Predictive Cost Modelling & Planning
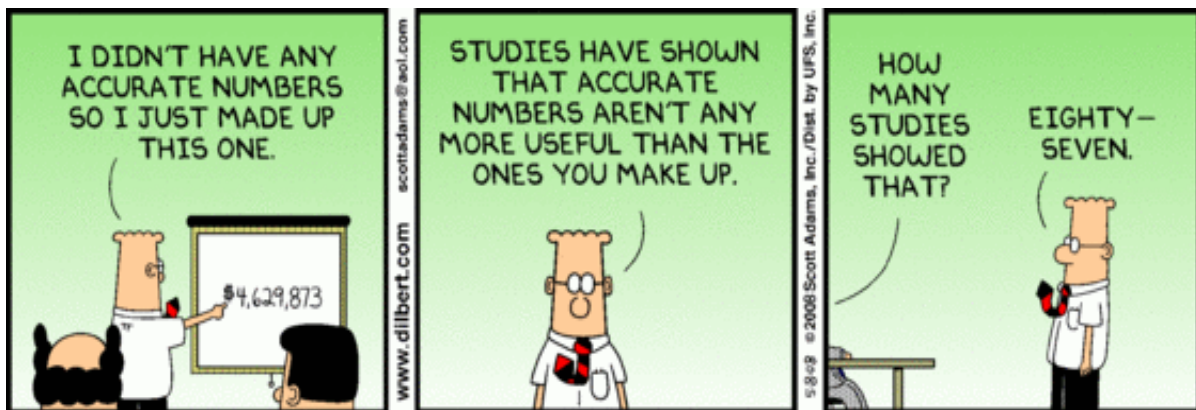
December 9th, 2016

Predictable….Accuracy…Measurable…..

Complexity built up over decades limits the ability to innovate

Scattered information

Complex decision making

Large global organizations have created so much complexity that businesses often struggle to bring good ideas to the marketplace profitably."
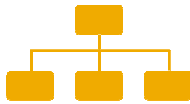
(McKinsey, 2014)

Batch orientation

Complex business processes

Large organizations can spend between 40% and 80% of their time on non-value-added activities

(BCG, Complexity Report)

Technology limitation

Complex technology

73% percent of executives said the complexity of data is the largest IT challenge

(Forrester, 2013 report)

70%

say complexity is increasing costs

Bain 2005 Survey

50%

are unsure who is accountable

Economist 2010

40%

worry whether their organization can keep pace

McKinsey Study 2013

90%

say business is growing more complex

Economist 2010 *Global Simplicity Index, 2013*

THE NEW REALITY
Achieving Financial Excellence while Keeping Up with the Accelerating Pace of Business

INCREASING **COMPLEXITY** OF EXTERNAL CONDITIONS

EXPLOSION OF **BIG DATA**

BUSINESS TRENDS

PRESSURE TO SUPPORT **GLOBAL GROWTH** INITIATIVES

MILLENNIAL WORK STYLE ENABLED BY **NETWORKS** AND **MOBILITY**

TECHNOLOGY TRENDS

REQUIREMENT TO **REDUCE THE COST** OF FINANCE

ACCELERATED **ADOPTION OF TECHNOLOGY** INNOVATIONS

TRANSFORMING FINANCE TO
BETTER SUPPORT THE BUSINESS IS HARD

Challenges to innovate can hold finance teams back

76% believe at least half their time should be on high-value planning and analytic activities, though only **55%** achieve this[*]

Easier to Use

80%

say ability to meet growth targets would improve if their systems were easier to use**

Predictive Analysis

91%

say finance team needs to provide more forward-looking, predictive analytics**

Instant Performance Information

76%

of global companies do not have financial performance data at the ready***

Understandable Data

58%

say it's difficult for managers to understand finance data even when it is easy to access**

Strategic Support

87%

say finance team needs to improve its capabilities to support profitable growth**

Rapid Response to Information Requests

<12%

can respond in real-time to information requests**

Achieve and Sustain Profitable growth

Revenue growth
Cost reduction
Prioritization of investments and resources

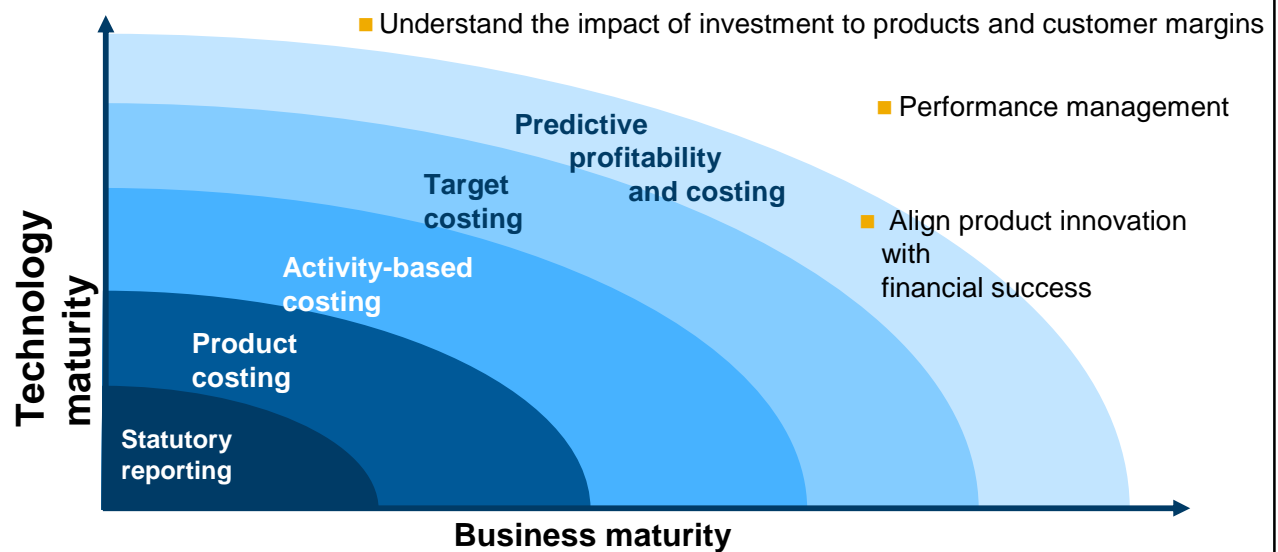| Build	Reduce	Improve
Achieve revenue and profit goals with competitive products	Achieve revenue and profit goals with lower costs and efficient resource allocation	Improve customer satisfaction and retention

Mastering the profitability maturity curve

- Understand the impact of investment to products and customer margins

- Performance management

- Align product innovation with financial success

Technology maturity (vertical axis)

Business maturity (horizontal axis)

- Statutory reporting
- Product costing
- Activity-based costing
- Target costing
- Predictive profitability and costing

Key questions……

If you could Forecast, Predict or Optimize…..how would it impact your KPI's?
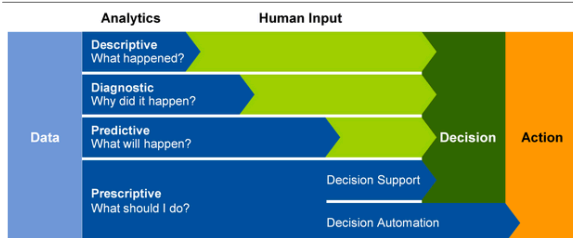
What is the value of doing it faster?

What is the value of decisions closer to the business?

What is the value of forecasting costs more accurately on the business?

What is the value of more accurate/targeted campaigns?

What is the value of knowledge base of engineers and analysts?

Predictive Analytics

Source: Gartner (October 2014)

SAP Predictive Analytics®

Advanced Analytics allows you to:

•***Forecast*** *future amounts*

•***Predict*** *outcomes*

•***Optimize*** *the best outcome with limited resources*
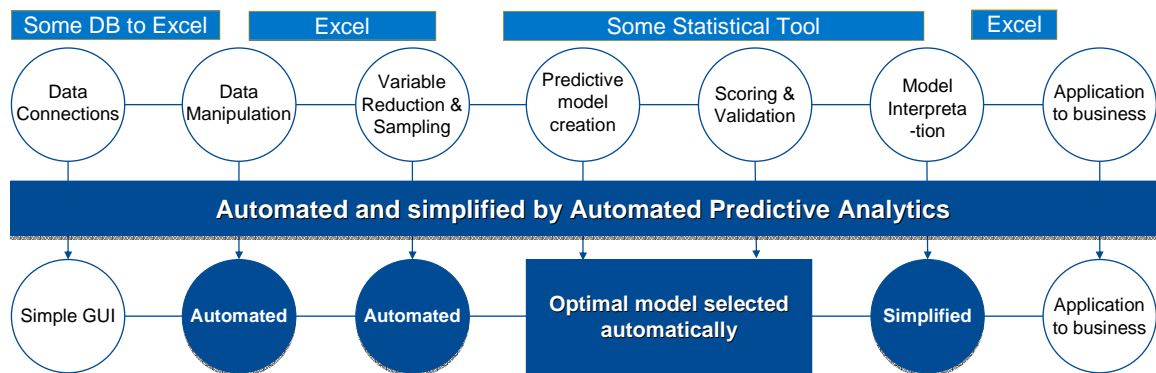
Predictive Automation allows:

•*Data Scientists to get results faster*

•*Non Data Scientists to conduct analysis closer to the business*

•*Increased accuracy by adjusting to new data without movement…..in real-time*

Statistical Modeling Approach

Commonly Seen Statistical Process

| Some DB to Excel | | Excel | Some Statistical Tool | | | Excel |

- Data Connections
- Data Manipulation
- Variable Reduction & Sampling
- Predictive model creation
- Scoring & Validation
- Model Interpreta-tion
- Application to business

Automated and simplified by Automated Predictive Analytics

- Simple GUI
- **Automated**
- **Automated**
- **Optimal model selected automatically**
- **Simplified**
- Application to business

Thank you