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Real-World Challenges, Real-World Solutions

How SAP BusinessObjects Solutions Can Help Companies — in Any Industry — Weather the Economic Storm

In the aftermath of the recent economic downturn, companies will face new reporting requirements and regulations. They'll also need to access data that's directly related to the financial health of their businesses to see how various scenarios would affect their ability to perform. Organizations have reprioritized their focus around immediate cost reduction, rapid revenue generation, greater business transparency, and risk mitigation. To shrink the time it takes to realize value, minimize acquisition cost, and maximize results, companies are demanding industry-specific business intelligence (BI), enterprise performance management (EPM), risk management, and compliance solutions that will immediately affect their core business needs.

SAP BusinessObjects industry solutions deliver flexible offerings that can help provide closed-loop, strategy-to-execution business insight and performance optimization to industry-specific business problems and opportunities. Let's delve into two of these solutions, the challenges they address, and how businesses are using them today.

Managing Volatile Business Conditions and Fuel Costs: The Retail Industry

Whether you are a national retailer with hundreds of locations or a regional business with dozens, variables like fluctuating energy prices mean that your business model might change at a moment's notice. In the last year, we've seen unprecedented volatility in global fuel prices. In the spring of 2008, fuel-related costs emerged as the number-one cost component for companies in select industries. Retailers in particular were hit hard with fuel surcharges that amounted to more than 30% of average shipping costs — and about 15% of the cost of goods sold. This put tremendous pressure on already razor-thin margins that businesses in the hyper-competitive retail industry face year-round.

The increased fuel costs created an enormous challenge, which was only exacerbated by how fast they changed. This proved that companies need to employ a strategy-driven optimization model to handle unprecedented levels of

energy volatility. Optimally, dealing with this volatility is a complex, multidimensional issue that is often handled inadequately by traditional, standard cost models. For example, some products may have price flexibility so retailers can selectively raise prices. Or, for products that incur a smaller landed cost, retailers could even *decrease* price and ease the impact of fuel surcharges, possibly even improving customer relationships.

So retailers have to ask themselves: Which prices do we raise? Which do we lower? By how much? Beyond pricing actions, what systemic changes — like restructuring our supply chain to incorporate progressive measures such as seeking vendor-to-store shipments to eliminate unnecessary interchannel distribution costs — should we consider?

And of course, retailers need to determine how greater energy volatility will affect the sustainability of their business since realistically they cannot continually adjust prices up and down. This kind of inconsistency would likely conflict with a company's reputation and ultimately lead to customer dissatisfaction and abandonment.

Enable Informed Decision Making Across the Board

Without access to timely, accurate, and actionable operations data, it is all but impossible to predict how an isolated business decision — to ship directly from vendor to store, for example — will affect profitability. Every decision involves a tradeoff: How do you balance overall fuel cost against considerations like frequency of delivery, load size, or potential impact of stockouts on high-profit stores and merchandise?

For companies in every industry, BI, EPM, and governance, risk, and compliance solutions can provide the visibility to manage business challenges effectively. In an industry like retail, however, having a purpose-built, industry-specific BI solution designed to meet a customer's unique needs is critical. For example, a retailer looking to adjust fuel and shipping expenses in ways that best affect operating profits could use industry-specific BI solutions to do the following:

SAP BusinessObjects industry solutions help provide closed-loop, strategy-to-execution business insight and performance optimization to industry-specific problems and opportunities.

- Identify and measure the multiple components of the total cost of goods sold and the total landed cost
- Set appropriate key performance indicator (KPI) and key risk indicator (KRI) thresholds for each component
- Run “what-if” scenarios to determine which combination of actions provides the maximum fuel cost savings with the minimum deleterious side effects (stockouts, for example)
- Monitor performance to predict and avert future problems and implement new or improved processes

To manage the intractability and duration of economic pressures facing their industry, retailers are increasingly turning to solutions like our fleet and fuel management and cost containment solution. This solution includes capabilities from SAP BusinessObjects Planning and Consolidation, SAP BusinessObjects Profitability and Cost Management, SAP BusinessObjects Enterprise, Crystal Reports, SAP BusinessObjects Web Intelligence, and SAP BusinessObjects Xcelsius Enterprise. Forward-thinking retailers and distributors around the globe are using the solution to gain the insight they need to optimize their operations in conjunction with the ongoing volatility in energy prices – and to meet their global strategic goal of maximizing operational sustainability (see Figure 1).

FIGURE 1 ▼ The SAP BusinessObjects fleet and fuel management and cost containment solution gives retailers at-a-glance metrics to help them make informed decisions

Maximizing Competitiveness and Profitability: The Financial Services Industry

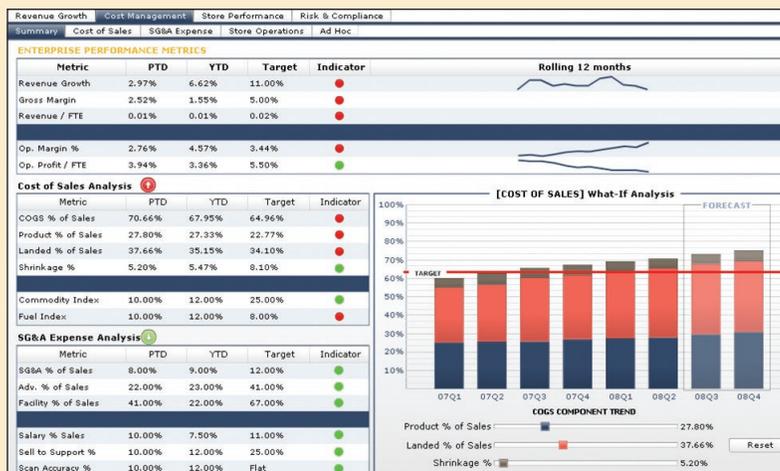
As the financial services sector adjusts to the current economic downturn, the spotlight is now on effectively managing employee resources – from divesting staff from nonprofitable business areas to recruiting and retaining top

talent to support emerging market growth. And since a financial services firm’s labor is typically one of its largest investment expenses after cost of capital, effectively controlling and aligning workforce costs to current revenue projections has become critical.

At the same time, HR organizations within financial services firms are also looking to cut administrative costs through improved self-service access to information across the business. But often, neither HR nor line-of-business managers can access the depth of information required to support strategic decision making. While many companies now have enterprise-wide ERP solutions, relatively few have unlocked the value of their data to deliver up-to-date, actionable information that supports strategic and tactical business needs. Many financial services firms therefore apply “gut-feel” measures to address cost-cutting demands. These measures can suboptimize short-term performance, lose top talent, and undermine long-term initiatives that are critical to the organization’s sustained success.

Indeed, few organizations today can accurately provide up-to-date, global headcount figures across dimensions such as subject matter expertise, effective contribution to revenue generation, or customer satisfaction, so it is hard to identify and allocate the right talent for new business ventures and acquisitions. And with talent at a premium, organizations need to identify key individuals across the business and develop strategies to ensure ongoing business commitment. The challenges preventing these organizations from accessing the information they need include:

- **Inaccurate data:** Data is not always accurate or easy to access. Due to bank mergers, for example, employee information is often duplicated and organizations might use different systems at different locations. Indeed, even within one organization, departments will apply different measures when calculating full-time equivalents.
- **Lack of casual business user access:** Pulling reports from HR systems is typically an IT-led endeavor, demanding in-depth user training and knowledge of underlying data structure and complex systems. Without intuitive, flexible, visual analytic tools, organizations do not have a way for line-of-business managers to attain the information they need to make rapid yet strategic business decisions on how they allocate and develop their most critical asset – their people.



- **Unified information:** In the financial services industry, it's difficult to effectively and holistically integrate information from multiple HR, financial, T&E, and benefits systems. The business executive cannot get a 360-degree view of employee costs and talents or effectively align with corporate cost-cutting goals.
- **Business relevance:** Traditionally, HR's primary transactional objectives did not always align with a firm's short-term and long-term business goals. Now, however, HR needs to take a more strategic business role – for the first time, in many cases – using complex decision-making functionality and the ability to run what-if scenarios.

Part of the root challenge for many firms stems from the fact that, historically, many organizations have focused on departmental analysis as their basis for managing workforce effectiveness. This approach often fails to support strategic, cross-departmental initiatives. Without cross-functional reporting, it is nearly impossible to effectively allocate staff, turn mid-performers into top performers, or reassign weaker individuals to less critical environments.

If HR is to make this transition from an operational service to a business enabler, there must be a tangible shift toward a culture of inquiry. The tools now exist for HR to improve their overall business understanding via analytics, to comprehend and forecast the effect and savings of strategic reallocations of staff to support key corporate objectives, and to deliver quantifiable benefits to the business.

Gain Easy Access to the Data and Insight You Need

The SAP BusinessObjects workforce optimization solution – which leverages functionality from SAP BusinessObjects Strategy Management, SAP BusinessObjects Enterprise, Crystal Reports, and SAP BusinessObjects Xcelsius Enterprise – seamlessly integrates with SAP ERP Human Capital Management and addresses the evolving needs of financial services' forward-thinking HR organizations.

This solution's data cleansing and data integration capabilities enable organizations to pull together diverse information sources – from expense management and financials applications, for example – to create a consolidated view of employee resources and costs (see **Figure 2**).

In addition, this solution's highly visual analytic capability incorporates interactive dashboards to make it easier to present relevant, timely information to a broader audience – from HR users to business managers. This intuitive, dashboard-based reporting combines a range of metrics for



everything from personnel to real estate costs. The most advanced HR departments are also using statistical and predictive modeling and what-if scenarios to help executives get a holistic view of their business information.

By combining HR, financial, expense, and real estate information into one interactive dashboard, managers gain an immediate, top-line view of the true cost of a department or new business venture. In-depth analyses of skills, compensation, and talent also enable the organization to understand cost implications of potential reallocation plans. Furthermore, detailed analysis of global headcount enables organizations to identify key personnel and create a high-achiever profile. This information can then be used to identify, for example, the potential impact these individuals will have on new business ventures or acquisitions, and to mitigate the risk of losing this key talent.

Conclusion

We've now looked at two SAP BusinessObjects industry solutions and the value they can add to retail and financial services organizations. But we've only touched the tip of the iceberg here.

The SAP BusinessObjects portfolio offers a comprehensive set of industry-specific solutions that are all designed to work seamlessly with your SAP and heterogeneous enterprise application and data environments. And we are always adding additional solutions to address critical business needs affecting organizations today. For more information on industry-specific solutions from the SAP BusinessObjects portfolio, visit www.sap.com. ■

FIGURE 2 ▲ The SAP BusinessObjects workforce optimization solution provides an accessible view of employee information

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FIGURE 2 ▶ A before-and-after snapshot of the SAP BusinessObjects portfolio: Combining the best of SAP and Business Objects to close the gap between strategy and execution

| Business Objects then... | SAP then... | SAP BusinessObjects now |
|--|--|--|
| Information discovery and delivery <ul style="list-style-type: none"> ▪ Reporting ▪ Query, reporting, and analysis ▪ Advanced analytics ▪ Dashboards and visualization ▪ Search and navigation | | SAP BusinessObjects business intelligence solutions <ul style="list-style-type: none"> ▪ Reporting ▪ Query, reporting, and analysis ▪ Dashboards and visualization ▪ Search and navigation ▪ Advanced analytics |
| Information management <ul style="list-style-type: none"> ▪ Data integration ▪ Data quality management ▪ Metadata management | Data management <ul style="list-style-type: none"> ▪ Master data management | SAP BusinessObjects information management solutions <ul style="list-style-type: none"> ▪ Data integration ▪ Data quality management ▪ Metadata management ▪ Master data management |
| | SAP solutions for governance, risk, and compliance <ul style="list-style-type: none"> ▪ Risk management ▪ Process control ▪ Access control ▪ Global trade services ▪ Environment, health, and safety | SAP BusinessObjects governance, risk, and compliance solutions <ul style="list-style-type: none"> ▪ Risk management ▪ Process control ▪ Access control ▪ Global trade services ▪ Environment, health, and safety |
| Enterprise performance management <ul style="list-style-type: none"> ▪ Strategy management ▪ Profitability and cost management ▪ Consolidation | SAP solutions for enterprise performance management <ul style="list-style-type: none"> ▪ Strategy management ▪ Business planning ▪ Consolidation ▪ Spend analytics | SAP BusinessObjects enterprise performance management solutions <ul style="list-style-type: none"> ▪ Strategy management ▪ Profitability and cost management ▪ Business planning ▪ Consolidation ▪ Spend analytics |

When most people hear *Business Objects*, they immediately think *business intelligence*. That was a fair assessment at one time. But today, it would be a misrepresentation. It would be akin to equating *Apple* with just the *Mac*.

Answers to the Questions That Will Make or Break Business Performance in the Months Ahead

SAP customers get high grades on process efficiencies. But world-class processes don't necessarily translate into strong business performance. This is only the case when processes are governed by great strategies. Conversely, great strategies don't achieve great results in a vacuum. They have to be executed on time, on budget, and on target.

The SAP BusinessObjects portfolio offers you the functionality to achieve this critical alignment. Today, the former SAP solutions for governance, risk, and compliance and SAP solutions for enterprise performance management are all part of the SAP BusinessObjects portfolio. And yes, so are all the BI and IM solutions we've long been associated with. In the current economic climate, these solutions

become indispensable. They provide answers to the questions that limit or unleash corporate performance:

- Is the organization doing what we say we want to do?
- How do we know we're all headed in the same direction?
- How do we prioritize based on what's important rather than what's on fire?
- Do we have confidence in our decisions? And are we sure that our actions are in compliance and that we can track the potential risks to our objectives?
- What should we do next?

Only by ensuring that its day-to-day operations align with its long-term vision can a company become one of the 10% of organizations that effectively execute on their strategy. ■