Overview

Bloomberg BusinessWeek research indicates that less than half of the C-suite understand what drives cost, profit and value in their businesses.

In fact, it's not easy for businesses to get a clear picture of customer or product profitability. Many organizations would be surprised to find, for example, that 30 percent of their best customers and products generate up to 500 percent of their reported net income - but that the worst 20 percent destroy most of that value.

Challenges

- **Reliance on traditional accounting systems.** Traditional systems cannot allocate nonstandard costs, such as excessive engineering, quality, bids, re-work, marketing programs or sales incentives, to the particular product or customer driving these costs. So they cannot deliver intelligence about business processes, cost flows and cost drivers.

- **Lack of fact-based data.** Business leaders may instinctively feel that production or operational costs are too high in a given area, but they lack fact-based data to benchmark those processes across their business or industry sector.

- **Cost and implementation concerns.** The cost and difficulty of deploying a cost and profitability system often detracts from the positive ROI that having such accurate data would generate.

SAS® Cost and Profitability Management

Develop effective marketing and product strategies - and improve business performance - using the cloud via Amazon Web Services

One reason: Most organizations still rely on traditional accounting systems to identify their most and least profitable customers, products and services - and to evaluate resource efficiency. These traditional systems provide inaccurate, misleading answers because they allocate indirect expenses based on broad averages. Such systems are incapable of delivering accurate intelligence regarding business processes, cost flows and cost drivers.

Your business may be generating sufficient profits. But if your product mix is too heavily weighted toward low-profit products - or if you are too focused on unprofitable customers - your bottom-line performance is still at risk.
The Solution

SAS Cost and Profitability Management hosted by Amazon Web Services (AWS) delivers unmatched financial intelligence that gives you the power to maximize profits, contain costs, improve operational efficiencies and accurately predict future costs and resource requirements. With SAS Cost and Profitability Management, you can:

- Identify your most and least profitable customers, products and channels.
- Determine the true contributors to – and detractors from – financial performance.
- Accurately predict costs, profits and resource requirements associated with changes in production volumes, organizational structure and resource costs.
- Easily identify the root causes of downstream customer and product cost problems.
- Track the cost impact of activities and work processes as the associated products or services move through the organization.
- Provide shared-service organizations (e.g., your IT department) with a clear understanding of costs so budgets and resource allocations can be more accurately determined.

Benefits

SAS Cost and Profitability Management hosted by Amazon Web Services takes advantage of Amazon’s ability to offer IT infrastructure to businesses through cloud computing. By making SAS Cost and Profitability Management available in the cloud as a service via AWS, your total cost of ownership decreases. You can replace upfront capital infrastructure expenses – such as hardware, installation and maintenance – with lower, variable operating costs that scale to meet your business demands. The pay-per-usage model means you pay only for what you need.

With SAS Cost and Profitability Management hosted by Amazon Web Services, you can make fact-based decisions that lead to improved performance, greater profitability and a solid competitive edge. The solution is:

- **Easy to use.** The solution minimizes setup and maintenance requirements for your IT infrastructure. You can get started building models and performing analysis immediately to get fast answers to business problems.

- **Cost-effective.** There’s no need to purchase and configure supporting hardware. You pay only for the computing power and storage that you need and use. Even small and midsize businesses can get cost-effective access to enterprise-quality software applications.

- **High performance.** AWS provides a secure, global computing infrastructure that is highly scalable and reliable. Amazon provides a service-level agreement that commits to 99.95 percent availability. With the Amazon platform, you have flexibility to grow as your computing and storage requirements evolve. Start with a small model and then scale up to meet increased demand, volume and complexity.

AWS powers hundreds of thousands of businesses in 190 countries, with data centers in the US, Europe, Singapore and Japan, and with customers across all industries.
Drive strategic and operational decision making

SAS Cost and Profitability Management lets you identify, analyze and manage the key cost drivers of customer, product, service or business processes so you can see how they affect the bottom line. With the solution, you can:

- **Make confident decisions** about pricing, product and customer mix, resource allocations and budgeting decisions.
- **Determine your most and least profitable customers**, products and channels.
- **Maximize profitability** by making informed decisions on how to deploy your organizational resources.
- **Steer your business toward profitable business segments** while making strategic decisions about unprofitable segments.
- **Give shared-service organizations an accurate picture** of their relationships, so they can understand, justify and clearly communicate the resources consumed by internal customers, along with their associated costs.
- **Understand the impact of costs from different business segments** so you can quickly adjust strategic direction, align divisional goals accordingly and drive profitability improvements.

Identify and act on opportunities for improvement

SAS Cost and Profitability Management delivers cost intelligence at an operational level, enabling your managers to drill into any product, customer or service area to see the costs of underlying business processes. By uncovering these costs, your operational managers are equipped to explore cost-reduction opportunities that deliver a sustainable, significant competitive advantage.

In addition, managers will be able to recognize the chain of events that trigger costs related to people, materials, equipment and facilities, giving them a true understanding of the cause-and-effect relationships that link resources and processes to outputs. The solution enables you to:

- **Follow the chain of events that generate costs** incurred for people, materials, equipment and facilities.
- **Understand the cause-and-effect relationships** that link resources and processes to outputs.
- **Improve the agility of business processes**, detect potential problems and identify opportunities for improvement.
- **Deploy cost intelligence to your operational managers**, who can then turn opportunities for improvement into action.
- **Test performance improvement initiatives** for financial and operational viability before they are implemented.
- **Compare future scenarios** to reliably predict financial performance, resource requirements and organizational capacity.

Capabilities

SAS Cost and Profitability Management - the most complete solution available - transforms activity-based data into meaningful financial intelligence, giving you a competitive advantage in your market.

Robust interface for decision makers

Get the answers to financial performance issues and their underlying causes into the hands of your organization's key leaders. Results from SAS Cost and Profitability Management can also be presented in conjunction with outputs from other SAS solutions.

Powerful analysis and reporting

With SAS Cost and Profitability Management, you get all the analysis and reporting capabilities you need to perform on-screen, multidimensional profit and cost analysis and create customized activity-based reports. Additionally, users can drill down from a product or customer and see the contributors of cost starting at the business-process level, all the way through to the general ledger accounts.
Flexible, open business modeling
SAS Cost and Profitability Management delivers the most advanced activity-based modeling capabilities on the market, supporting a rich set of modeling features and a highly scalable model architecture. In addition, the solution also allows you to create adjustable model structures and assign, review and modify cost relationships visually.

The SAS® Difference
For many potential users, the challenges associated with acquiring, implementing and maintaining activity-based management systems can be overwhelming. SAS understands the cost challenges created by hardware investment and installation costs, and has created an all-in-one solution that uses the Amazon public cloud infrastructure: SAS Cost and Profitability Management hosted by Amazon Web Services. The solution:

- **Supports multiple costing and management methods.** SAS supports hundreds of costing methods and theories (both top down and bottom up), allowing you flexibility in modeling the way your business behaves.
- **Provides scalability** and reporting frequency, so you can calculate profitability at a detailed level for substantial volumes of cost drivers and transactions that were never before possible.

- **Lets you manage profit as a performance metric.** With SAS, you can actively manage profit as a performance metric, setting budgets and targets based directly on profitability, not just sales quotas or revenue targets - and not just measured at the enterprise level, but also down through divisions and departments to the product, customer and channel level.
- **Includes best practices-based implementation and global support.** With more than three decades of experience and domain expertise, SAS has long been recognized as the provider of the most reliable activity-based costing and management systems in the world.

About SAS
SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions, SAS helps customers at more than 75,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW.