



## Margin Mix Improvements

### Uncover Opportunities to Improve Poor Performers

Instinctively, you know you have them. You might even be able to identify the worst offenders. But if your business has a complex product portfolio, it is difficult to know where each product sits in a margin continuum. And, as material or component prices fluctuate, what is a margin star today could be a drag on profitability tomorrow.

While existing business systems may perform backward-looking margin performance monitoring, financial simulation capabilities are required for deep insight into areas of margin improvement and market opportunity.

### Determine Product & Market Profitability based on Future Costs & Sales

pVelocity's Profit & Cost Simulation software moves beyond standard costs and captures actual costs to form the basis for accurate, predictive margin analytics on products and markets, providing rapid insight both on what did happen and what will happen within a forward cost model.

Executives from across the enterprise incorporate pVelocity data and simulations in their daily decision making on product recipes, supply chain improvements, customer & market viability, and more.

pVelocity determines margin by consolidating actual cost data and then segments low and high margin products and markets, enabling key operational roles to take immediate, corrective, and strategic action



*"We have integrated pVelocity into the day-to-day decision making process, and it is an integral part of the continuous improvement culture."*

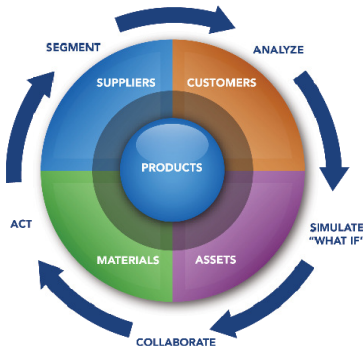
Thomas Baltzewitsch,  
CFO  
Hydro Aluminum Extrusion  
Eurasia

### Use pVelocity's Actual Cost Data to:

- Segment the product and customer portfolio from a margin perspective to determine variances within the margin mix
- Understand their relative ranking and gain insight into their causes - whether sales, distribution, production or sourcing
- Model predictions or future scenarios for margin improvement
- Validate decisions and goals on margin improvements backed by real data

### Run simulations that provide actionable answers to questions like:

- What are the impacts of a change in raw material or component availability?
- What is the relative profitability of products that consume constrained assets?
- What price action should be taken to improve performance on a product and customer basis?
- Where are the product segments and markets that show highest margin growth?



### Identify Margin Influencers in Products and Markets

pVelocity's Profitability & Cost Simulation Software helps identify and integrate all actual cost types and sources into the margin mix, and perform simulations to weigh the effects of different variables on market and product profitability. Depending on your industry focus or operational role, this could involve drilling down into data relating to margin influencers such as:

#### Revenue

- Price
- Volume
- Discount
- Incentives & Rebates

#### Costs

- Materials or Components
- Packaging
- Energy
- Transportation

#### Operations

- Production Schedule
- Product Recipes
- Asset Utilization
- Payment Terms

### Recognize the Outliers and Make Informed Decisions

pVelocity gathers and analyzes information and gives you immediate access to the way and the extent these operational influencers affect products, customers, assets and materials, giving you the ability to quickly and easily identify those products or markets whose margins are outside a standard deviation. With the outliers identified, all operational roles make margin improvement decisions with confidence:



#### PRODUCT & PRICING MANAGEMENT

- Ascertain the true Cost-to-Serve on a product-by-product basis, adjust pricing, and refine product portfolio based on margins



#### SALES & MARKETING

- Focus promotional efforts on customers with the greatest potential margin growth based on predictive analysis of price or portfolio mix changes



#### SUPPLY CHAIN

- Analyze, simulate and execute margin improvement tactics to react to changing supply chain costs and material availability issues



#### PRODUCTION & ENGINEERING

- Increase or decrease asset utilization or change routings based on forecasted product margins or market opportunities



#### CORPORATE

- Validate business cases for enterprise-wide strategic actions like make-vs.-buy, acquisitions, or expansions

To learn more about how other companies have benefited from immediate, detailed insight into projected product and customer profitability, visit [www.pVelocity.com](http://www.pVelocity.com) for case studies and sample simulations.