

THE APTITUDE ALLOCATION ENGINE – FINANCIAL PERFORMANCE MANAGEMENT IN THE AGE OF BIG DATA

Introduction

Goals for the data-driven business leader

Chief Executive Officers and other business leaders recognize the value that can be extracted from data. Leading companies are using analytics to design new products, improve supply chains and drive new sales. Unfortunately, despite new data-driven behaviors, many leading companies still struggle to quickly and confidently measure the profitability of individual customers, products, channels and other dimensions.

Financial performance management has become more difficult thanks to our digital and globally diverse way of working. In industries such as telecommunications and financial services, the majority of transactions are automated (or electronically executed). Indirect costs make up a rising percentage of the total outlay to deliver a product.

A retail bank, for example, may have millions of accounts, thousands of branches, hundreds of products and will be increasingly serving customers not only through branches but also on mobile and internet platforms.

To make matters more complex, most enterprises sell across geographic boundaries using a multitude of sales channels and partners to reach and service end customers. Operating in a fast-paced, ultra-competitive market often makes it difficult to accurately account for the total cost to sell a product or to serve an individual customer.



Transaction volumes are also multiplying year-on-year, and existing systems used to allocate costs can often take days to deliver results. Many firms either have or are deploying data warehouses to serve as operational databases but still rely on extracting data from those systems in order to run analyses. There is an opportunity to leverage these data stores in situ and turn them into generators of business insight.

Understanding the granular drivers of cost and profitability is a huge opportunity for large enterprises. Such insight can result in making millions of dollars in savings or driving new value through increased profit margins. More detailed information is often the missing ingredient for stronger strategic business decision making.

Allocation Engine Benefits

- Gain insight into what drives the cost and profitability of customers, products, etc.
- Business user control –run a model at the click of a button
- Realize detailed profitability calculations quickly
- Incorporate transaction-level data rather than relying on estimates or models
- Implement quickly

Assessing the Enterprise

Enterprise finance teams struggle to deliver timely and accurate financial insights because processes and infrastructure have been designed to deliver backwards-looking fiduciary reporting.

Extracting the right information, such as to calculate the cost of profitability, can be a real limitation as source data is invariably located across departments and systems. Many enterprises have 'processes' in place to aggregate data on spreadsheets, which suffices for financial planning purposes, but is ill-suited to provide dynamic profitability analysis.

Existing allocation systems often rely on finding, extracting and loading data into pre-defined, hard-coded calculations. It's widely known that these systems don't serve the needs of finance performance management because they are hard to change.

Calculation logic and workflows can often be hidden from business users, making it difficult to have confidence in results. Because of these faults, many 'allocation systems' are just not fit for purpose.

Introducing The Aptitude Allocation Engine



THE APTITUDE ALLOCATION ENGINE IS THE FIRST OF ITS KIND PRODUCT DESIGNED TO ENABLE ENTERPRISES TO UNLOCK FINANCIAL INSIGHT AND OPTIMIZE THE PROFITABILITY OF THEIR BUSINESSES.

True Multi-Dimensional Analysis

The engine enables enterprises to analyze the line-level profitability of individual business dimensions, such as products, channels or individual customers.

Users can run true multi-dimensional analyses, such as to determine the profitability of a product sold to a specific customer. This can help firms such as large consumer product groups (CPGs) to quickly understand the profitability of an individual SKU instance sold through a specific sales channel.

Model what-if scenarios

Aptitude Allocation Engine customers can run what-if analyses to understand the factors that affect profitability. Users can test, for example, enterprise profitability using a different product portfolio mix or assuming distribution channels achieve efficiency goals. In this manner, the Aptitude Allocation Engine directly helps leaders to optimize their business, to make better decisions, and to foresee and react to the factors affecting business results.

Allocation Engine Features

- Intuitive business user interfaces to define, implement and manage allocation and profitability models
- Massive processing horsepower to quickly realise detailed results
- 'What If' scenario modelling an management
- Modular: Reuse rules, filters and weightings to speed implementation and increase consistency
- Use the Allocations Audit to trace both allocations and calculations back to the source data
- Accounting Output to create balanced journal entries
- Audit Trail and Reconciliation
- Easy integration with source and target systems

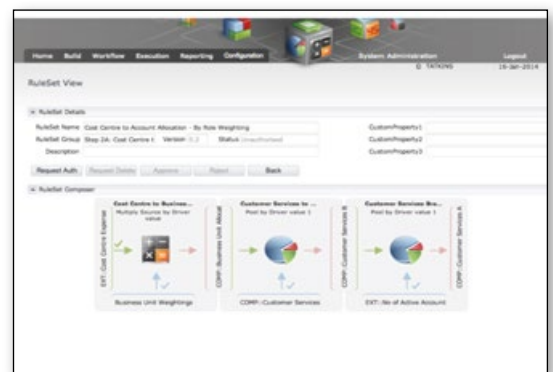


Figure 1: Aptitude Allocation Engine – Intuitive interfaces to define and execute cost allocations and profitability calculations.

AAE Benefits

Speed to Insight

It is the first profitability analysis product designed for the Big Data environment. The product delivers answers quickly, even when it involves allocating costs for millions of business transactions or hundreds of variables.

Underlying the product is the Aptitude technology platform which provides massive processing horse power, leveraging in-database processing, without requiring teams to learn or implement custom code. Aptitude enables enterprises to take advantage of the data handling and processing capabilities of existing data warehouses.



Business User Empowerment

Unlike many existing systems used to allocate costs, the Aptitude Allocation Engine is designed to put business users in control.

Business users, rather than IT experts, can define profitability calculations (or cost allocations) using intuitive graphical, web-based interfaces. A semantic data layer makes it easy for users to understand cost data or transaction records, easily allocating costs/revenues or other factors based on any allocation driver.

The product reduces the dependency on IT resources. Unlike many competitive products, no custom code needs to be written.

Confidence in results

With the Aptitude Allocation Engine, profitability calculations can be organized into logical steps, making it easy to create models and analyze results.

Unlike many other allocation or activity based costing systems, the Aptitude Allocation Engine utilizes detailed transactional and operational data rather than summaries and estimates. It also stores all interim outputs making it easy to drill down into and truly understand the drivers of cost, revenue and profit.

Implement Quickly

The Aptitude Allocation Engine is designed to maximize the time spent on analysis. Using Aptitude's unique dynamic data mapping technology, users are able to use data in situ in existing warehouses. Aptitude also connects fluidly to all major ERP systems and General Ledgers, making it easy to access and organize source data and eliminates the need to locate, extract and load data into allocations systems.

All of this serves to reduce both the manual effort and typically lengthy cycles usually required to set-up analyses and gain financial insight.

All rules are modular and can be re-used. This is often useful for activities such as allocating shared costs e.g. HR & IT that might need to be re-allocated for each analyses while modifying other variables such as transaction volumes or service agreements. By defining set routines by which these costs are allocated, users can have confidence in their results while implementing analyses quickly.

Aptitude Allocation Engine Components

- Data sourcing and management: Connect to detailed financial, transactional and operational source data
- Allocation modelling: Define allocation rules, rule sets
- Workflow: Set-up user roles, approvals and execution workflows
- Processing engine: Execute profitability and cost routines
- Reporting & audit: Review, audit and share results

About Aptitude Software

Aptitude Software provides finance applications to many of the world's leading firms. Customers use our software to achieve financial insight, control and transparency. We believe the ability to access and analyze granular, finance-accurate data is the missing ingredient in the analytics infrastructure of many large companies.

Uniquely, Aptitude Software enables enterprises to build applications around their data, often leveraging the processing and data handling capabilities of the enterprise data warehouse.

For more information

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