



# MANUFACTURING PROFIT INTELLIGENCE™

*Proactive Profit Management Increases Annual Margins 3-5%*

A POWERFUL SOLUTION FROM  
COGNOS AND pVELOCITY

At a recent divisional retreat, ten senior managers in a manufacturing organization were asked a fairly simple question: “Who are your ten best (and worst) customers?” Each of the ten executives came back with a different answer. Next, they were handed production and input costs as well as price information for a variety of products, and asked to rank the profitability of each. Again, ten different answers – all wrong!

This is all too common. Businesses exist to generate profit, yet information about profitability is often only available at too summarized a level to be actionable or, when it is detailed enough, it arrives so late as to be no longer relevant, especially in fast-paced globally competitive markets.

## THE CHALLENGE

For most manufacturers, profit insight is available only at the macro (division/plant/region) level, and long after the close of the financial period. This lack of granular information, combined with the significant delay in producing even a macro level view, makes profitability almost impossible to measure and manage proactively. Thus profit – the reason a business exists in the first place – often becomes more of a hoped-for effect of other business decisions, rather than a proactively managed and measured goal.

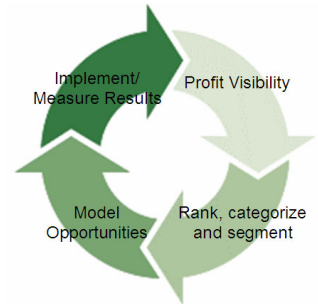
## THE SOLUTION

An offering from Cognos and pVelocity solves this problem by giving business people immediate, detailed and actionable information on all profitability factors. Manufacturing Profit Intelligence™ allows everyone from divisional executives to plant supervisors to see exactly how much profit is generated per customer, per product, per machine hour, per salesperson etc. – and how to best increase those profits. In global manufacturing companies, Manufacturing Profit Intelligence™ has been proven to add 3%-5% to gross margin.

## MANUFACTURING PROFIT INTELLIGENCE™

Manufacturing Profit Intelligence™ is a process of continual proactive profit management, starting with *profit visibility*, or the real time examination of profits and losses at as detailed a level as possible. Manufacturing Profit Intelligence™ allows the *ranking, categorizing and segmenting of profitability*. This involves differentiating profit levels by categories such as:

- Customers
- Products
- Assets
- Processes
- Markets
- Salespeople
- Etc...



Executives can also *model opportunities*, by seeing the direct effects on profitability of alternate resource allocations *before* their implementation, answering questions such as:

- If 20% of the most unprofitable products are converted to profit generating products, what is the impact on the business?
- If sales commissions are tied more to profit than volume, how much value might be added?
- What happens to profit if the price of a raw material increases by 3%, or a plant becomes specialized and fills all orders for a given product, or if modest discounts are offered for more profitable batch sizes?

With pVelocity and Cognos, detailed and actionable answers are available in a matter of minutes.

## A STRONG PARTNERSHIP FOR PROVEN RESULTS

Cognos is the world leader in business intelligence and corporate performance management software for the enterprise. pVelocity is a world leader in profit management technology. Merging the power of Cognos with the most essential measure of any company's success – profitability – creates a powerful new business tool for proactively managing profit. The synergy of the Cognos/pVelocity partnership enables clients to start reaping the bottom-line benefits of Manufacturing Profit Intelligence™ within weeks.

Material Description	Customer Name	Profit \$	Profit \$/Hr	Profit \$/Lb	Net Sales \$	Sales Qty Lb
ATRI-PUROX-E SB3-A6	MENDICINO CO	3,046,500	1,207.00	0.1859	4,925,757	16,383,940
BETASTAR-B S/CQ	MORGAN CORP	1,073,319	184.45	0.0869	1,738,445	12,352,481
LAVESTAR-G TO	UNITECH UNITED STATES INC	1,789,517	462.57	0.1553	5,278,346	11,525,770
LAVESTAR-C LR BULK	DIVADOLL INC	882,244	146.81	0.1379	1,900,746	6,400,040
LAVESTAR-M S-2HC BULK	UNITECH UNITED STATES INC	1,440,869	1,205.53	0.3378	2,456,095	4,265,600
ATRI-VATE 20-49	PREFECT & WAGNER CO	3,709,331	2,209.53	0.9616	5,527,196	3,857,280
ATRI-PUROX-E SA/A2	SERGIO RIVERS CO	478,640	738.62	0.1271	965,646	3,765,100
GLYPAZIDE CO-630 BULK	ECOLOGICAL LABORATORIES	280,202	812.21	0.0754	1,607,312	3,717,040

### Profitability Metrics at Any Level of Detail/Timeframe.

Note the wide variance in Profit Per Hour between Products/Customers...



## BENEFITS OF MANUFACTURING PROFIT INTELLIGENCE™

Cognos business intelligence helps clients improve production processes, supplier performance, materials management and customer responsiveness by providing key insight into their supply chain, production goals, labor and equipment constraints and so on. Combining this invaluable data with pVelocity's detailed profitability metrics and modeling capacities opens up a whole new world of essential business intelligence.

	Ext	Paint	Fab	F & D	Anod
▶ Sold Lb	47,453,850	17,703,941	8,266,529	2,356,507	1,128,952
Return \$/Lb	-0.0158				
Customer Spread \$/Lb	0.5041				
Actual Spread \$/Lb	0.5044	0.2781	0.1756	0.4093	0.3692
Alloy Charge \$/Lb	0.0788				
Mat Cost \$/Lb		0.0651	0.0086	0.2310	0.2461
Margin \$/Lb	0.4256	0.2130	0.1669	0.1783	0.1231
Freight \$/Lb	0.0413				
Labor Cost \$/Lb	0.1223	0.0548	0.0996	0.1320	
Process Cost \$/Lb	0.1139	0.0361	0.0034	0.0079	
Scrap Cost \$/Lb	0.0496	0.0000	0.0000	0.0000	
Die Cost \$/Lb	0.0152				
Utilities \$/Lb	0.0246	0.0216	0.0000	0.0000	
Plant Supplies \$/Lb	0.0060	0.0057	0.0028	0.0030	
Other Var Expense \$/Lb	0.0062	0.0087	0.0006	0.0049	
Packaging Cost \$/Lb	0.0102				
Maintenance Supplies \$/Lb	0.0206	0.0026	0.0019	0.0004	
Contribution \$/Lb	0.1117	0.1195	0.0620	0.0381	0.1231
Fixed Mfg Cost \$/Lb	0.0450	0.0073	0.0070	0.0013	
Depreciation \$/Lb	0.0233	0.0027	0.0026	0.0024	
SG&A Cost \$/Lb	0.0699				
EBIT \$/Lb	-0.0265	0.1095	0.0524	0.0344	0.1231
Lb/Hr	3,015				
CMS/Hr	361				

Sample Metals P&L Statement – One-Click, Real Time

### MEET NUMBERS, OR MAXIMIZE PROFIT?

Meeting production numbers is important – but maximizing profit is essential. Business decisions can only be truly optimized if the direct effects on final profit margin of every existing or potential resource allocation is clearly visible. Combining the analytical, reporting and distribution power of Cognos with pVelocity's profitability metrics allows executives to manage *by* profit in the here and now, rather than manage *for* profit in the future.

**Live dashboards:** display detailed reports of current plant, equipment, customer and market profitability. View comprehensive P&L statements at almost any level of detail. Easily benchmark profitability standards to reveal lower-profit outliers.

**Powerful modeling and reporting tools:** instantly see the 'opportunity costs' of existing low-profit resource allocations. Easily view in real-dollar terms the extra profit achievable by shifting production capacity to higher-profit activities. Highlight and remediate hidden profit anomalies, such as excessive packaging, freight or labor costs.

**'One Click' profitability segmentation:** easily slice and dice profitability data to show which clients or products consume the most resources while supplying the least profit. Create measurable plans to improve profitability – without necessarily increasing prices.

**Integrate profitability planning at all levels:** instead of judging people by how well they hit their numbers, reward them by their profit contribution. Close the gap between the C-Suite and Operations by propagating easy-to-access profitability tools throughout the entire organization.

**Minimize surprises:** You cannot manage what you cannot measure – or predict. Using Manufacturing Profit Intelligence™, executives don't have to 'cross their fingers' and hope that their current decisions will improve next quarter's profitability numbers. Instead of waiting for weeks or months to determine results, profitability goals can be modeled, planned, executed and tracked in real time!

### ABOUT COGNOS

Only Cognos delivers a complete range of integrated, scalable software for corporate performance management. Cognos products let organizations drive performance with enterprise planning and budgeting, monitor it with scorecarding, and understand it with consolidation and business intelligence reporting and analysis. Founded in 1969, Cognos now serves more than 23,000 customers in over 135 countries.

### ABOUT pVelocity

pVelocity's Manufacturing Profit Intelligence™ software provides manufacturers with the necessary intelligence about their products, customers and processes to enable better business decisions that improve profit. By bridging the gap between production and financial systems, pVelocity rapidly identifies true drivers of profitability at unprecedented levels of detail. The company has a growing list of prestigious manufacturing customers with multi-plant installations in various industry segments, including chemicals and extruded metals. With headquarters in Toronto, Canada and offices in the UK, privately-held pVelocity was founded in 2001. Please visit [www.pvelocity.com](http://www.pvelocity.com).

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