

IBM Cognos Software Demo Transcript Retail Financial Workbench & Scorecard Blueprint

HOST: In the next few minutes we're going to show you how Cognos is helping retail organizations gain maximum return on investment in these essential components of performance management, enterprise planning, scorecarding and business intelligence.

We're going to show you how Cognos can more accurately help you forecast and plan revenue and expenses, recognize and correct underperforming areas, consolidate data to facilitate enterprise-wide visibility and analysis, and drive greater accountability and control at each stage of your business process.

The Cognos approach is to link operations, marketing and merchandising with finance and executive management so that all parts of the organization are working together. This strategy allows everyone to manage to a single set of data and goals, and provides a complete and consistent set of KPIs to measure performance across the company, and gives your organization a systemic way of driving positive change across the chain and beyond.

This demonstration will focus on the Cognos Retail Financial Workbench Performance Blueprint, a quick start solution that combines a best practice approach for leveraging both Cognos 8 Business Intelligence and planning solutions in a retail environment. It is the combination of what we've learned from working with retail industry leaders, including over 325 leading chains across the globe.

The blueprint was developed by the Cognos Innovation Center for Performance Management and it's available at no cost for Cognos customers. The blueprint provides an integrated framework that allows chains to standardize and consolidate the planning process and gain consensus between top down and bottom up operational plans. It also ensures that all parts of the company are managing to a single set of financial measures and business goals.

The first thing I see is my Financial Workbench Portal Page. It provides a summary of key metrics and their status. I also see multiple metrics that are linked to other metrics such as gross profit. I want to see how gross profit is performing across the six periods of actuals that we just completed.

I can also see how gross profit is spread across multiple channels and divisions. Division 2 appears to be contributing most to global profit, at least in period six. I can also drill down to other periods.

I can also look at executive review measures across each of my product lines and product categories. In addition, I can quickly view summaries of different types of expenses by quarter or period.

Let's look at marketing. I see that our actuals are ahead of our plans in this area. This is something we need to be made aware of as we go through replanning of our integrated financial plan.

Let's go back to our gross profit. We may have a problem even though it's trending up. Drilling into our retail metrics data, I immediately see the set of metrics that I placed on a watch list. These are items I look at on a daily basis.

In addition, I see scorecards that are broken down by division, channel and company totals. I can easily filter these metrics to show only those that are performing poorly. And I can see the impact of these metrics by viewing an impact diagram.

I see that we have an issue with gross profit and that our EBITDA is affected because of it. The contributing factor appears to be within our cost of goods sold area. I open the P&L statement by division report. I see that the cost of sales plan versus actuals in Division 1 has a large variance: 535,000.

Using the hyperlink within the report, I can drill down and see the breakdown of that variance. Drilling further, I see that we're okay in our new product area, but our hard lines area appears to be the largest contributor to the variances that are happening.

Now that I've determined that there is a problem within the cost of sales area, I'll update the financial plan. With Cognos planning, I can see where everyone is in the planning process. Donna hasn't yet started on the division two plan. Dan Barrett has completed the direct channel plan and has locked it in. He's currently working on the Division 1 plan.

Clicking on Division 1 takes me directly to the Financial Workbench Blueprint Template. This is where we do our planning, set top down financial metrics and consolidate bottom up plans from different aspects of the organization.

I can review current year actuals and review variances between different plans such as current plan and original plan. I can also perform what-if analysis to see the effect of these changes on the plan.

We know we have a problem within our delivery distribution and cost of sales area due to the rising cost of gas, so we need to update this by a 10 percent change year over year. I can make the change on these particular line items to update our prior actuals and to give us a new value.

I can do this for current periods since we have quarterly subtotals across these periods and as we go out past the current year planning horizon we can also plan by quarter. I make a change of 10 percent for Q2 going forward and any additional items across the period.

I see the effect of these changes in the particular product line area and on the total product line. I can see the updates to our current plan, and I can see the variance between our current plan and the actuals in the executive review area.

I can also see the impact on income statement, balance sheet, cash flow and the retail metrics area. The retail metrics area is where I enter things like number of stores and floor space. I can also track key items in the financial review process such as current ratio, quick ratio, net profit margin, gross, GMROI and RONA and sales to stock ratio.

In the Financial Driver tab, I can see the assumptions that were made in days sales outstanding, days payable outstanding, interest payable, short term and capital investment capability.

To address the problem in the delivery and distribution area, I can add additional capital expenditures and view the effect of those changes immediately in the plan.

Once completed, I submit the plan to the workflow and I immediately see the changes within our work flow process. I can also generate any type of report. I can see a prompted cash flow statement of the company totals for Q2 current year actuals. I also have the ability to drill down into the hierarchy for a closer look at my division or channels.

The Cognos Financial Workbench Performance Blueprint delivers tools for integrated company-wide planning an analysis of results against plans. Integration of operational plans and standardization of metrics allows retailers to meet growth and profitability objectives while providing the best shopping experience for customers.

Executives can model the financial impact of business decisions, standardize and consolidate the planning process and gain consensus between top-down and bottom-up operational plans.

With scorecarding they gain a visual snapshot of performance for key metrics. This provides visibility and accountability to a single set of financial measures and business goals across the chain.

For more information on our Performance Management Solutions for retail please visit the Cognos Retail Center at www.cognos.com/retailers. For a full list of the Cognos Performance Blueprints available for other functional areas in your organization, please visit the Cognos Innovation Center at www.cognos.com/innovationcenter. Thank you.
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