“Through KPMG’s Multidimensional Cost & Profitability solution management will have better visibility into current and future product, customer and market profitability allowing analysis that aligns with business strategies”
Managing Profitable Growth

SUMMARY
The ultimate scorecard for profit is a company’s consolidated P&L. But a consolidated P&L does not help to manage profitable growth. To do this, companies need targeted visibility to current and future cost and profit from the perspective of the drivers of profit - products, customers, channels and markets.

The last 10 years of global growth have driven companies to begin analyzing the effectiveness of their growth strategies at a much greater level of detail. Multidimensional views of revenue have provided analytic capability that allows greater insight to the achievement of growth goals. It is creating visibility to the profitability of that growth that has remained elusive because of inadequate and misaligned cost information. The lack of aligned, structured, and adequate cost information limits the ability of any global organization to measure and understand profitable growth.

Building an enhanced view of current and future cost that is aligned to the revenue model is required to manage profitable growth. Having the ability to analyze cost to support key product and cost optimization initiatives is absolutely critical in today’s world of profitable growth. Translating data from standard costing to actionable metrics is a challenge for most organizations and is often hampered by segmented ownership and approaches that differ by organization (marketing, engineering, finance, and supply chain). Achieving alignment of cost data to revenue dimensions in a consistent defined structure, along with fully developed, structured, and adequate cost information limits the ability of any global organization to measure and understand profitable growth.

ADDED VALUE
- Provide full transparency, drill-back analytics, on costs and revenues to support margin improvement.
- Enabling forward looking what-if scenarios to support decision making in investing or discontinuing products, clients or markets.
- Track and trace cost optimization and profitable growth initiatives across functions.
- Enables managing commercial departments on margin improvement rather than revenue.

KPMG DIFFERENTIATORS
- Global network, global experience.
- Proven approach, solid delivery.
- Standard sector specific models available which follow a robust, flexible and accurate allocation approach and provide detailed insight into the profitability of products, customers, channels and markets.

KEY ISSUES AND CHALLENGES FOR MANAGING PROFITABLE GROWTH
While the strategic focus of management is profitable growth, KPMG research has identified a number of issues and challenges management faces in utilizing cost and margin information, thus inhibiting their ability to make informed decisions that align with strategic growth initiatives including:
- Limited confidence in approach to recording, tracking, and allocating cost data to make critical decisions;
- Cost information is not aligned with revenue information;
- Limited visibility into customized product offering, margin details to manage the commercial department on margin improvement rather than revenues;
- Current profitability analyses are not aligned with the internal governance and responsibilities across the value chain and therefore lack the ability to manage short term sales and long term product and client portfolio’s;
- Difficulty obtaining all the information required for decision making - majority of time spent gathering cost data instead of analyzing, and the information to create insights;
- Margin analysis involves manual, ad hoc analysis (often offline in spreadsheets) to prepare current costing data to the views required for decision making (manual manipulation also increases chances of errors); and,
- Simple product profitability reports take weeks and an extraordinary amount of effort to produce.

THROUGH THE MC&P APPROACH, MANAGEMENT CAN HAVE BETTER VISIBILITY INTO CURRENT AND FUTURE PRODUCT MARGINS ALLOWING ANALYSIS THAT ALIGNS WITH BUSINESS STRATEGIES.
This visibility is achieved through:
- An understanding of a company’s specific business drivers for growth and profit;
- Intelligently identifying the right cost data and enriching it to support the forward looking scenario analysis of growth and profit;
- Aligning cost to revenue analysis dimensions and creating a complete picture of margins;
- Leveraging ‘big data’ and advances in data management and analytic tools to facilitate the enrichment of, and analysis of, margins; and
- Embedding the MC&P processes in the current Planning & Control cycle to secure permanent focus.

The resulting information provides management greater assurance, transparency, consistency, and analytical power to address profitability and cost business issues.

END-TO-END PROCESS / SERVICE COST OPTIMIZATION
- End-to-end costs for processes and services delivered by multiple business functions
- Identify and track cost reduction opportunities
- Understand the drivers of cost (sales, key volumes, etc.)
- Identify and track unit costs which drive pricing and cost performance

INTERNAL AND EXTERNAL BENCHMARKING
- Insight in total costs and unit costs for internal and external benchmarking
- Identify most and least cost efficient and profitable business units
- Identify opportunities to leverage from most cost efficient business units

DRIVER BASED BUDGETING AND FORECASTING
- Identify and analyze differences between budgeted and realized (unitary) costs
- Analyze volume, efficiency, productivity, occupancy and quality effects and differences related to the budget
- Calculating scenario’s with various input drivers
- Align margin objectives with responsibilities within the organization

PRODUCT PROFITABILITY ANALYSIS
- Profitability overview of the full product portfolio
- Identify unprofitable products
- Identify product investments
- Support pricing decisions based on budgeted/forecasted volumes, cost and revenues

CUSTOMER, CHANNEL AND MARKET COST INSIGHTS INTERSECTED WITH DETAILED PRODUCT COSTS CREATE “ONE VERSION OF THE TRUTH” TO SUPPORT COST COMPLEXITY ANALYTICS

WHAT IS THE MARGIN FOR A CERTAIN PRODUCT, CUSTOMER, MARKET INTERSECTION?

WHAT IS THE CUSTOMER MARGIN FOR CERTAIN PRODUCTS?

WHAT IS THE MARKET SEGMENT MARGIN FOR CERTAIN PRODUCTS?

WHAT IS THE PRODUCT LINE MARGIN FOR CERTAIN CHANNELS?

WHAT IS THE VARIABLE COST FOR CERTAIN PRODUCT, CUSTOMER, MARKET INTERSECTION?