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Building A Customer Profitability System Based on OLAP Technology

Customer Profitability: FMCG

Vision in Business
Feb 24th & 25th, 1998
London

Martin Wynn, IT Director
Robin Flower, Commercial
Systems Manager

H P Bulmer
Hereford
UK

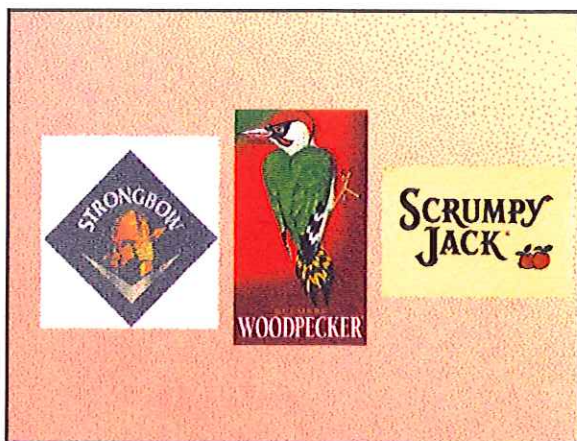
Presentation Structure

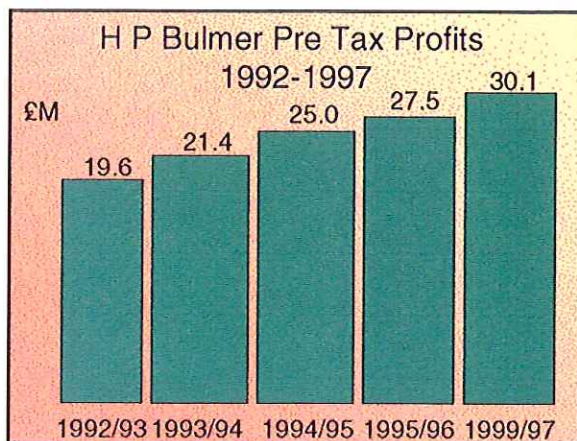
- 1 Bulmers: Company Profile.
- 2 Building The Customer Profitability System.
- 3 System Demonstration.
- 4 Future Directions/Lessons Learnt.
- 5 Profitability Analysis (focus on Promotional Spend).

1 Bulmers Profile

- * Location: Hereford, UK
- * Turnover 1996/7: £300m
- * Profit 1996/7: £30.1m
- * Employees: 850







Market Dynamics

- * Margin pressure and market segmentation.
- * Challenge of alcopops and other product innovations.
- * Increasingly viewed as another drink in the LONG Drinks market.
- * International growth is an important component of future strategy.

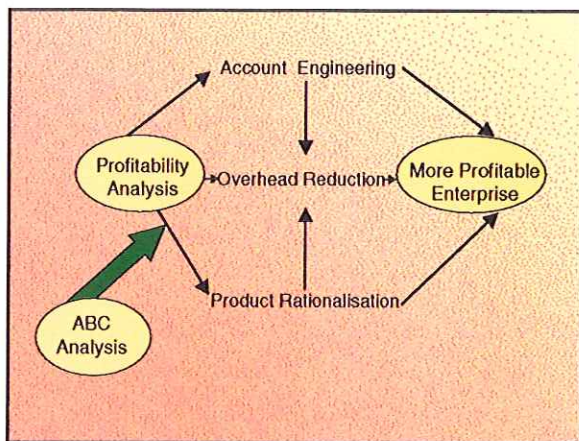
H P Bulmer Manufacturing Key Facts

- * 400 product lines.
- * 5000+ order points.
- * 800+ statement points.
- * Make to stock; stock to forecast.
- * 48 hour delivery cycle from order take.

2 Building The Customer Profitability System

Profit Management Project Key Drivers

- * Brand and account management by profit.
- * Tracking account performance against forecast.
- * Field to HQ communications, word processing etc.



Customer Profitability Profiling Why Do It?

Variability of Cost
Total Sales

Discounts & Adjustments
Selling & Order Taking
Storage & Distribution
Production & Purchasing
Marketing & Advertising
Gen. Admin & Fixed Costs
Profit

Customer Driven Variations
in Costs as a % of Sales

0-25

2-20

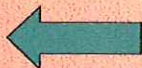
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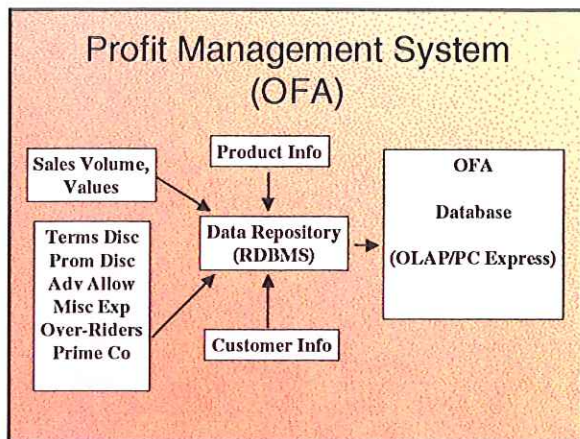
20-70

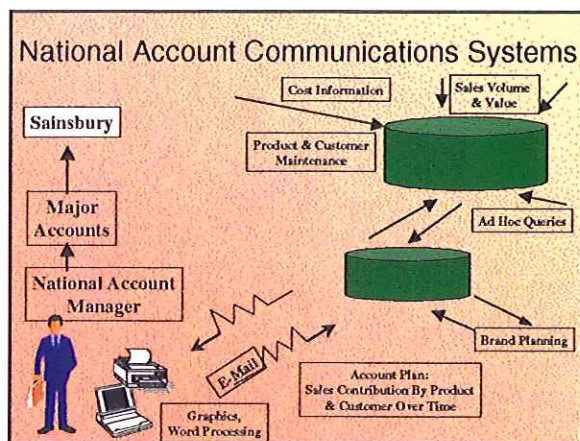
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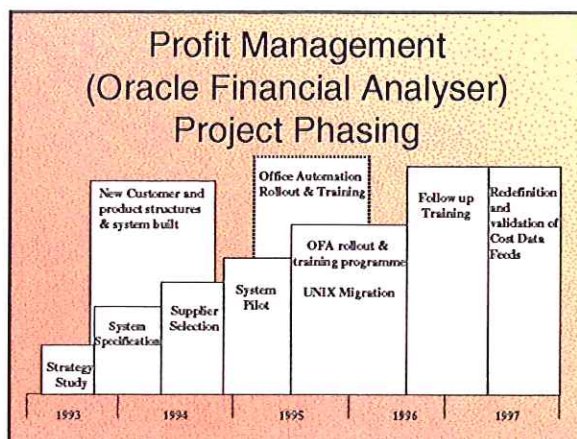
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Scope for Massive
Profit Variations









Profit Management Implementation Problems

- * Data issues
 - * Full profitability figures not robust because of lack of validation.
- * Software Faults
 - * Version 4.5 of OFA not robust and couldn't handle data volumes. Forced migration to 4.6. (UNIX version).

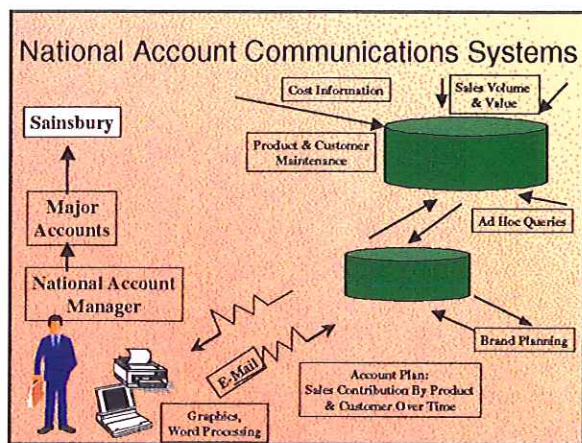
Profit Management Implementation Problems

- * Communications Instability
 - * Bulmer pioneered the use of remote working using OFA. Mobile functionality engineered with Bulmers, but initial use of e-mail for file transfer was unreliable. Replaced by use of LANDIAL (dial up). Now remote comms part of package.
- * Education and Training
 - * Overall step change, but some account managers still struggling.

OFA Project - Current Status

- * 35 field based Account Managers and 15 Brand/Finance Managers at HQ.
- * Volumetric reporting of top 60 customers.
- * Cost Drivers identified - and the means to report them.
- * Account and Brand planning and forecasting capabilities - in the field and at HQ.
- * 4 data 'cubes' for account brand data - Budget, Actual, Forecast, Plan.
- * HQ profitability reports and promotional spend analysis.

3 System Demonstration



Customer Profitability from
Oracle Financial Analyser System
To Follow

4 Future Directions/ Lessons Learnt

* Agree consistent product and customer structures:

* Bulmer Score: 8/10

* Remedial Action:

* Tighten up on procedures

OFA Credibility Examples - 1

Major Brewer sales volume update

Symptom

The Major Brewer monthly sales volume figures were extremely low in OFA.

Cause

Account numbers were reorganised within the Customer Maintenance area – the main account number for the Major Brewer was then not attached to the "Major Brewer Total" affiliation. Thus the bulk of the Major Brewer sales volume was not picked up when data aggregation took place within Sales Analysis and OFA.

Remedial Action

- i) Training within data maintenance area for extra vigilance when maintaining Customer Account numbers.
- ii) Exception report now in place to print all account numbers that are not attached to the corporate hierarchy.

* User Ownership and Administration

* Bulmer Score: 7/10

* Remedial Action:

* Consultancy 'Sense Check' for over complexity/ attempting too much.

* Validate all cost feeds

* Bulmer Score: 5/10.

* Remedial Action:

* Finance validation.
* Tighten procedures.

OFA Credibility Examples - 2

Beer - promotions Spend in OFA

Symptom

A beer brand off invoice promotional commitment of circa £55,000 for miscellaneous promotional expenditure in May did not appear in OFA.

Cause

Miscellaneous expenditure cost had been miscoded against a Royalty code. There were thus no transactions against this commitment within the Promotional System and thus OFA.

Remedial Action

Prevent miscoding of information at source.

* Clarity of purpose and benefit

* Bulmer Score: 6/10.

* Remedial Action:

- * Separate profit system from NAM planning and forecasting system.

* Don't overcomplicate

* Bulmer Score: 4/10

* Remedial Action:

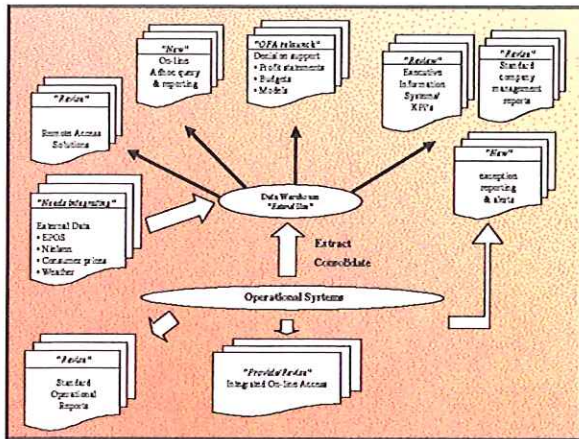
- * possible use of simple spreadsheets to complement/replace OFA for some NAMS.
- * Rationalise data cubes.
- * Rationalise back history.
- * Rationalise line items.

* Don't pioneer new technologies

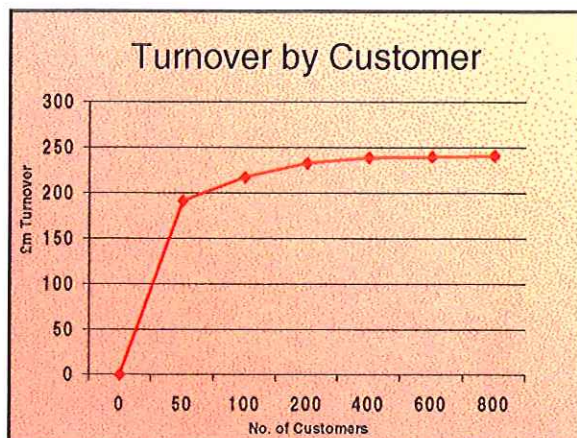
* Bulmer Score: 5/10.

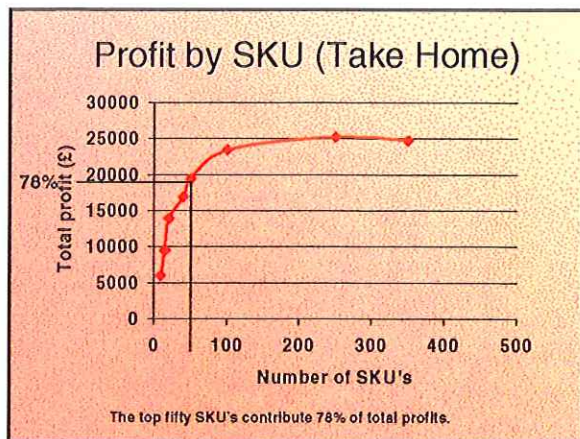
* Remedial Action:

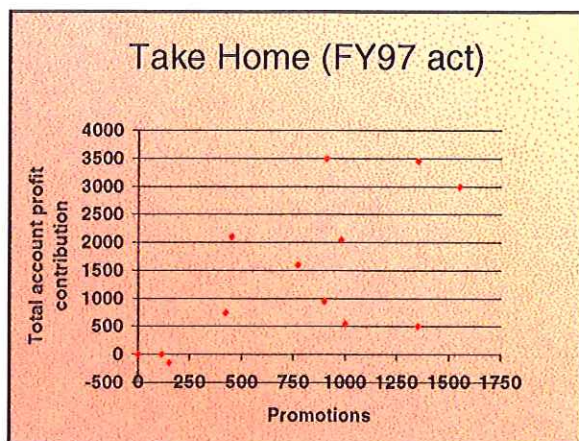
- * Email dropped as transfer mechanism.
- * On-line access rather than 'posting out'.

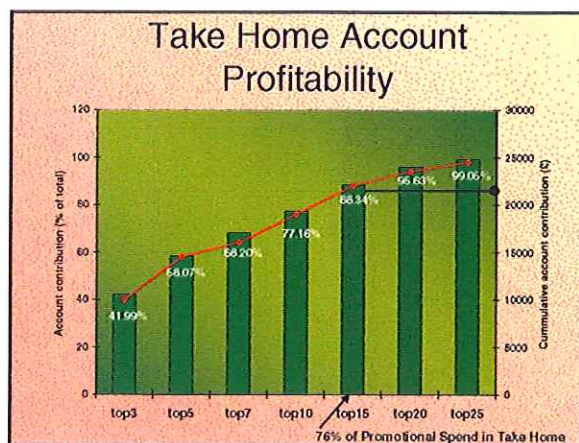


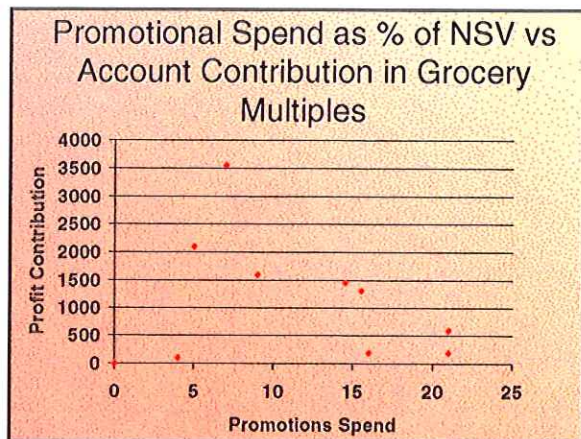
5 Profitability Analysis

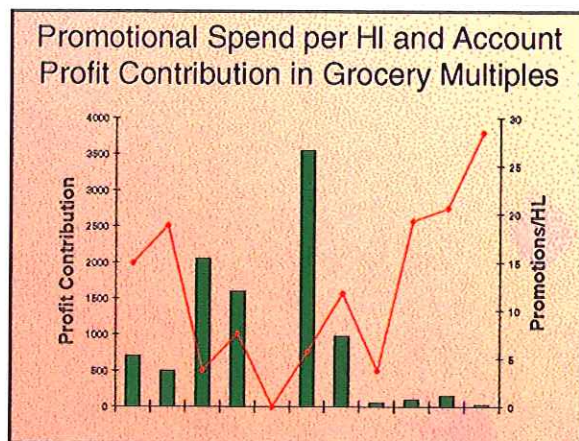












Final Thoughts

- * 4 years since start of project.
- * Many lessons learnt the hard way.
- * Important that we now maximise potential and harness experience to date.

