



IBM Performance 2011

Confidently Provide Guidance with IBM
Cognos TM1 and What-if Analysis



Speaker:

Date:





Breakout Session – BU07

Confidently Provide Guidance with IBM Cognos TM1 and What-if Analysis

Business analysts are continually making recommendations on where the business needs to go by articulating the value and/or cost of making a change vs. staying with the status quo.

Learn about what-if scenario modeling via a demo and real customer stories that showcase just how easy it is to create scenarios in a sandbox environment and then share the results with others in the organization



A What-If Analysis definition to set the stage



Business Problem: **Unable to accurately identify the business and profitability impact of alternate business scenarios**

Sales

- By what percentage does marketing need to increase our number of lead over the next 2 months to meet our end of fiscal license revenue?

Operations

- What-if our labor and distribution costs continue to increase by 10% over the next year, how does this impact our operating and production costs?

HR

- What-if we reduce our headcount by 10%, would this lower our human capital costs to the desired level?

Finance

- We have not met revenue targets, what-if we lowered forecasted costs across different groups? What adverse impact, if any, will this have on revenue and how much closer will this get us to our expected margins?

Agenda



- Understand:
 - Where lack of analytical insight comes from
 - The What-If Analysis business problems and the Cognos Software solution
- Assess:
 - Understand where What-If Analysis fits in the Cognos Product Portfolio
 - Solution demonstration: “a day in the life”
- Inspect:
 - Talk about 2 real world customers
 - Solution capabilities – TM1
- Summarize:
 - Recap What-If Analysis value
 - Provide information on where to find more details

Today brings an explosion in information...yet organizations are operating with blind spots



Lack of insight

1 in 3 managers frequently make critical decisions without the information they need

Inefficient access

1 in 2 don't have access to the information across their organization needed to do their jobs

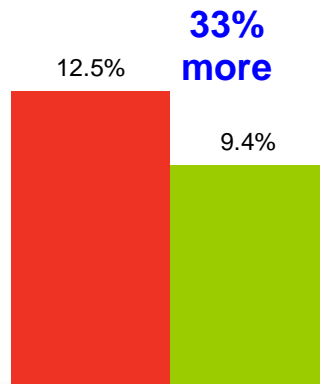
Inability to predict

3 in 4 business leaders say more predictive information would drive better decisions

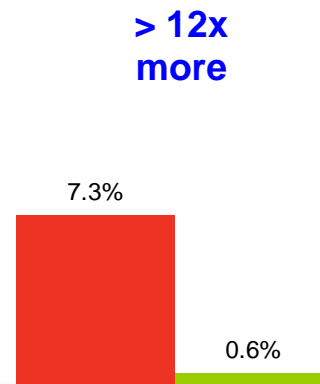
Companies that invest in business insight consistently outperform



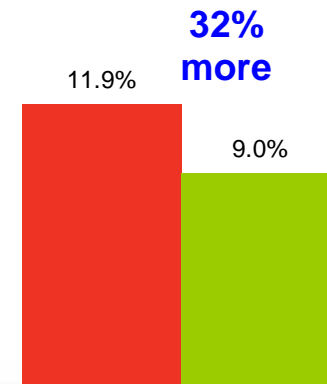
Revenue growth
5 Year CAGR (2004-2008)



EBITDA
5 Year CAGR (2004-2008)



Return on invested capital
5 Year Average (2004-2008)



■ Finance organizations with business insight

■ All other enterprises

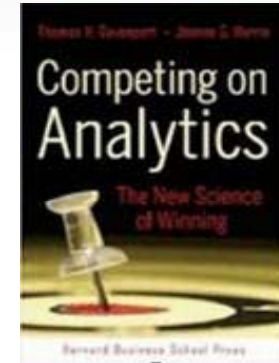
Revenue Growth: N = 580; EBITDA: N = 435; ROIC: N = 606
Source: IBM Global Business Services, The Global CFO Study 2010

Business insight is critical for driving competitive advantage



“At a time when companies in many industries offer similar products and use comparable technology, high-performance business processes are among the last remaining points of differentiation.”

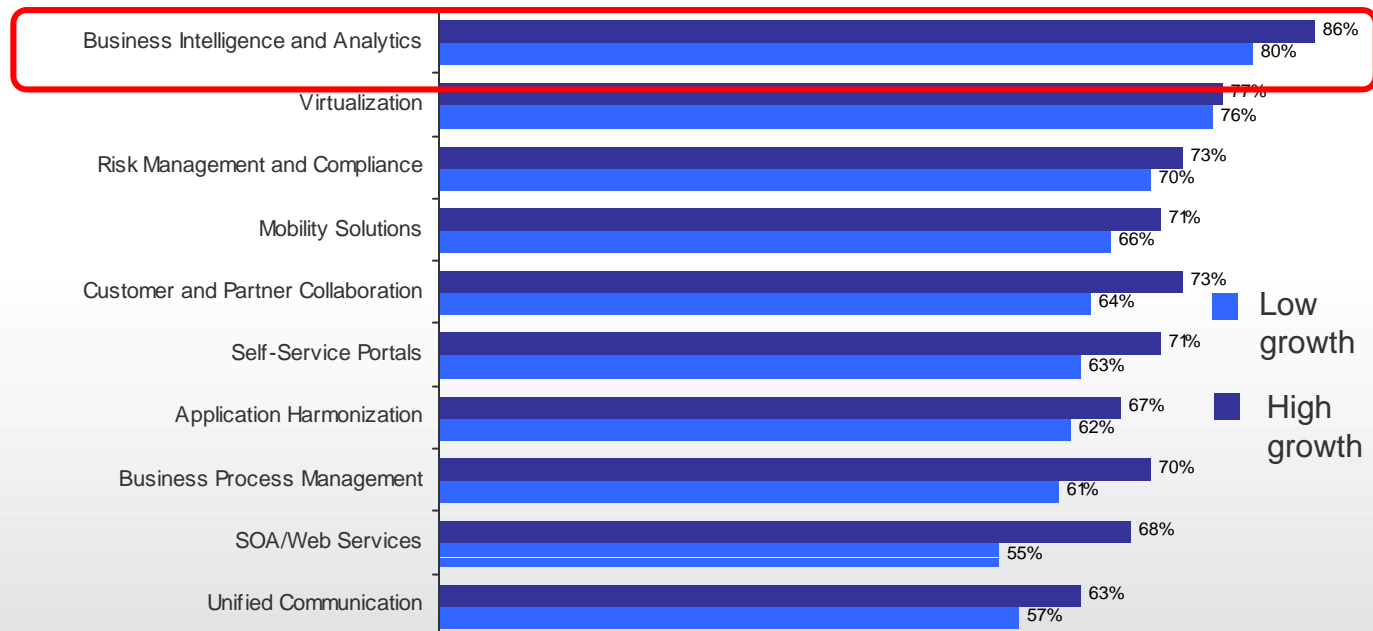
Tom Davenport, “Competing on Analytics”



BI/Analytics #1 investment to improve competitiveness

-- IBM Global CIO Study 2009

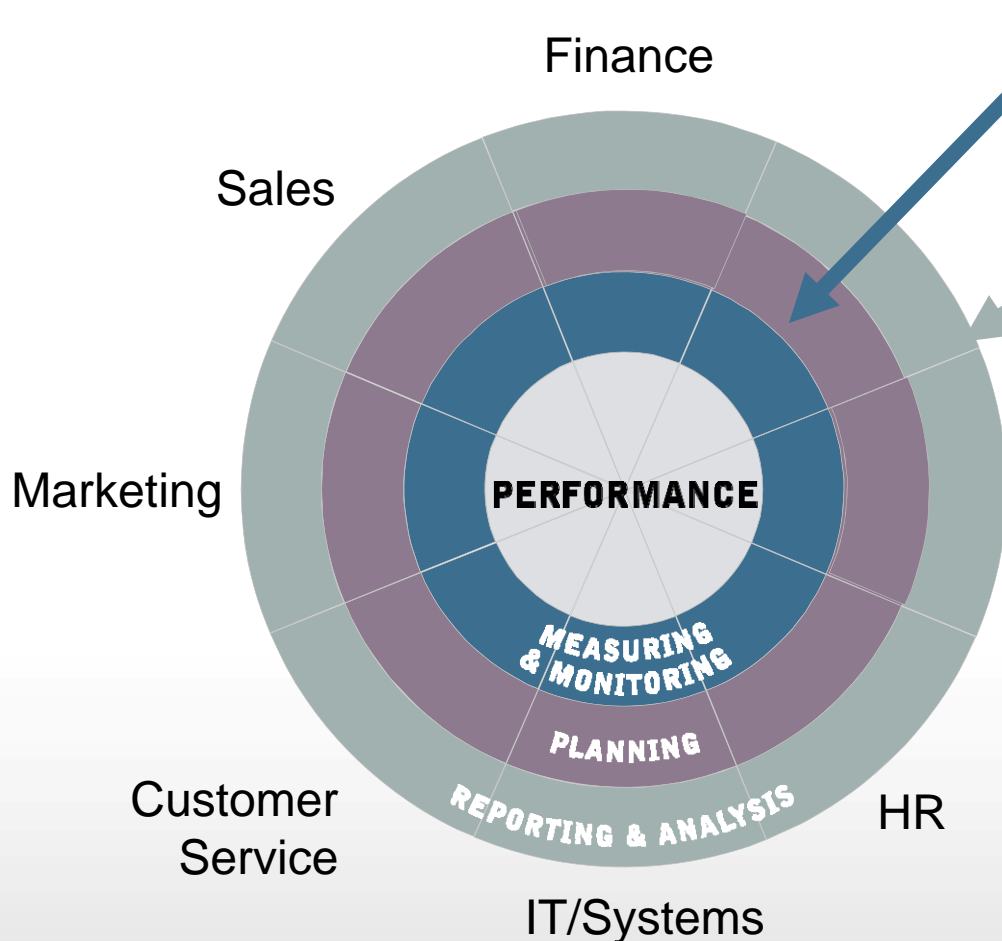
Ten Most Important Visionary Plan Elements
Interviewed CIOs could select as many as they wanted



Source: IBM Global CIO Study 2009; n = 2345



How does What-If Analysis support the PM agenda?



How are we doing?

Scorecards and Dashboards

Dashboard shows **Store Profitability** for current quarter is below plan

Why?

Reporting & Analytics

Report or Data exploration shows the **Store** is unprofitable due to a particular customer segment and product combination

What If we?

Scenario Modeling & Analysis

- Ran marketing campaigns targeted to our most profitable customer profile in a store's capture area?
- Reduced our costs by cutting our staff and labor hours by 20%?
- Stopped selling poorly performing products altogether?

The existing need for analysis



“How much do we need to increase pipeline or conversion rates to impact sales for poorly performing segments by \$X”? – Sales Manager

“If we reduced materials and inventory holding costs by 5%, how much would this reduce our total inventory costs”? - Operations Manager

“If we decreased campaign and promotional spending by x%, how much would this impact our lead generation numbers”? - Marketing Manager

“How would a 10% reduction in our sales workforce potentially impact sales performance”? - HR Manager

CUSTOMER NEEDS

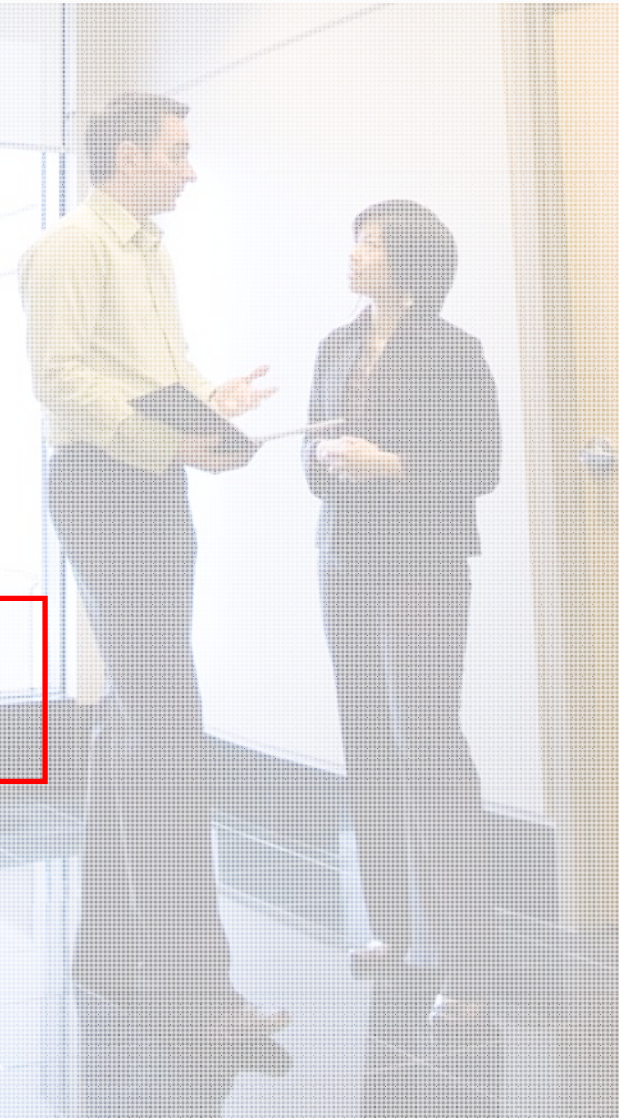
- **Everyone needs greater understanding to drive better decisions in the organization**
 - All decision makers need insight beyond dashboards and managed reports
 - Analysts need to inform the organization with insight beyond reporting numbers
 - Advanced Analysts want to uncover patterns and relationships beyond information manipulation
- **Organizations need to expand the information set they consider for analysis**
 - Analyzing all available information to drive informed decisions
- **Organizations must infuse analysis throughout decision-making to sustain competitiveness**
 - Ability for all users to analyze information to drive better business decisions
 - Business users want to self-discover, manipulate information, model data to create scenarios

IBM Cognos 10 Analysis

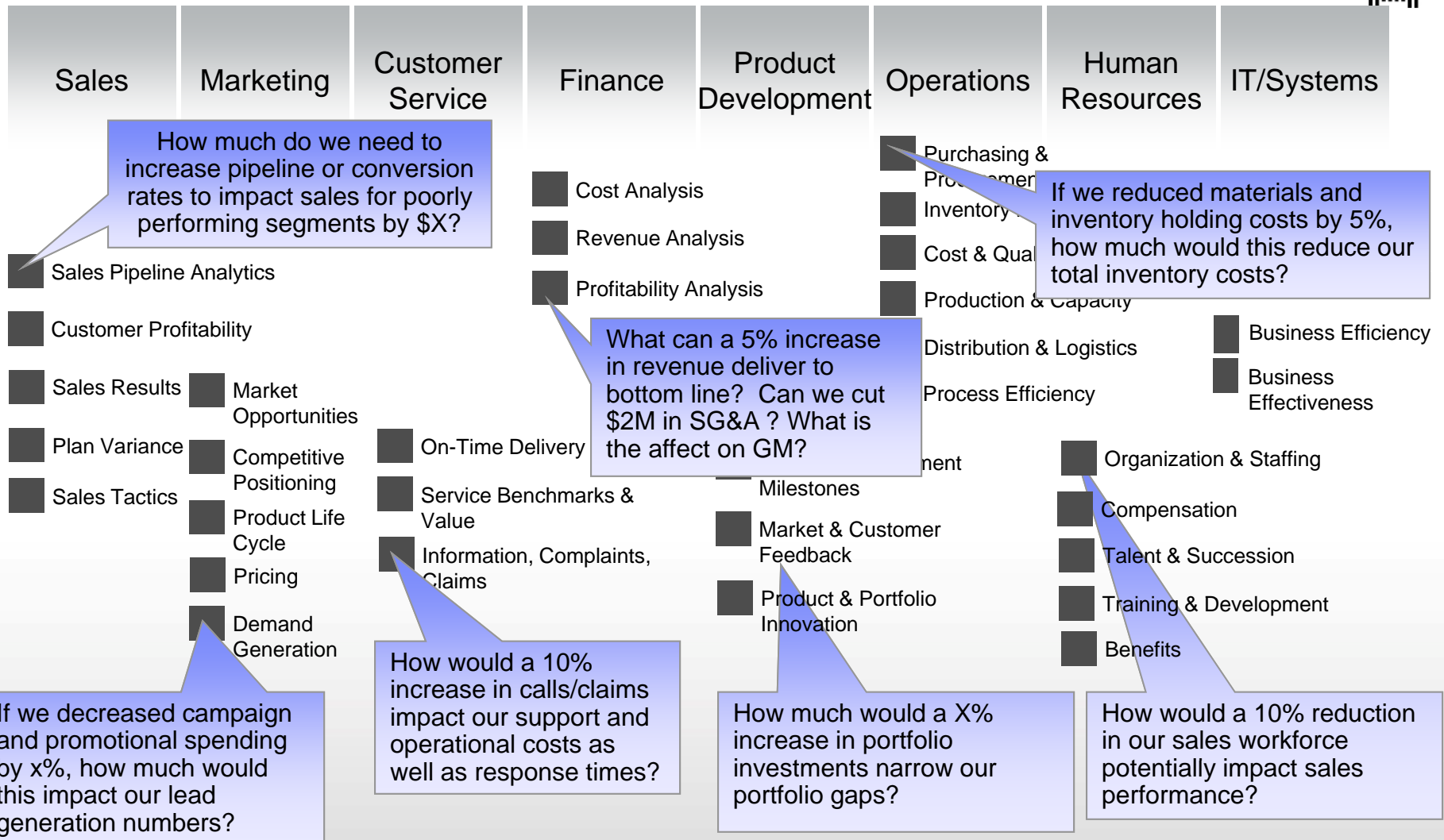


Enable individuals to outperform with full range of analysis capabilities

- **Executives:** timely and reliable view of business and take action to drive better business outcomes and decision making
- **Business managers:** single, reliable view of information at their fingertips that can help them focus on issues that need attention and action
- **Business analysts** can quickly and effectively conduct in-depth analysis and share results easily with broader business communities
- **IT professionals:** apply their knowledge, expertise and investment in corporate data to advance the business, rather than having to manage a backlog of requests for information



What-If Analysis is relevant throughout the entire organization



Why does the business typically need What-If Analysis?



Business Needs

- Build strong business cases – well-informed changes
- Make strategy change grounded in facts
- Articulate the value/cost of making change vs. staying with the status quo
- See the direct impact of scenarios on other areas of the business in real time
- Ability to create models and change assumptions quickly and easily



Business Value

- More nimble business, enabling competitive advantage
- Respond more quickly to internal and external business drivers
- Optimize business and financial performance
- Strong recommendations to management – leader by making recommendations for change based on facts and strategic risk-taking

Example – A day in the life: Retail Company



Background

- Fluctuation in product sales with little advanced predictability
- Marketing promotions typically run to increase sales velocity of poorly performing products or with excess inventory

Current Process

- Legacy BI produces weekly reports with Actual results
- Actual and Plan exported into spreadsheet to uncover variance gaps underlying data trends
- Models created and tested to understand the impact of specific marketing programs against these trends

Key Challenges

- Manual, labor intensive and error prone data extraction and analysis
- Difficult to create new models and test assumptions
- Perceived issues with data and assumptions, leads to questioning of numbers and hesitant to make decisions

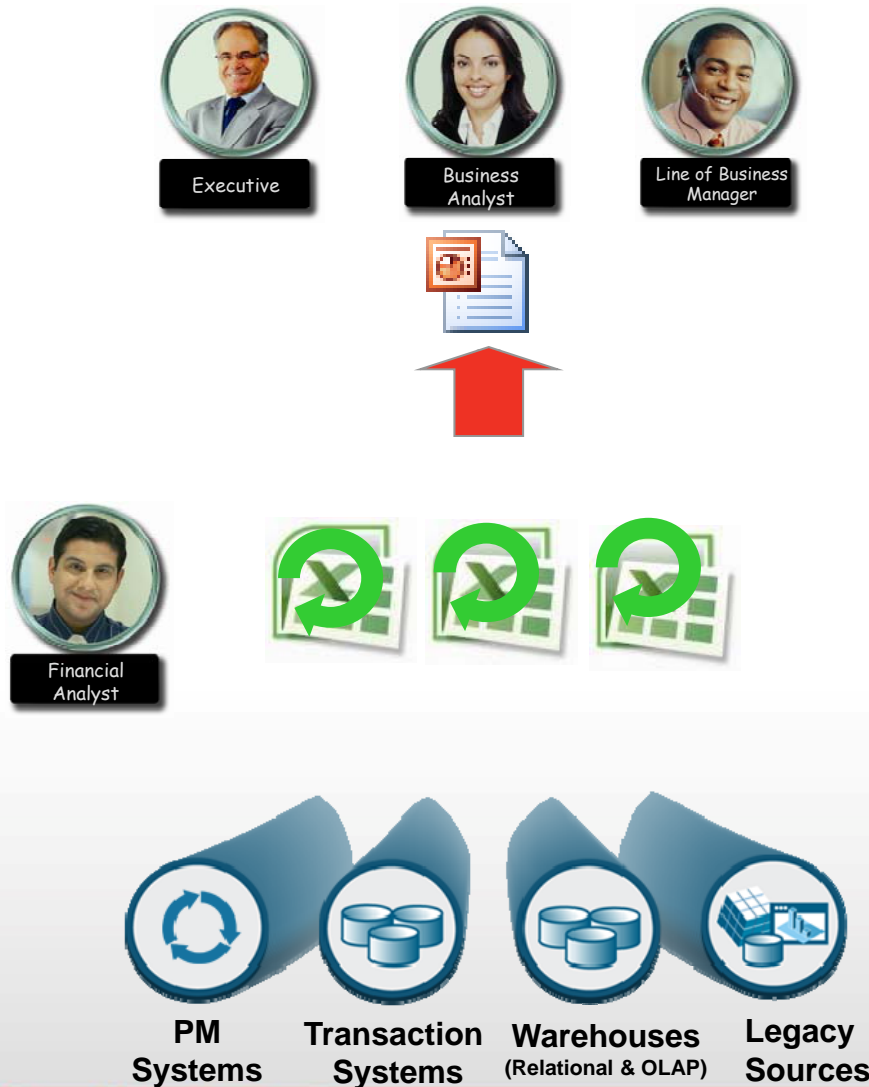
Business Manager

- Marketing promotions based on “gut feel” around poorly performing products.
- Standard discounts vs. targeted promotions due to lack of timely insight.
- Difficulty answering the ‘What-If’ we discount product X by 5 or 10% - what type of sales increases can we expect?

Finance Manager

- Lack of timely insight at product level means Finance struggles with targeted guidance to CFO and LoB.
- Analysis accuracy creates issues in agreements on profitability initiatives.
- Plans and Forecasts are often inaccurate with wide variance gaps to Actuals.

Typical processes for What-If Analysis



- Present findings to stakeholders
- Test different scenarios in the model to understand the corresponding business impact
- Develop model and set of assumptions
- Export the data to a spreadsheet

Challenges with the typical process



Executive

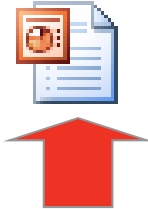


Business Analyst



Line of Business Manager

The lack of integrated, end-to-end processes leads to very heavy people costs AND scepticism throughout the entire organization



Financial Analyst



PM Systems

Transaction Systems

Warehouses (Relational & OLAP)

Legacy Sources

- Data collection and extraction is time consuming and error-prone
- Disconnected from the data and process used for BI and trending analysis
- Multiple scenarios typically require multiple spreadsheets
- Reasoning and rules are buried in cell formulas
- Can only share scenarios by sharing spreadsheets
- Performance against large data sets



Demo – What-If Analysis

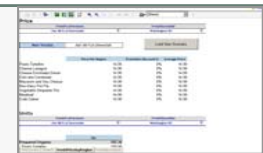
1. Monitor and track performance



2. Analyze and identify performance gaps

Category	Actual	Target	Variance
Revenue	100.00	100.00	0.00
Profit	20.00	20.00	0.00
Cost	80.00	80.00	0.00

3. Model and develop alternative scenarios



4. Analyze results and corresponding business impacts



5. Execute strategy by updating scenarios in plan

Scenario	Revenue	Profit	Cost
Scenario A	100.00	20.00	80.00
Scenario B	110.00	22.00	88.00
Scenario C	120.00	24.00	96.00

Blue Mountain



Business Requirement

- Marketing views historical data and perform 'what-if' analysis against daily revenue reports to manage its campaign and labor spending more wisely
 - e.g. If a specific room type isn't selling well, a manager can look at which variables have remained constant and which ones have changed

Solution Capability

- 'What-if' Analysis from IBM Cognos delivers the means to review the data from a variety of angles to isolate the particular variable that is a drag on sales.
 - Allows a hotel manager to alter room rates, align them with previous year's rates, wait out a spell of bad weather, or implement a new marketing campaign featuring the affected area

Benefits

- Managers can now determine how to alter their campaigns and labor spending and then provide detailed analysis of which marketing campaigns have had the most impact in driving sales for a particular room type in a given season

CiCi's Enterprises



Business Requirement

- Determine more accurately how much food supplies are being used at specific stores in certain timeframes.
 - CiCi's tracks item usage and average "tray cost" as they test a redesigned buffet to include a hybrid salad bar and updated stations to reduce waste and increase profits for stores.

Solution Capability

- IBM Cognos TM1 to determine if trends in usage are making this change a profitable one

Benefits

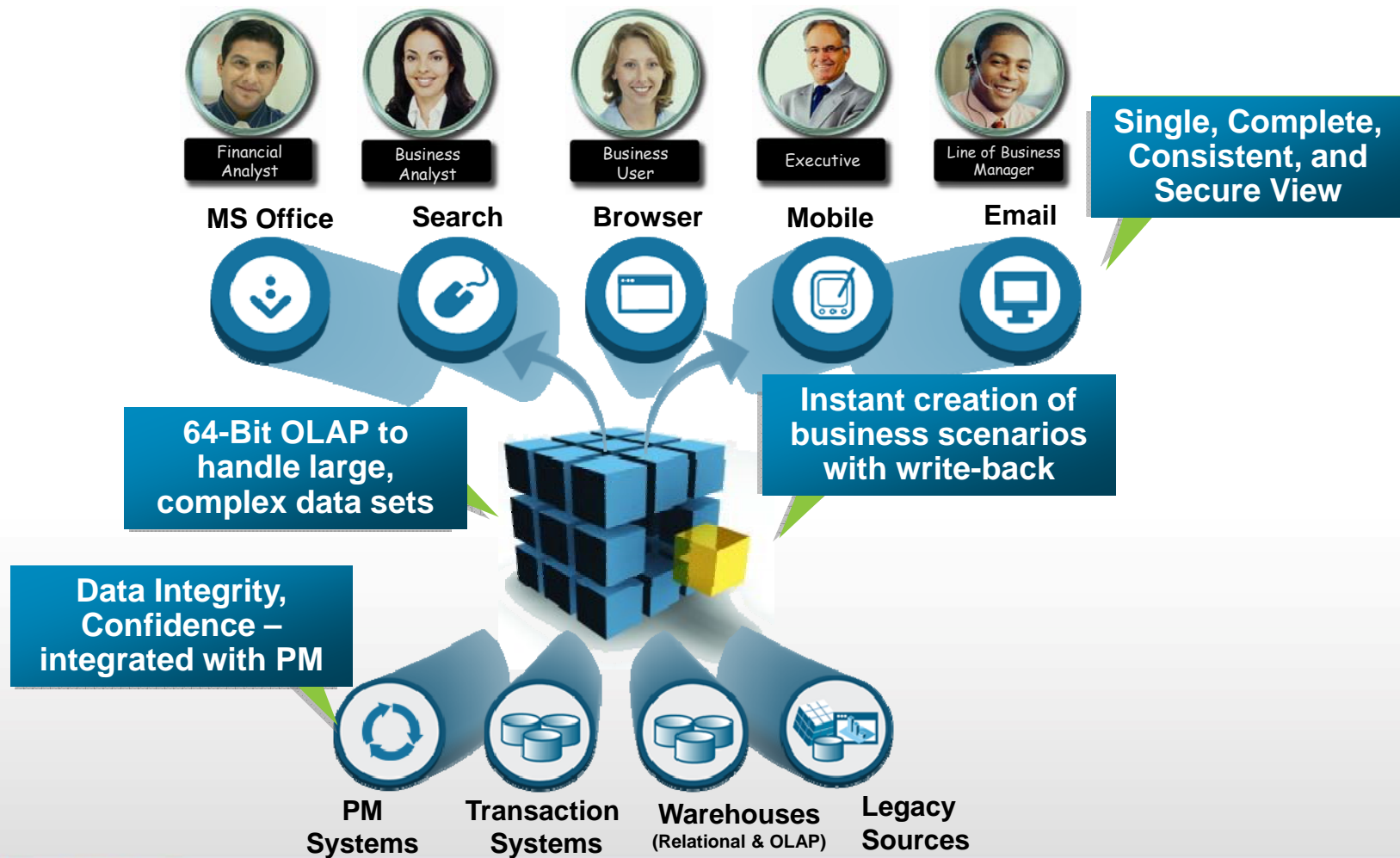
- "We can now run through a few "what-if" budget scenarios in a day, and be prepared for questions we think management and investors will ask."

Jessica White, Operations/Financial Analyst, CiCi's Enterprises



IBM Cognos TM1: A better way for What-If Analysis

Continuous, effortless, integrated creation and management of business scenarios to support decision-making



Summary



What-If analysis as a driver of your decision making process

- Create personal scenarios to support unlimited ad-hoc alternatives.
 - All decision makers need insight beyond dashboards and managed reports
 - Analysts need to inform the organization with insight beyond reporting numbers
 - Advanced Analysts want to uncover patterns and relationships beyond information manipulation
- Expand the information set considered for analysis
 - Analyzing all available information to drive informed decisions
- Develop scenarios on-the-fly and share them with others for greater collaboration.
 - Ability for all users to analyze information to drive better business decisions
 - Business users want to self-discover, manipulate information, model data to create scenarios

Where to go for more information



Needs new links

For more information on 'What-if' with TM1

- [TM1 Home Page on IBM.com](#)
- [TM1 Online Demo](#)
- [Client References and Case Studies](#)
- Contact a Cognos Software sales representative

For additional resources

- CIUG – [Cognos International Users Groups](#)
 - a worldwide organization for users of IBM Cognos solutions
 - Membership is FREE – join today!
- [Information Champions](#)
 - recognizes individuals who have made the most outstanding contributions to the Information Management community

Business Analytics Software Services



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