CostPerform multidimensional profitability analysis factsheet [1]

CostPerform has a great new function to handle large data sets of sales transactions or order lines. In many organizations, these types of transaction files are not only easily available but they also contain valuable cost driver information for analyzing multiple 'dimensions' such as Product, Customer, Sales channel, Country and so forth. With this function you can pull or push costs via these dimensions to the most granular level available - your individual transactions. The flexible pivot function within CostPerform runs on the 'result cubes' so you can slice and dice to explore the true profitability from the multidimensional perspective. Better information for better performance improvement decisions.

Why multi dimensional?

Traditional costing models are mostly based on a single dimension output like 'products' or 'customers'. Because of this single dimensionality, some cost allocations might not reflect a true cause and effect relation to the output and can lead to wrong decisions.

A traditional example is the cost of the sales force. If the cost model contains only one dimension- say product- you might want to allocate sales force costs as an overhead to all products based on –say- sales value or worse on the costs of each product. This can lead to high cost products being 'over-priced' where perhaps the sales force actually spends more time on less costly products. This 'cross subsidizing' effect can lead to wrong decisions.

Of course, cost of a product is hardly ever the real driver for sales costs so in a multidimensional approach you analyze what a sales force does. It spends time and money on existing clients, on specific sales channels or countries and perhaps also on specific products, in a marketing campaign. In order to prevent cross subsidizing you want to allocate costs with the right 'driver' to the right 'dimension'.

In an example from a Telecoms business the time spent on the UK market was first allocated to the object 'UK market'. Next the costs were allocated to those transactions that occurred in the UK, based on the best available driver, (say) sales volume.

The same sales department also incurred costs on a world wide marketing campaign for 'Smart phones'.

In the multidimensional cost model these costs were first allocated to the object 'Smart phones' of dimension 'Product group' and then to only those transactions that involved smart phones.

So instead of allocating sales costs with one driver two steps were used as well as better drivers to the transactions. This resulted in a more accurate cost allocation with less cross subsidizing.

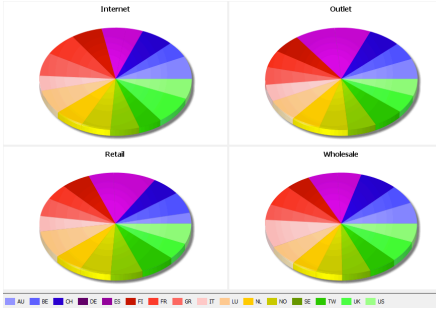
Why transaction based?

Sales transactions or order lines are facts. The more facts in your cost model, the better the results are accepted as the basis for improvement decision-making. The transaction files are the core data sources of the organization containing valuable dimension information that is easy to obtain to update the model at any time.

Data mining: better decisions.

Once the allocations to the transactions are done, the user can analyze the 'result cube' in many ways using all dimensions, driver values and cost-per-dimension result fields.

Interactive slicing and dicing of the result cube leads to a better understanding of the true causes of profit and loss from the multidimensional perspective.



Example pivot table: Margin by Country, Channel, Customer Group

How does it work?

Via a scheduled task this function is designed to work automatically to:

- Import transactions, update attributes definitions and values.
- Calculate and update the cost model for each dimension instance found in the transaction file.

CostPerform's USP

CostPerform is not competing with Big Data analysis tools that are designed to find hidden relationships in existing mountains of data. CostPerform delivers a new piece of '**calculated**' information that is missing from the data. CostPerform provides **true net margin** information at the granularity level found in the transaction data. This new insight into true net margin from multidimensional perspectives leads to better decisions about where to focus on improving profitability.

Traditional one dimensional costing methods are no longer fit-for-purpose. For today's more rigorous needs CostPerform does the job……and more.

The new multidimensional functionality in Costperform can take data feeds directly from your transaction files and is also the ideal partner to work hand in hand with all the leading edge Big Data tools so that 'profitability' could be one of the most valuable pieces of information added to the data set.

Conclusion.

If you want to know the true cause of profit & loss then simply feed your transactions into CostPerform, run the model and start slicing and dicing on all dimensions until you find the right areas to improve your profitability.

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[1] the software functionaility is outlined in our document 'Putting CostPerform's multidimensional costing function through its paces'