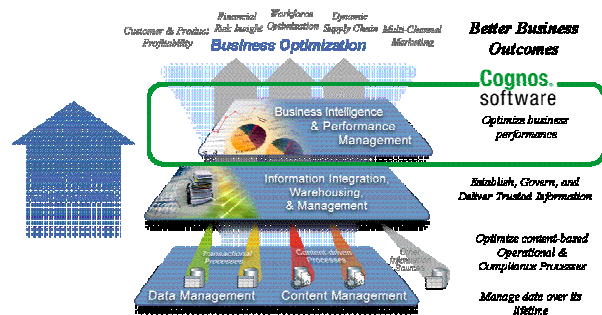


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software

## Why IBM Cognos?

### BI and FPM Leadership with Analyst Recognition



Information Management Leadership

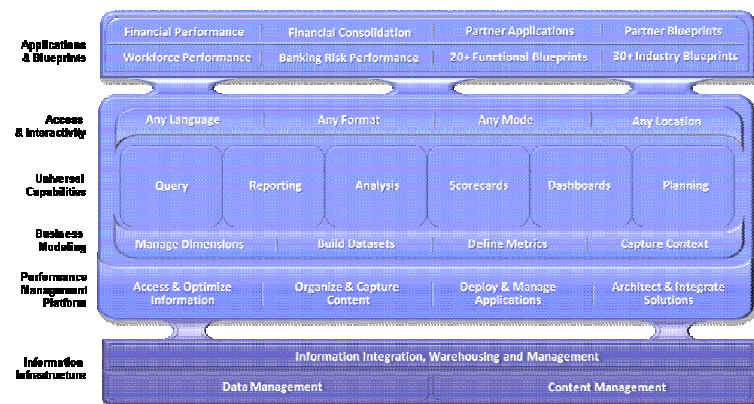
Information Management



Embrace and Extend Your Existing Infrastructure



Partner Ecosystem Leadership



Product Leadership – TM1, C8BI

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software

## key take away...from this session

- CFOs are faced with new challenges during these turbulent economic times that require both short term and longer term programs in which processes and data models with the Finance Organization are embedded with new intelligence
- IBM Cognos capabilities are being leveraged by enterprises worldwide and used within the Performance Management Framework context to address problems in the Finance Organization and enterprise adjacencies
- Financial Analytics is a new FPM market being addressed by IBM Cognos in 2009.
- The world has embraced financial analytics and it is a fast growing opportunity
- Heavy reliance on spreadsheets to make analytical decisions, specially customer / product / channel profitability or resource optimization type applications, means a potential need for Financial Analytics
- IBM Cognos has necessary capabilities across software and services to address the Financial Analytics

## how to learn more?

- Please visit  
<http://www.cognos.com/products/tm1/index.html>  
to learn more about TM1



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