

Retail Financial Workbench and Scorecard Performance Blueprint

Highlights

- **Enables easy integration using Web-based design and attention to bandwidth economy.**
- **Provides flexible solutions for planning, reporting, analysis, scorecards, and dashboards.**
- **Offers visibility into operations and development activities and seamless access to data from multiple sources.**
- **Maximizes IT value using common technology standards combined with network-friendly architecture.**

Retail performance management

In many retail organizations, processes and systems are disconnected.

Finance, operations, marketing, and merchandising departments operate in silos.

This makes it difficult for chains to coordinate a consistent business strategy and performance objectives.

The result is often missed revenue and profitability targets. Moreover, retailers may experience lower margins, reduced market share, and less than satisfied customers.

Instead, what chains require is an integrated planning process—where departments and divisions work toward common objectives and goals. The *IBM Cognos® Financial Workbench and Scorecard Blueprint* provides a performance management framework that allows organizations to do just that.

“For retail companies to be successful in this climate requires corporate policies that set and deliver performance objectives. To achieve this requires an awareness of and proactive approach to the marketplace, faster response based on greater information management, store/channel operational efficiency, and supply chain control. All company functions have to act together to deliver corporate policy and achieve company goals and objectives.”

– Martec International



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IBM Cognos 8 Planning

The *Blueprint* delivers tools for integrated company-wide planning and analysis of results against plans. Integration of operational plans and standardization of metrics allows retailers to meet growth and profitability objectives—while providing the best shopping experience for customers.

Going well beyond the capabilities of a spreadsheet-based system, the *Blueprint* offers simplified and streamlined planning, forecasting, analysis, and reporting functionality.

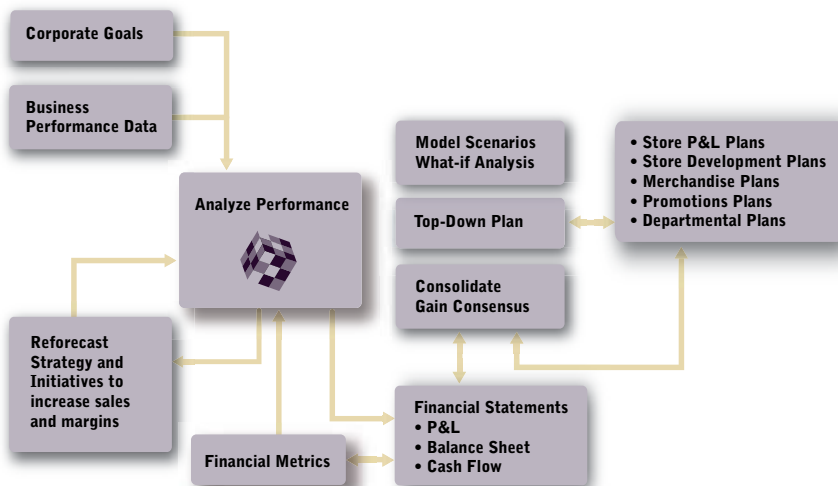
Executives can model the financial impact of business decisions, standardize and consolidate the planning process, and gain consensus between top-down and bottom-up operational plans. With scorecarding, they gain a visual snapshot of performance for key metrics. This provides visibility and accountability to a single set of financial measures and business goals across the chain.

Financial Workbench capabilities

- Integrate the planning process so that merchandising, finance,

operations, and marketing have visibility to top-down strategic plans and are working towards common objectives and projects.

- Perform *what-if* analysis for sales and costs to determine the impact on financial statements and metrics.
- Set targets for financial drivers such as Days Payable Outstanding and evaluate the impact on financial statements.
- Model business scenarios to determine the financial impact of decisions.
- Generate integrated financial statements (P&L, Balance Sheet, Cash Flow).
- Pro-rate revenue and costs to meet investment goals, and change assumptions and drivers to see the affect of these changes on financial metrics – while holding other factors constant.
- Rapidly re-forecast to adjust to changes in costs or revenue.
- Drive collaboration, and streamline the approval and monitoring process. Cross-functional teams gain the ability to work collaboratively.
- Use a synchronized top-down planning environment to consolidate bottom-up plans and reach consensus between corporate financial goals, business objectives, and operational plans.



Integrated performance management process: planning, measuring, analyzing and reforecasting operations.

More retail performance blueprints

A wide range of additional performance blueprints are available to help retailers align strategy with execution and drive better performance:

- *IBM Cognos Store Operations (P&L) Performance Blueprint.* Provides integrated financial planning capabilities, allowing retailers to perform collaborative store-level revenue and expense planning. It ensures that individual store plans are in line with corporate targets.
- *IBM Cognos Store Development Performance Blueprint.* Lets retailers understand what store development projects deliver the highest business benefits, best returns, and greatest support for corporate objectives. Chains can define initiatives for new stores, upgrades, or remodels; develop financial plans; apply initiatives to regions, stores, or groups of stores; and communicate initiatives to store managers.
- *IBM Cognos Financial Merchandise Performance Planning Blueprint.* Enables chains to improve top-down, bottom-up planning for merchandise sales, margin, gross profit, and stock by division, channel, department, or category. This helps retail managers and executives meet sales objectives and profitability goals.
- *IBM Cognos Promotion Planning Performance Blueprint.* Helps chains allocate top-down marketing spend and optimize effectiveness and return for both retailer- and vendor-funded promotional activities. This enables retailers to improve marketing effectiveness and drive higher returns on campaigns.

These pre-built solutions provide integrated planning that links finance, operations, marketing, and merchandising to ensure all departments are working towards common business objectives and financial goals.

Blueprints are developed by the IBM Cognos Innovation Center for Performance Management in collaboration with some of the world's largest and most successful chains.

For more information, visit: www.cognos.com/solutions/industry/retail

Scorecarding capabilities

The financial scorecard gives managers the ability to:

- Set, measure, and monitor key performance metrics based on standard financial statements.
- Ensure ownership and accountability for performance.
- Assign a primary owner for every metric.
- Organize and view scorecards by status (good, average, poor) and trend (up, down, steady).
- Set alerts and notifications so users are aware when a metric changes status.
- Embed other business intelligence capabilities for added context and analysis.
- Manage corrective actions and initiatives.

Status	Trend	Metric
Green Circle	Green Up Arrow	Basic Earnings Per Share
Red Square	Red Down Arrow	Cost of Sales
Yellow Diamond	Green Up Arrow	EBITDA
Red Square	Green Up Arrow	Gross Profit
Green Circle	Green Up Arrow	Gross Profit %
Green Circle	Green Up Arrow	Net Income
Yellow Diamond	Red Down Arrow	Net Income Growth
Green Circle	Green Up Arrow	Net Sales
Red Square	Red Down Arrow	Net Working Capital Ratio
Red Square	Red Down Arrow	Revenue Growth
Green Circle	Green Up Arrow	Total Assets
Yellow Diamond	Green Up Arrow	Total Liabilities

Scorecarding communicates goals and monitors performance against targets.

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How it works

A senior finance executive first uses the Financial Workbench to conduct what-if analysis and model the impact of business decisions. The next step is to create a company-wide strategic financial plan. All operational areas (stores, channel, marketing, merchandising) then use the plan as the top-down starting point for their individual plans.

Once complete, the Financial Workbench consolidates and reconciles top-down and bottom-up plans, and allows additional modeling to quantify the impact of business changes.

The completed plan then generates integrated financial statements: Income Statement (P&L), Balance Sheet, and Statement of Cash Flow.

The financial scorecard allows executives and managers to monitor execution of strategy against targets. It provides alerting, trending, and action tracking for metrics correction when out of compliance. It offers a visual representation of key performance measures, based on the financial statements.

The scorecard delivers a standard set of KPIs, allowing managers to assign owners for every metric and set alerts

and notifications. It enables them to communicate goals consistently, manage corrective actions and initiatives, and push KPIs further into the organization.

Built on IBM Cognos performance management

The *IBM Cognos Financial Workbench Performance Blueprint* is built on IBM Cognos 8 Planning and IBM Cognos 8 BI. IBM Cognos 8 Planning is a Web-based, high-participation solution for modeling, planning, budgeting, and forecasting. It lets management define the process, models, and content required, and then distribute pre-populated, Web-based templates to data contributors across departments.

Contributors supply required information, with access to views that are specific to their job area. IBM Cognos 8 Planning helps retailers achieve consistent operating performance through highly collaborative, real-time planning.

By integrating with IBM Cognos 8 Business Intelligence, the *Blueprint* gives retailers the power to publish reports and conduct analyses based on critical financial information.

IBM Cognos Now! delivers highly visual, interactive, and self-service dashboards, data integration, analysis, and reports, all prepackaged in a hardware appliance.



The IBM Cognos retail solution links store and channel operations, marketing, and merchandising with finance and executive management so that all parts of the organization are working towards a single set of business goals and financial objectives.

Drive performance through planning, scorecarding, analysis, and reporting

The *IBM Cognos Financial Workbench Performance Blueprint* uses a sophisticated, bi-directional calculation engine for setting top-down targets; gaining consensus on top-down and bottom-up plans; and managing the financial impact of revenue, costs, and margins.

It uses the Web to enhance data collection and performance measurement, and makes it easier to do what is most important—consolidate financial planning, and plan for a higher return on investments, sales, and gross profit.

The scorecard component helps you align your teams and tactics with strategy, communicate goals consistently, and monitor performance against targets. And it provides access to powerful reporting and administration tools designed for all levels of users.

Planning prerequisites

Scalability. IBM Cognos Performance Blueprints fit retailers of any size or format. The Web-based design and attention to bandwidth economy make for an easy roll-out to marketers, merchants, and buyers throughout the enterprise.

Flexibility. A company shouldn't change its structure to fit an off-the-shelf system. Blueprints are flexible enough to fit any business. Companies of all sizes use IBM Cognos solutions for planning, reporting, analysis, scorecards, and dashboards.

Compatibility. IBM Cognos Performance Blueprints capitalize on existing technology investments and extend the value of in-place transactional systems. They also share information with other solutions, such as financials, and readily accommodate future growth.

Web-based planning. IBM Cognos 8 Planning helps companies model, plan, analyze, manage, and control retail resources efficiently and cost-effectively.

Easy data access and manipulation. The centralized database and powerful calculation engine is designed to support rigorous analysis, consolidating multiple data sources—including point-of-sale and financial data—into one environment and providing users with the information they need to optimize planning and operations.

Powerful reporting and analysis. IBM Cognos 8 Planning offers visibility into operations and development activities and seamless access to data from multiple sources, facilitating reporting, analysis, and scorecarding to monitor vendor compliance and financial performance, and to improve decision-making.

High IT value. At the back end, IBM Cognos 8 Planning uses common technology standards. At the front end, its network-friendly architecture minimizes network traffic, while its choice of Web or Microsoft® Excel® interface means easy deployment and maintenance with minimal end-user training.

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos solutions customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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An IBM Cognos representative will respond to your enquiry within two business days.



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