



Steering effectiveness & Business Insights

How SAP support the Finance Community today & tomorrow

Lars Fleminggard, SAP SE
May 2020

CUSTOMER

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Agenda

Steering Effectiveness & Business Insights

- **Group Business Control (Strategic & Tactical)**
 - Financial steering with full transparency
 - Plan-to-Optimize
 - Machine learning and Predictive Algorithms
 - Scenario Simulation
- **Group Accounting (Strategic and Tactical)**
 - Corporate Result
 - External reporting (Group Reporting)
- **Continuous Compliance (Assurance)**



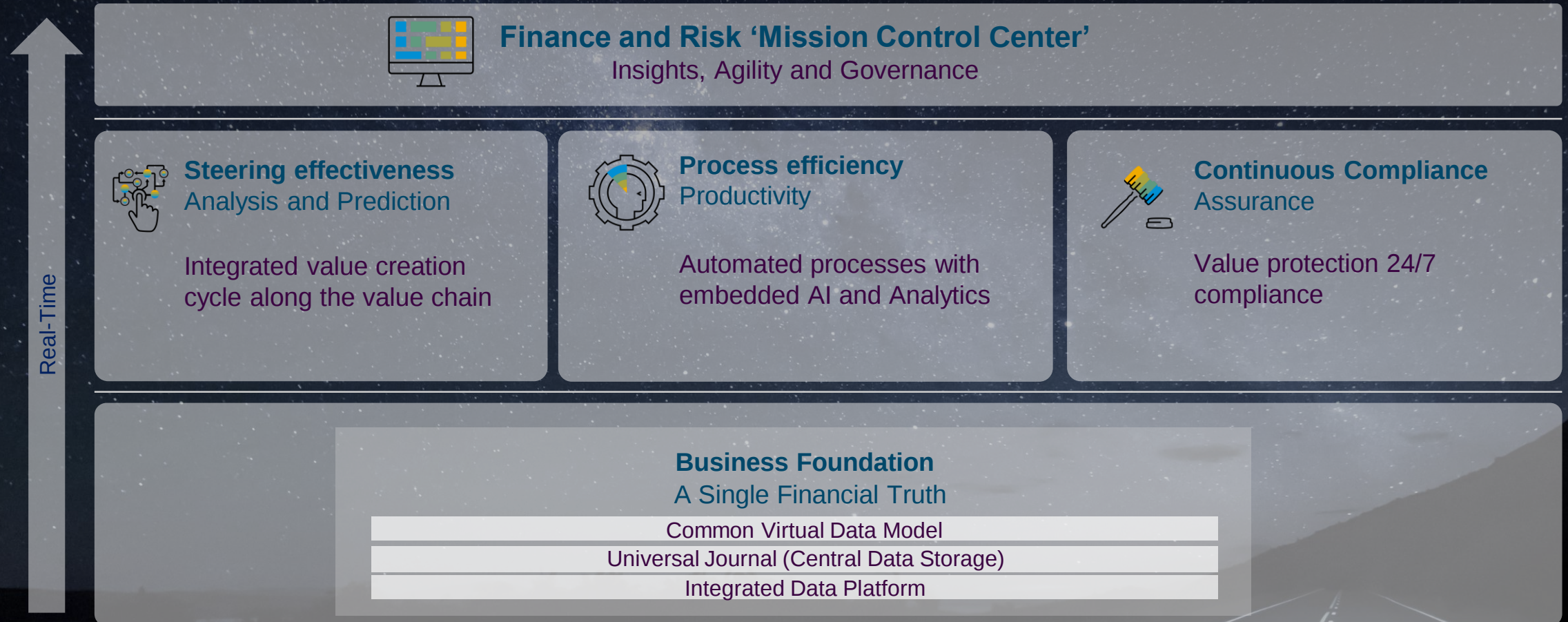
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SAP's Unique Formula for Intelligent Finance and Risk

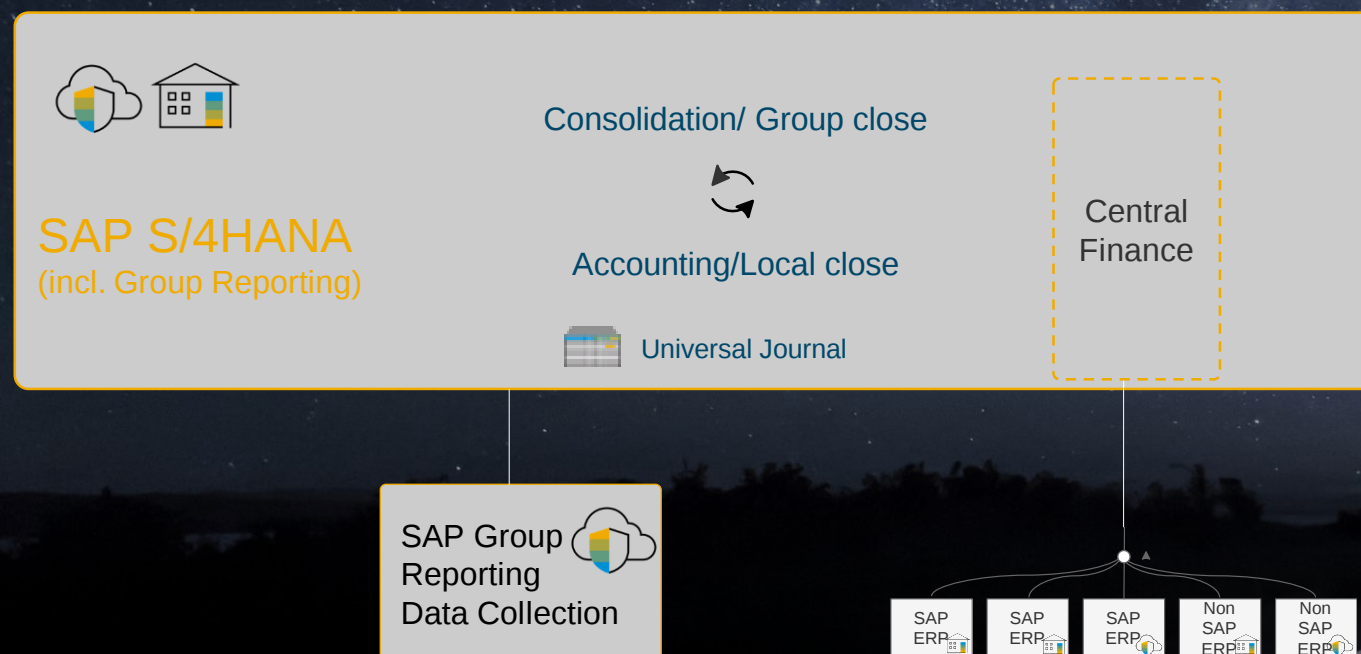


Focus on steering effectiveness



Best practice architecture for group wide reporting

Offering a new quality of integration between local and group insights, starting from SAP S/4HANA

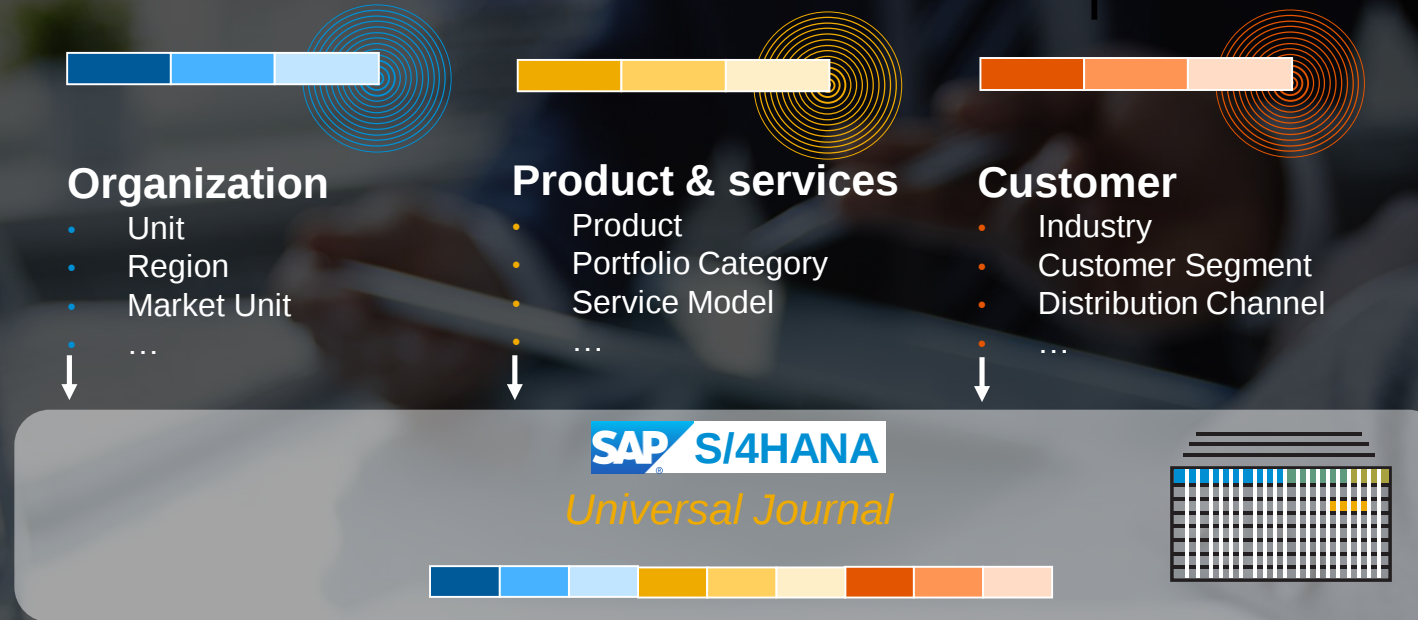


THE BEST RUN

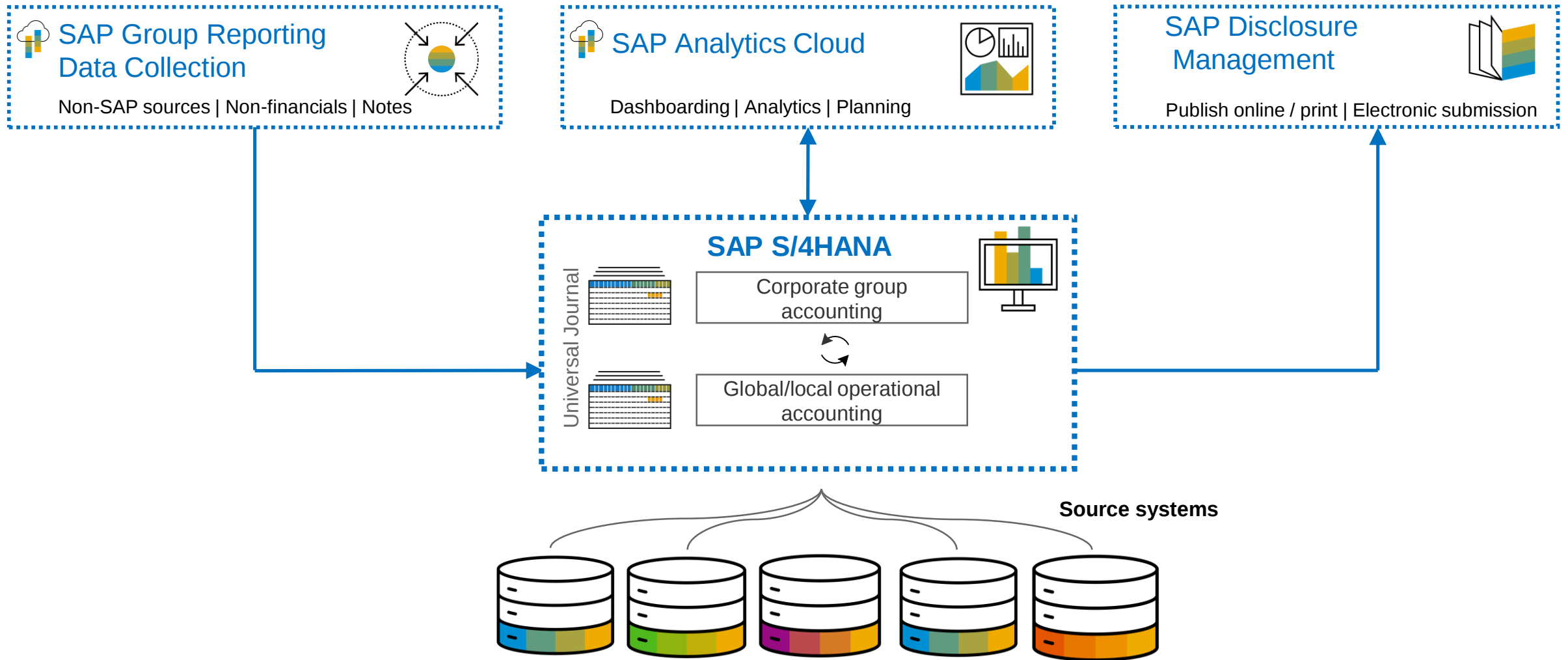


Steering Model with All Dimensionality fully reflected in a single financial truth

Managed along all views, categories and levels - On the highest granular level - Reconciled by design



Integrated Finance platform for group wide reporting



Agenda

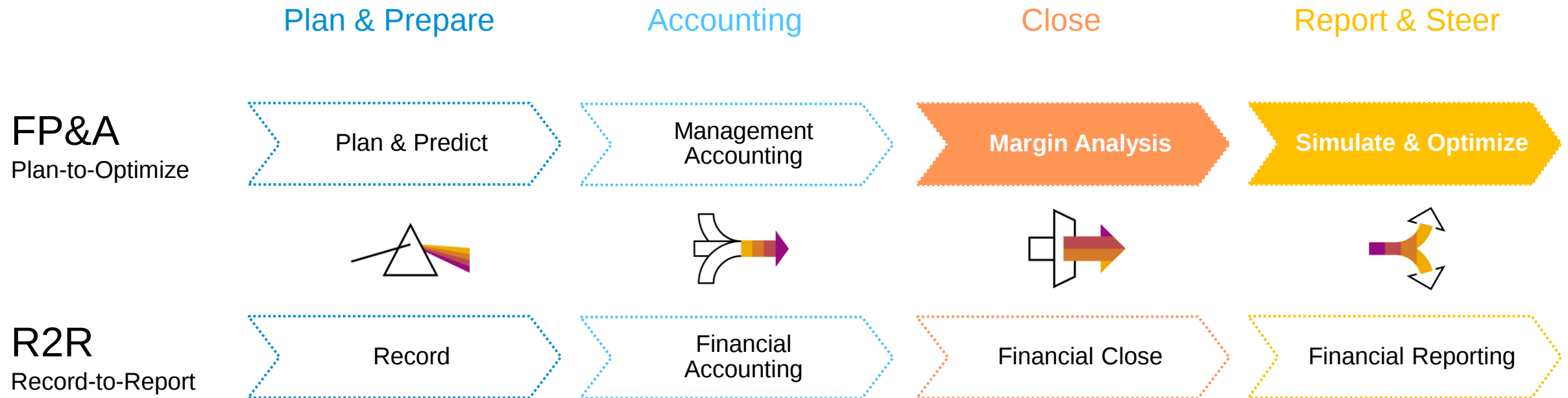
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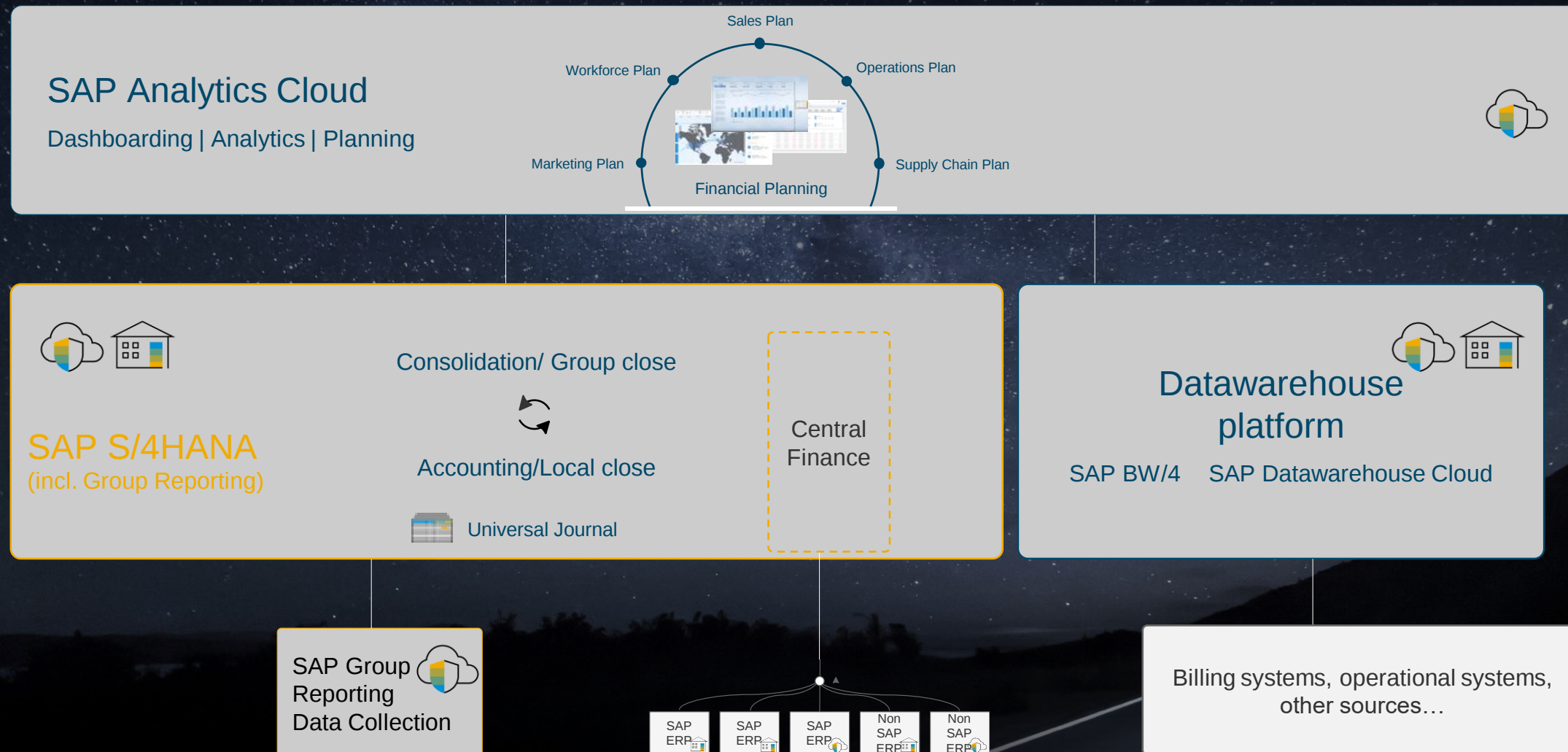
SAP S/4HANA – Finance at the Heart of Every Enterprise

Highly automated operations & effective value creation and protection



Best practice architecture for group wide reporting

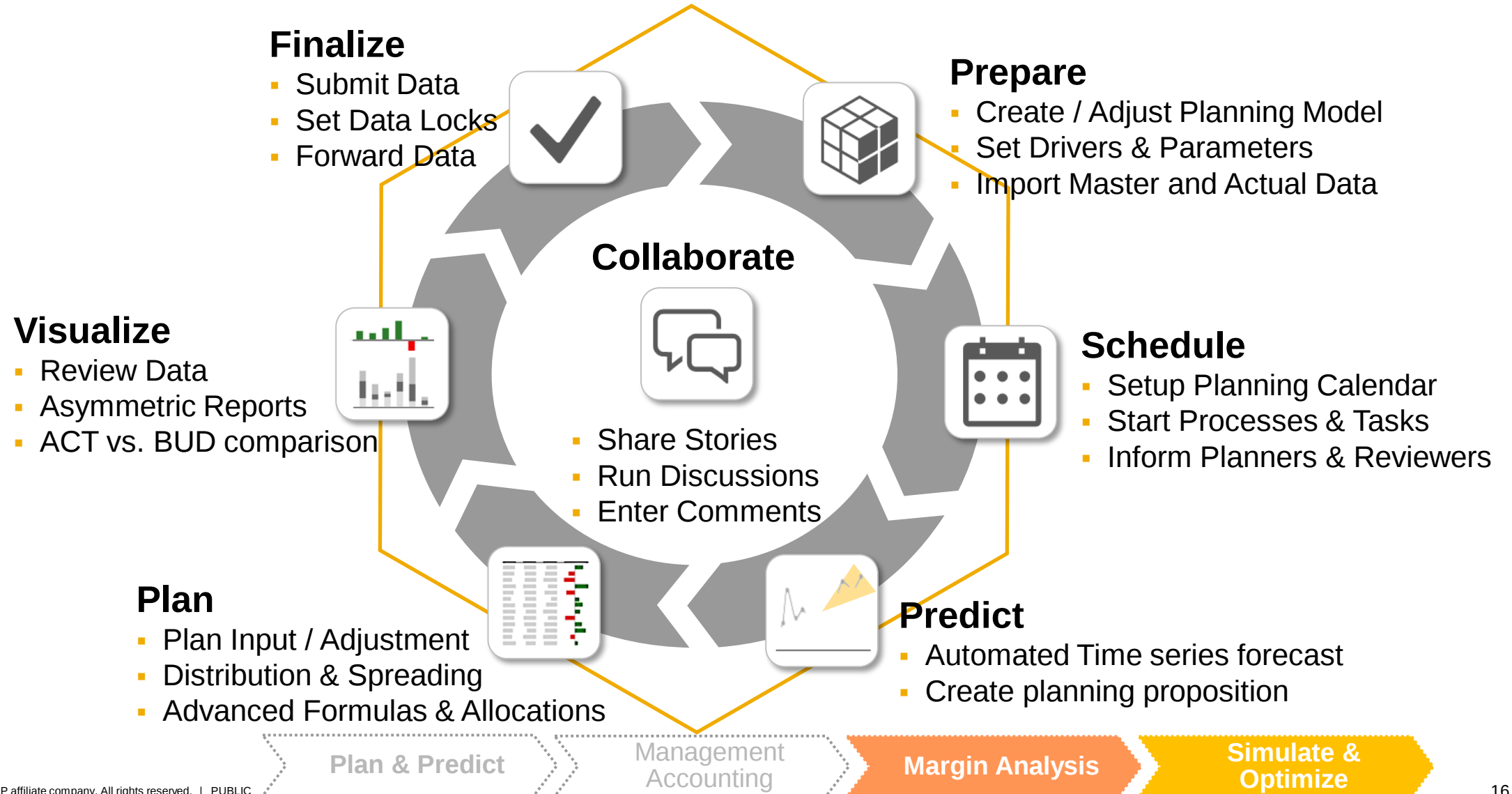
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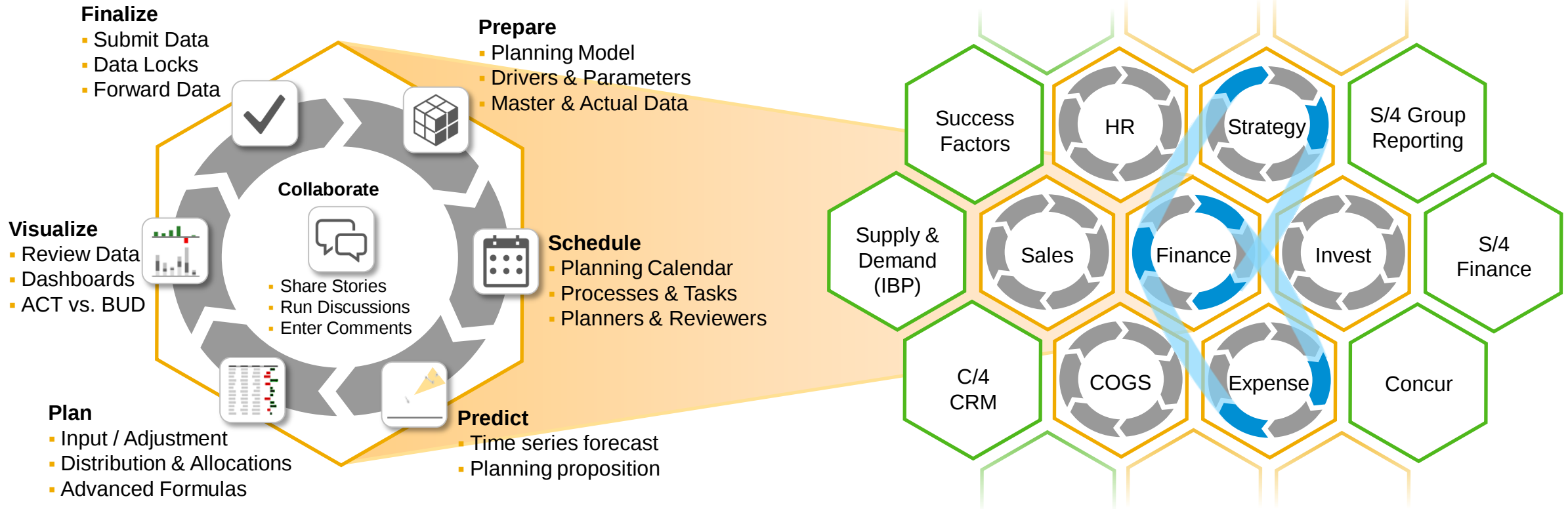
THE BEST RUN



Group Controlling **Be in driver seat for the Planning processes**



Collaborative Enterprise Planning



1

Crowdsource plans and budgets
across the organization to increase
engagement and accuracy

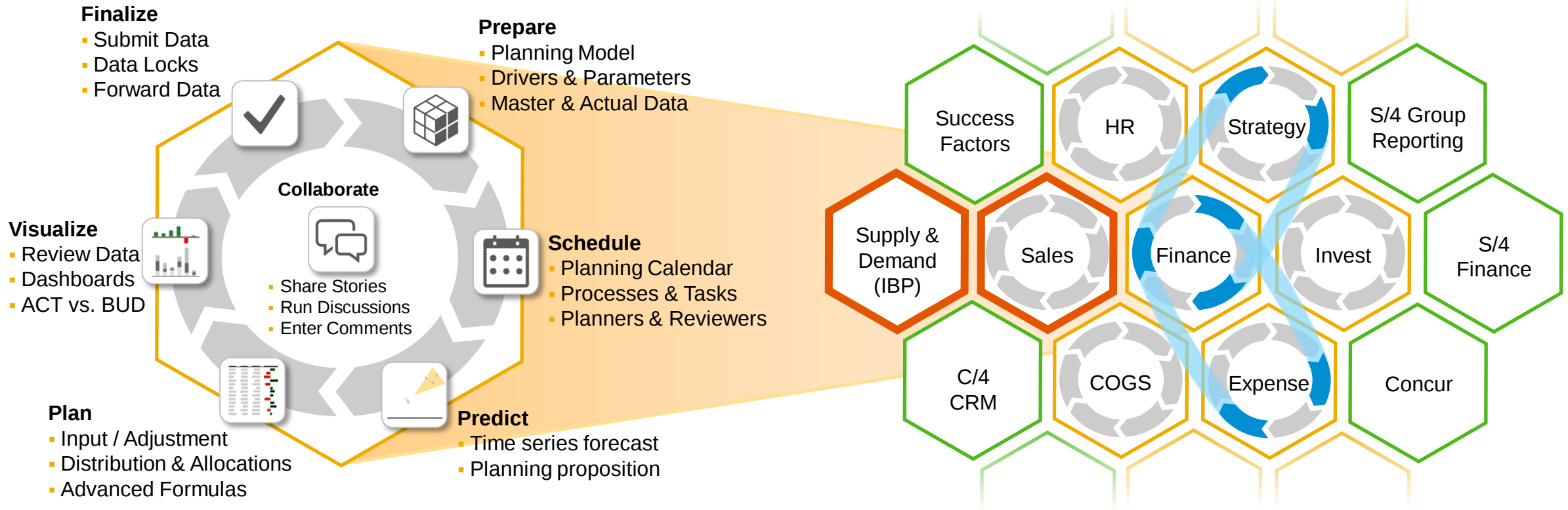
2

**Link operational and
financial planning**
to improve alignment and performance

3

**Embed within enterprise
applications**
for one source of the truth

Collaborative Enterprise Planning



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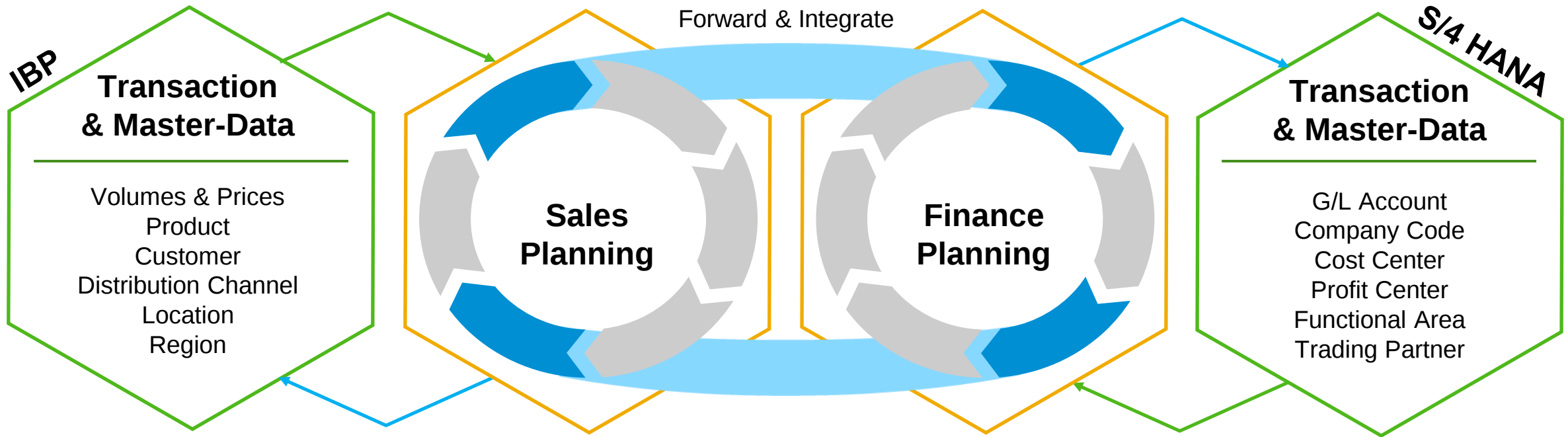
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**Embed within enterprise
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Collaborative Enterprise Planning



1 **Crowdsource plans and budgets**
across the organization to increase
engagement and accuracy

2 **Link operational and
financial planning**
to improve alignment and performance

3 **Embed within enterprise
applications**
for one source of the truth

Key capabilities

supporting strategic, tactical and operational driver-based planning

Highly flexible datamodels

The screenshot displays the SAP Analytics Cloud interface with a data model for SAP S/4HANA GL accounts. It shows a list of accounts with columns for Member ID, Description, Aggregation Type, Account Type, and Formula. A 'Hierarchy Maintenance' dialog is open, showing a tree structure of accounts and a list of members.

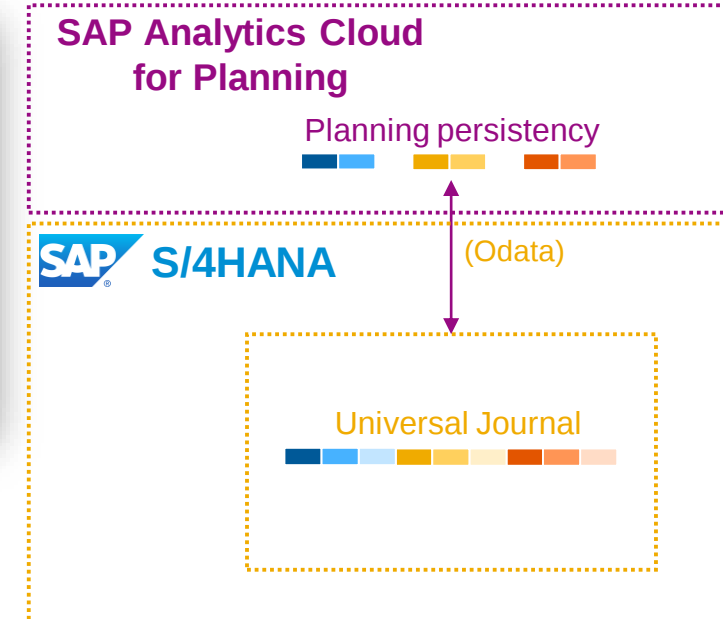
Member ID	Description	Aggregation Type	Account Type	Formula
PPA1006	Trade & Other Payables	LED	PPA1004	
PPA1007	Other Current Liabilities	LED	PPA1004	
PPA1008	Equity - Reserve Accounts	LED	PPA1047	
PPA1009	Equity - Subordinated Capital	LED	PPA1047	
PPA1010	Net Income	Sum	PPA1018	
PPA1011	Earnings Before Interest & Taxes	Sum	PPA1018	
PPA1012	Secondary Costs	Sum	PPA1018	
PPA1013	Growth Rate %	EXP	PPA1018	

Process support

The screenshot shows a process support view in SAP Analytics Cloud, displaying a table of financial data. The table includes columns for VERSION, Actual, and Forecast (F01, F02, F03, F04, F05, F06, F07, F08, F09, F10, F11, F12, F13, F14, F15, F16, F17, F18, F19, F20, F21, F22, F23, F24, F25, F26, F27, F28, F29, F30, F31, F32, F33, F34, F35, F36, F37, F38, F39, F40, F41, F42, F43, F44, F45, F46, F47, F48, F49, F50, F51, F52, F53, F54, F55, F56, F57, F58, F59, F60, F61, F62, F63, F64, F65, F66, F67, F68, F69, F70, F71, F72, F73, F74, F75, F76, F77, F78, F79, F80, F81, F82, F83, F84, F85, F86, F87, F88, F89, F90, F91, F92, F93, F94, F95, F96, F97, F98, F99, F100). The table is filtered by '2017 CM By Customer' and 'CM by Product'.

VERSION	Actual	Forecast
2017	2016	2017
2017	2016	2017

Integration of SAC and SAP S/4HANA



Plan & Predict

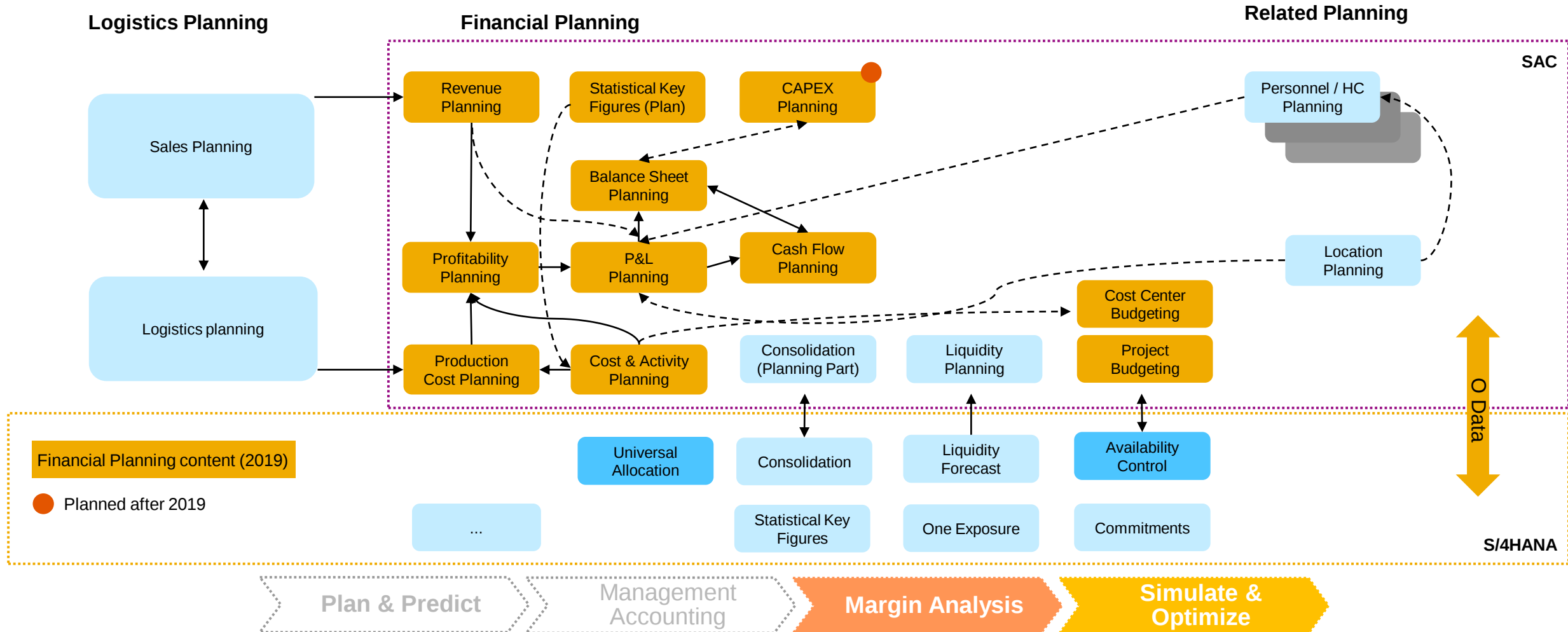
Management Accounting

Margin Analysis

Simulate & Optimize

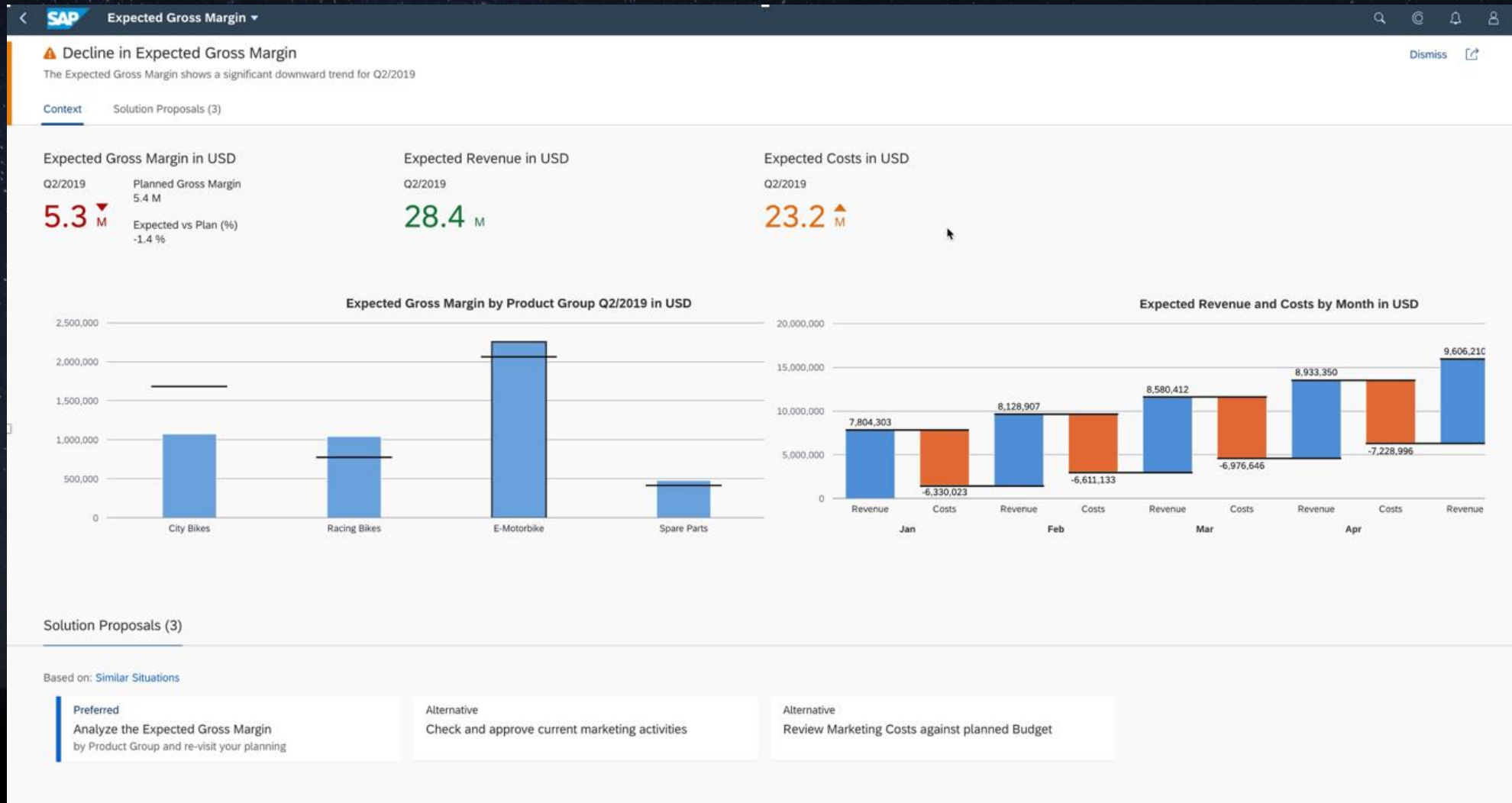
Driver based planning enabled by SAP S/4HANA and SAC

A business process view (focus on financial planning content)



SAP Analytics Cloud

Embedded analytical capabilities integrated with SAP S/4HANA



Plan & Predict

Management
Accounting

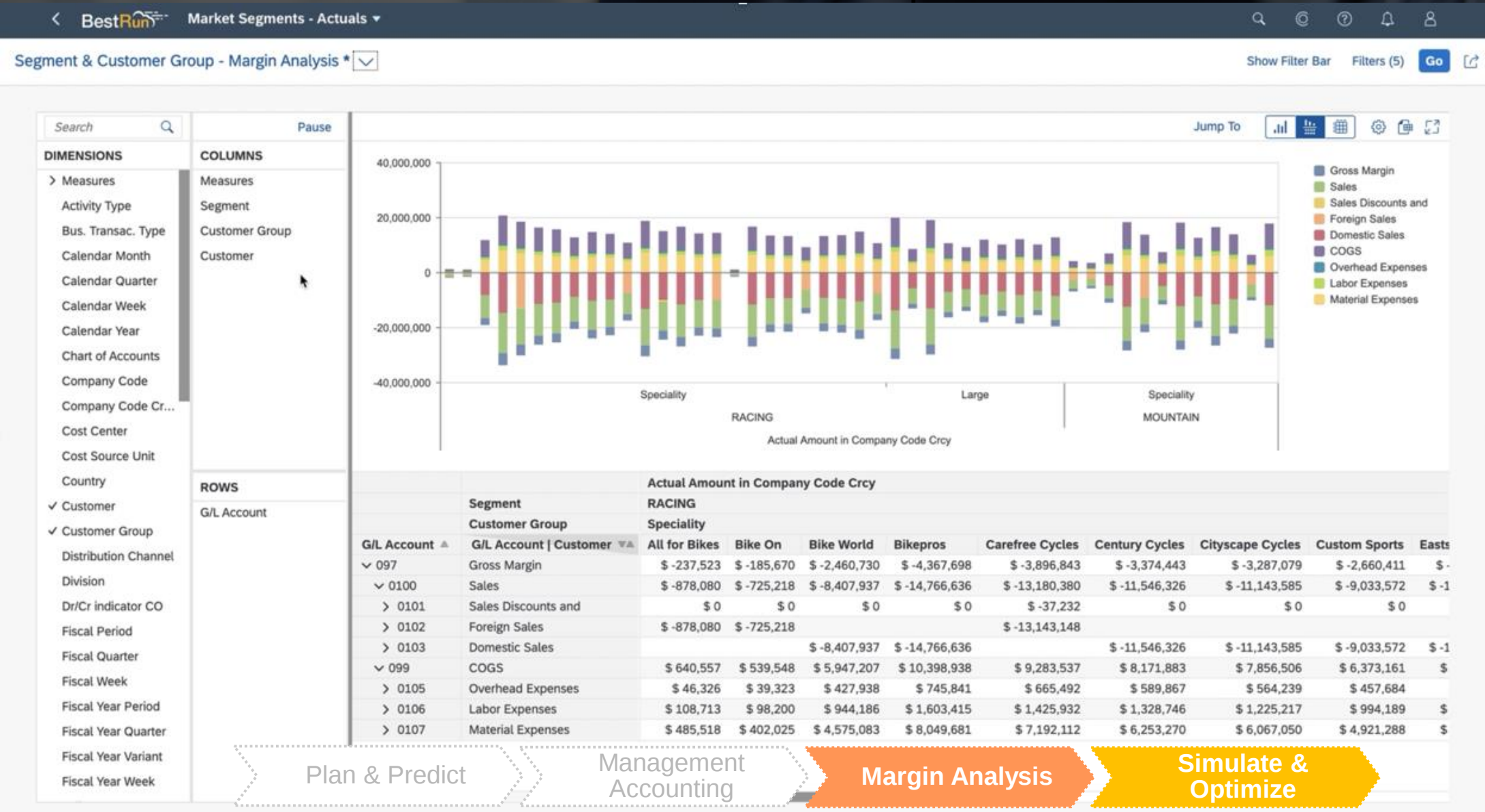
Margin Analysis

Simulate &
Optimize

THE BEST RUN

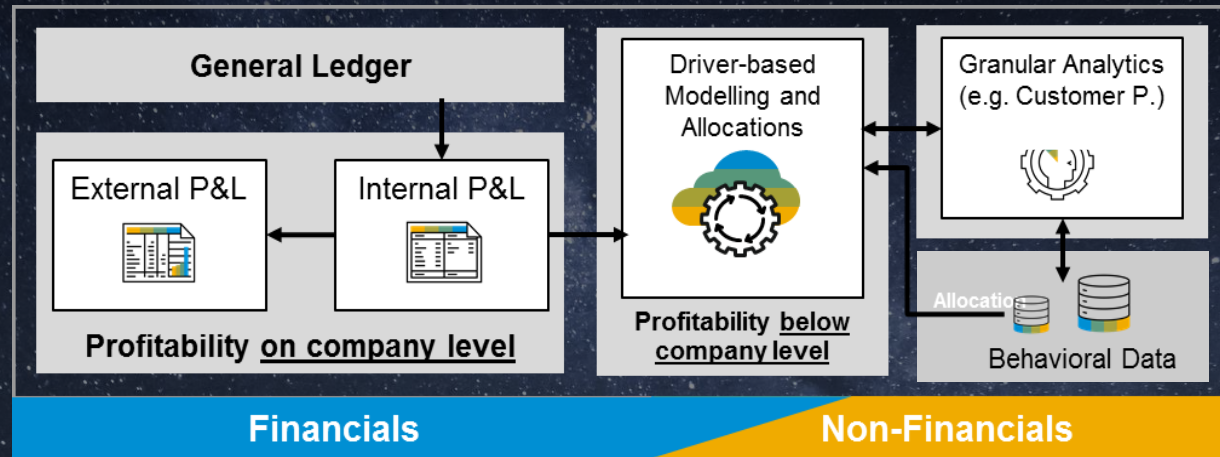


Margin analysis in SAP S/4HANA



E2E Margin Insights and Optimization

What to do in case of different business models?



Product /
Process



Project /
Service



Subscription

*Decreasing amount of granularity in S/4HANA
depending on the type of business model*

**SAP S/4HANA
Margin Analysis**

The basis for margin
analysis

Universal Journal delivered insights:

- General ledger
- Profitability by business dimension (depending on business model)
- Focus on direct costs

External sources adding insights:

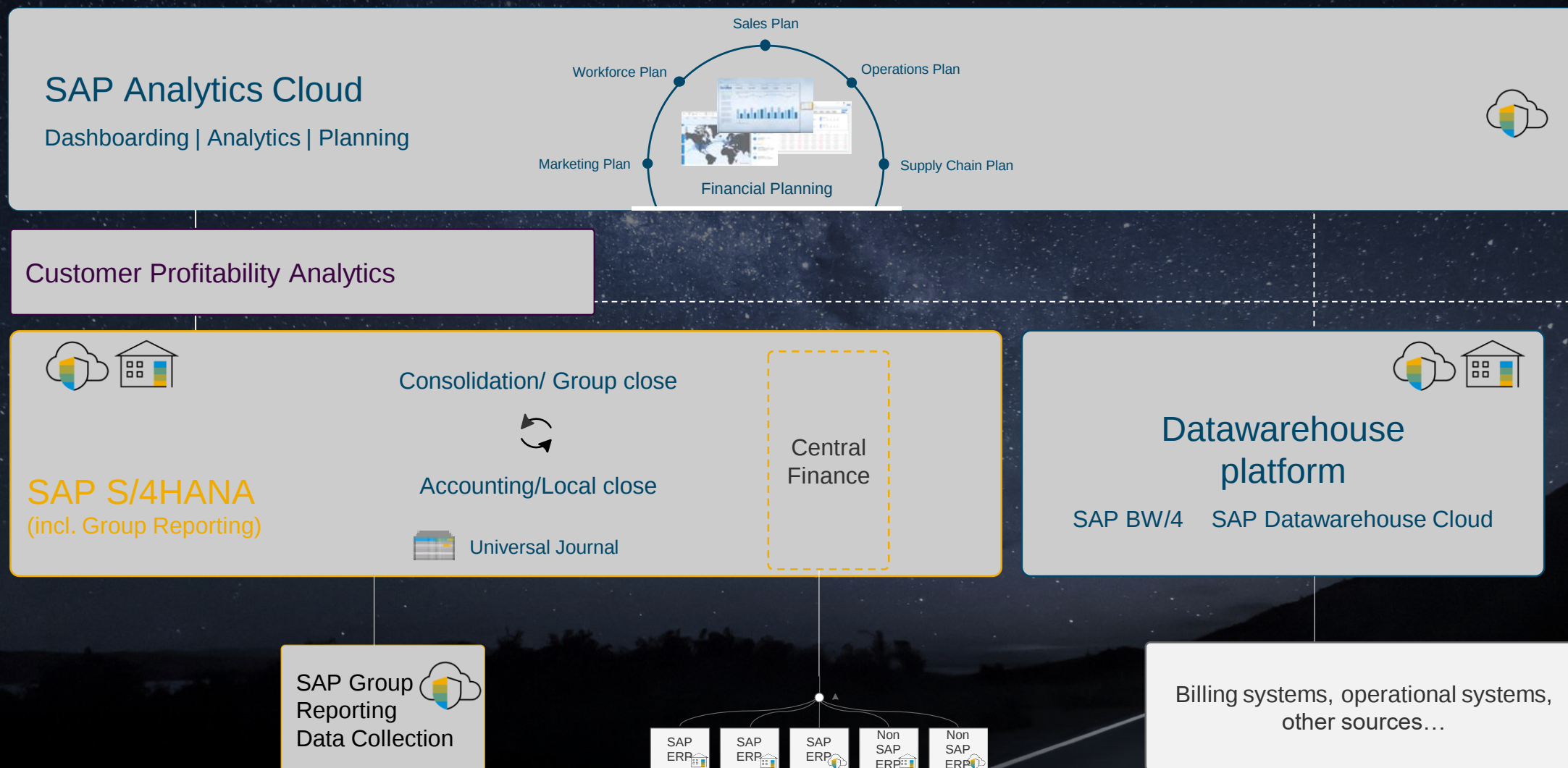
- Non-financial driver data by business dimension
- External billing information, data from Customer Relationship Management,...
- Complex indirect costing

**SAP Customer
Profitability
Analytics**

Depending on business model
and related business drivers,
additional granularity and logic
is required

Best practice architecture for group wide reporting

offering a new quality of integration between local and group insights



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- [illegible]

Simulate & Optimize

CPA Use case: Customer Margins

Drill down examples for TelCo industry use-cases



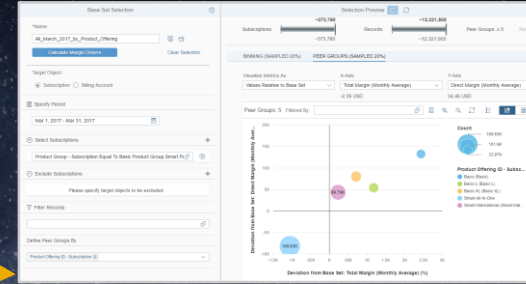
Trigger:

- **Business Question:** “How profitable is my European roaming business?”
- **Dashboards:** “Product Group All-Inclusive is unprofitable in Region South-East”
- **Monitoring:** “New Product Line Blue does not meet margin targets”
- **Expert User Input:** “I’m afraid Music Streaming Service is Unprofitable”



Margin drivers:

- “Roaming with Carrier ‘SuperTelco’ hurts margins”
- “Dealer ‘CostCutMarket’ in South-East Region has most low margin subscribers”
- “Many Streaming Users do not pay for the Service”

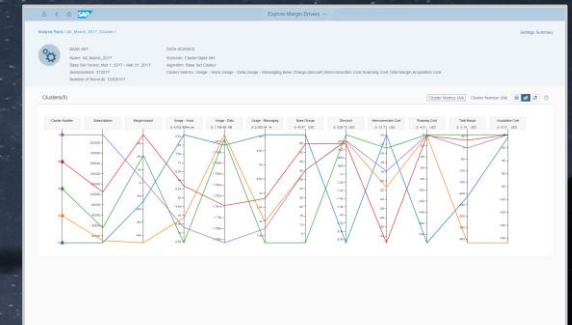


Definition of Target Group Base Set:

- “Roamers to Europe”
- “All-inclusive Subscribers in South-East”
- “Blue subscribers”
- “Subscribers who bought streaming packages”

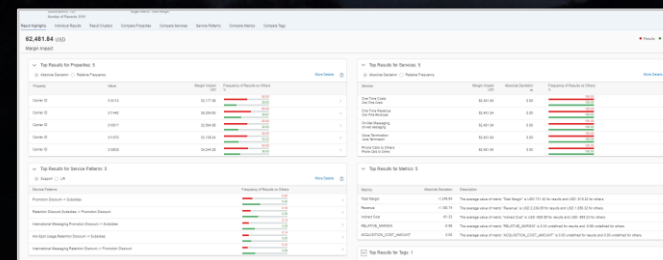
Customer-level drilldown:

- “Ian has binge-watched movies while Roaming with SupahTelco in Europe”
- “Alice has subscribed at Dealer ‘CostCutMarket’ and she has three different base charge discounts at once”
- “Igor got the Streaming Service as a Promotion via Facebook”



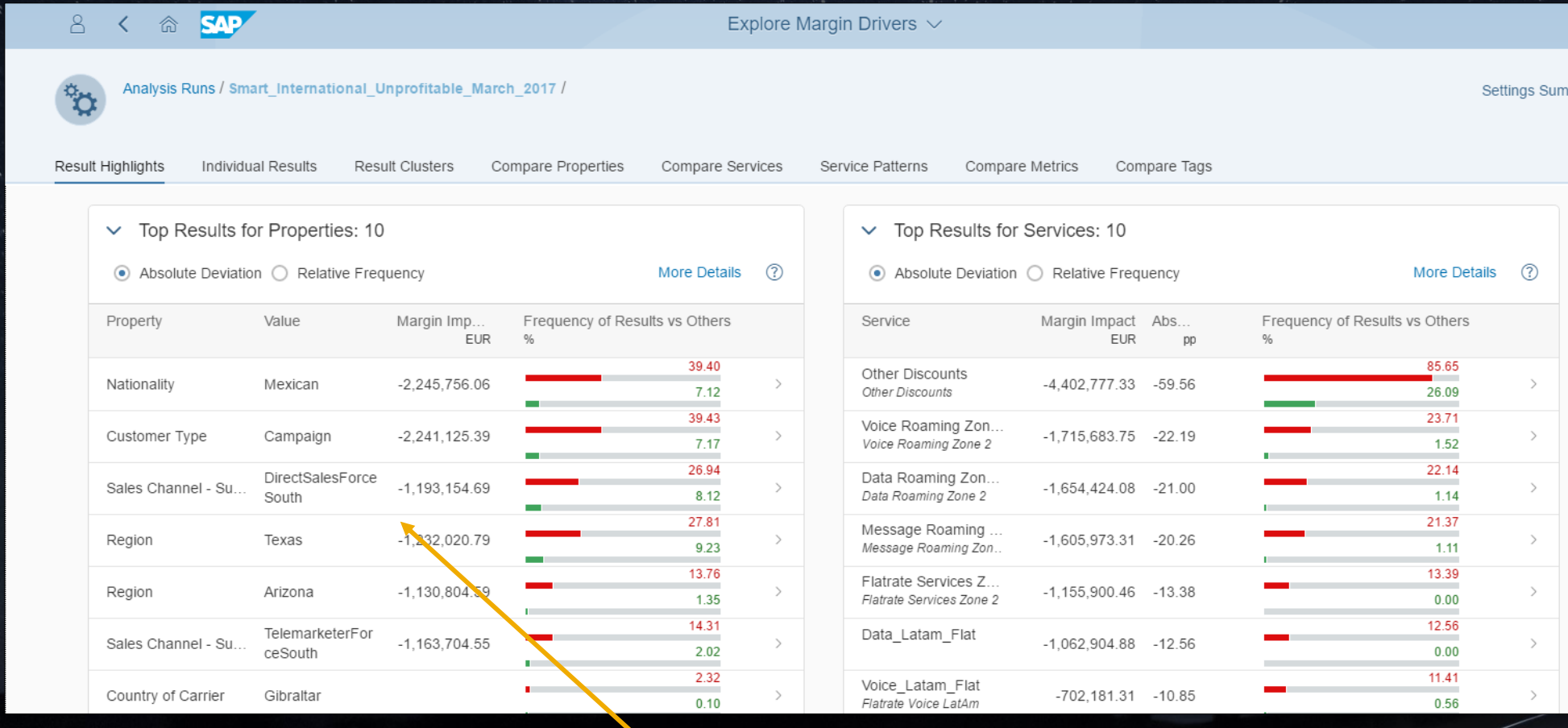
Behavioral margin clusters

- “Low Roaming Data Usage but High Interconnect Voice”
- “High Discounts and Low Margins”
- “High Commissions and Low Base Charge”
- “High data usage and High Content Usage”



CPA Use case: Root Cause Analysis

Result Highlights



Nationality "Mexican" with customer type "Campaign" and sales channel "Direct Sales Force-South" in the region "Texas"

- There are **hundreds of potential margin drivers** in a rich data model.
- **CPA's highlights** the most **important margin drivers** in an easy-to-consume way both as charts and texts.

Plan & Predict

Management
Accounting

Margin Analysis

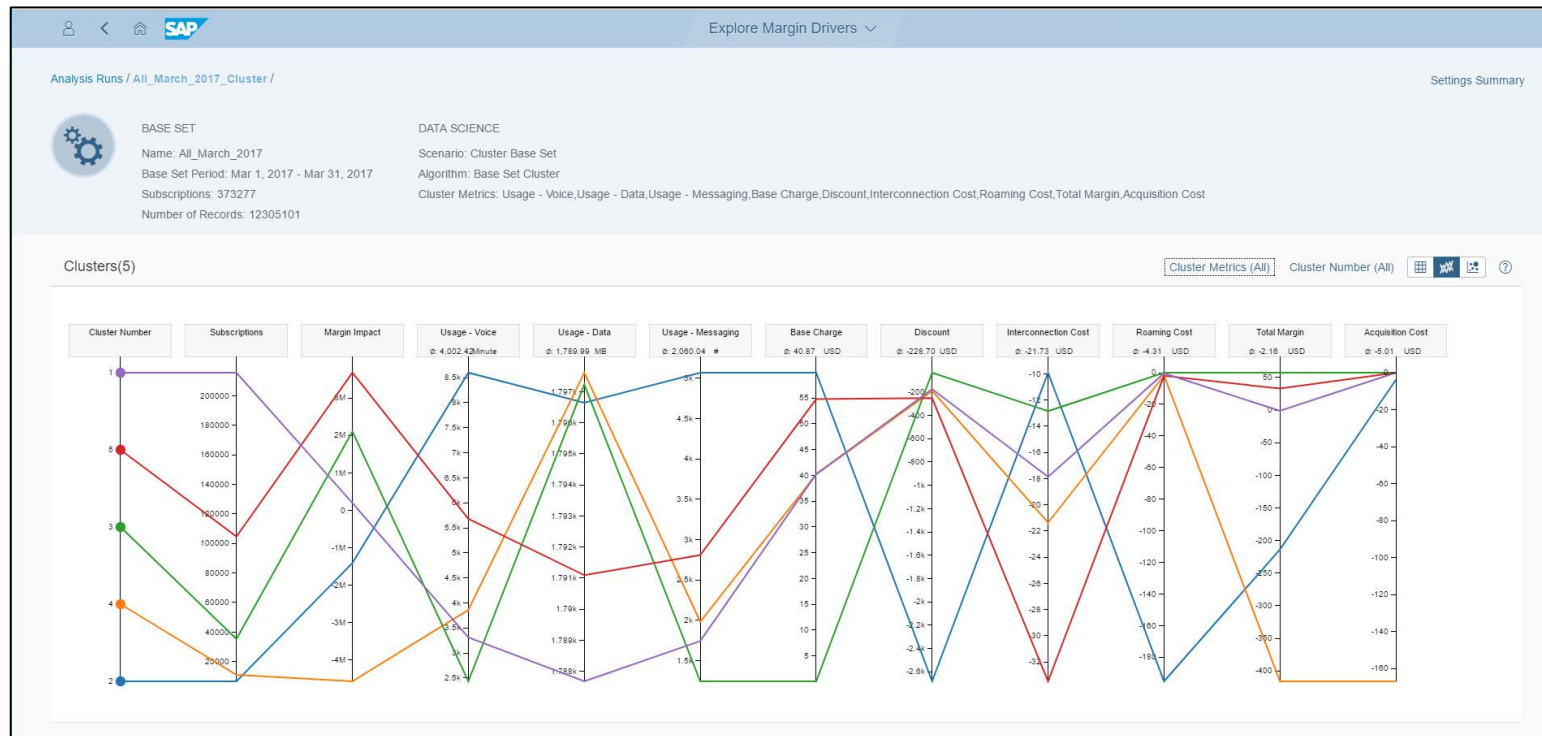
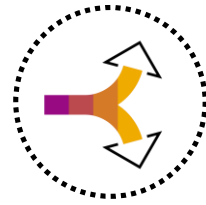
Simulate &
Optimize

THE BEST RUN



Simulate & Optimize in SAP S/4HANA

Enabling pro-active business steering



Customer profitability analytics



Benefits

- **Pro-active business steering** through forward-looking insights
- **Compare business scenarios** through flexible & automated simulations
- **More accurate view** through organizational modeling and the inclusion of extended information

Plan & Predict

Management
Accounting

Margin Analysis

Simulate &
Optimize

AMPU and ARPU

Average Margin per User

5.95

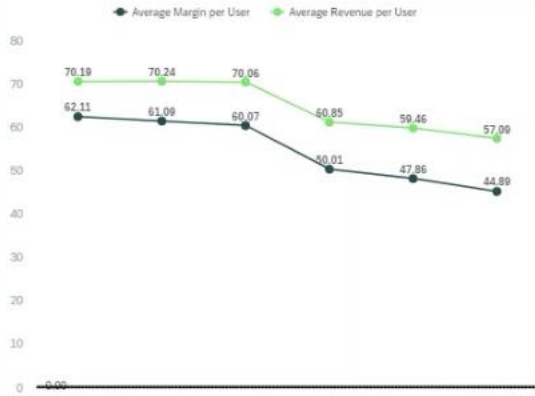
AMPU current month

AMPU growth

AMPU previous month

-5.40%
6.29

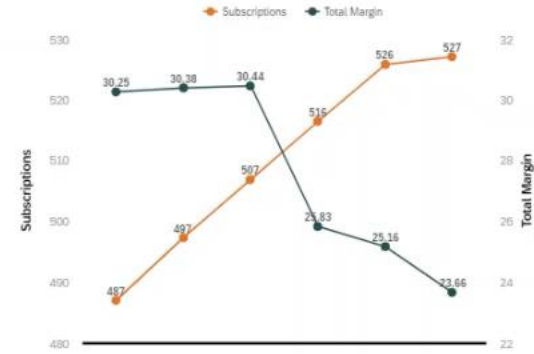
AMPU and ARPU, last two Quarters



Subscriber and Margin Trends

Strong but unprofitable Subscriber Growth, last two Quarters

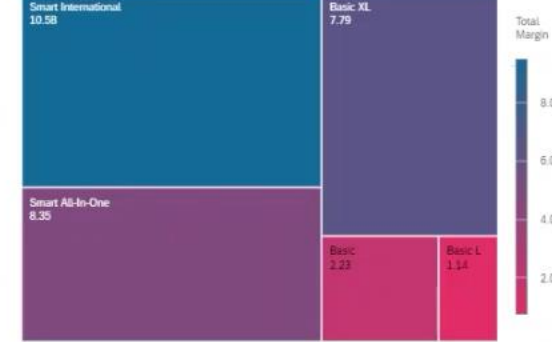
in Thousand, Million



Product Margins

Revenue Drivers are not Margin Drivers, current Month

in Million



Service Margins

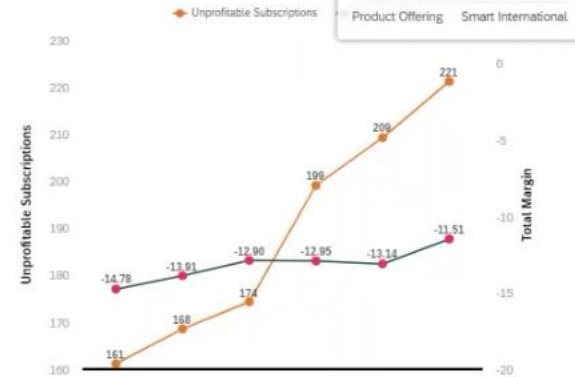
Strategic Imperatives: Grow Content, Defend Roaming&IC, Limit Discounts

in Million



Unprofitable Subscriptions and Margin Loss, last two Quarters

in Thousand, Million



Margins by Product, current Month

in Million



Margins by Service, current Month

in Million

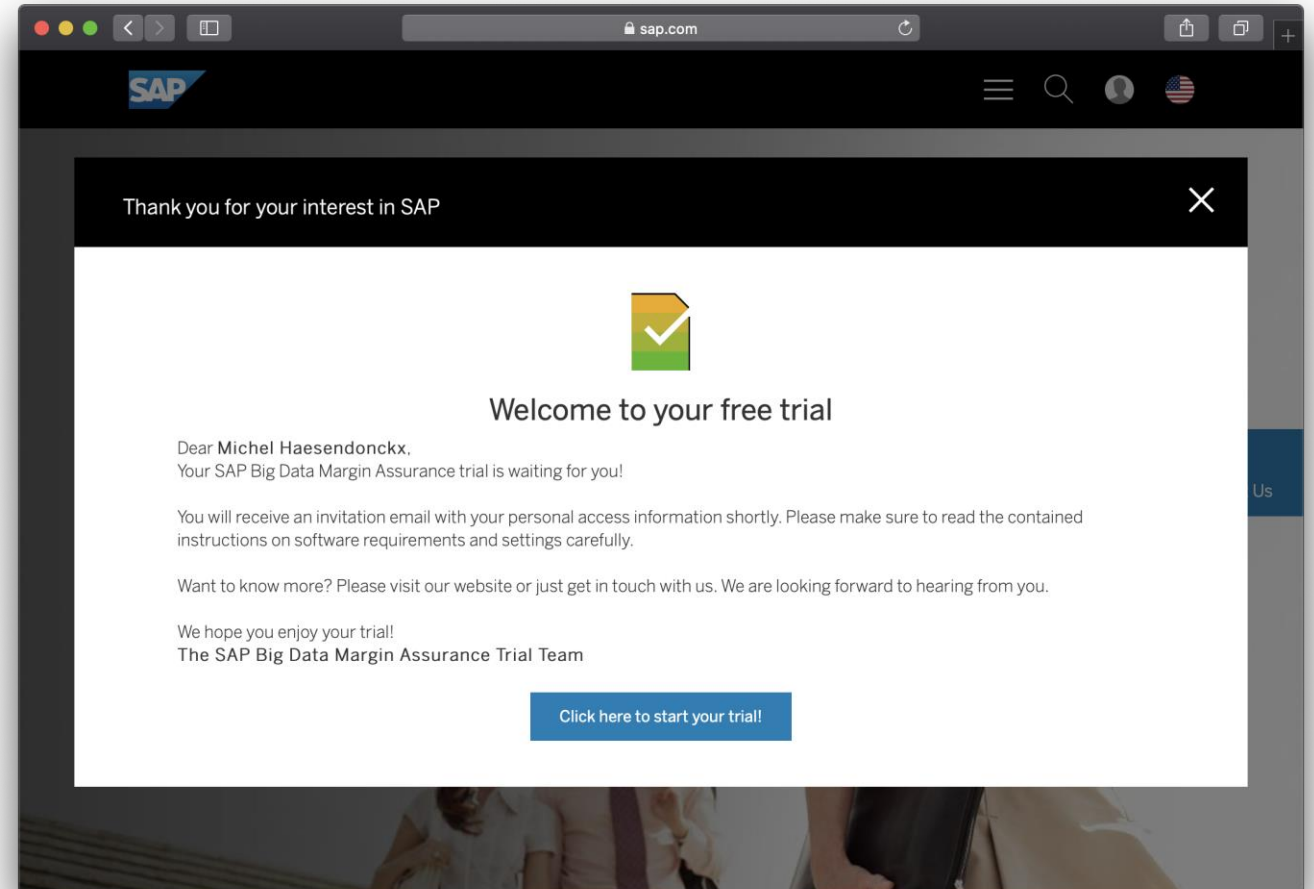


Trial – Public Cloud demo

Access: <https://www.sap.com/registration/trial.658c04d5-d4ab-488a-8827-43deb243d531.html>

Process: register → get a trial account → guided tour

This trial is based on a scenario for the TelCo-Industry

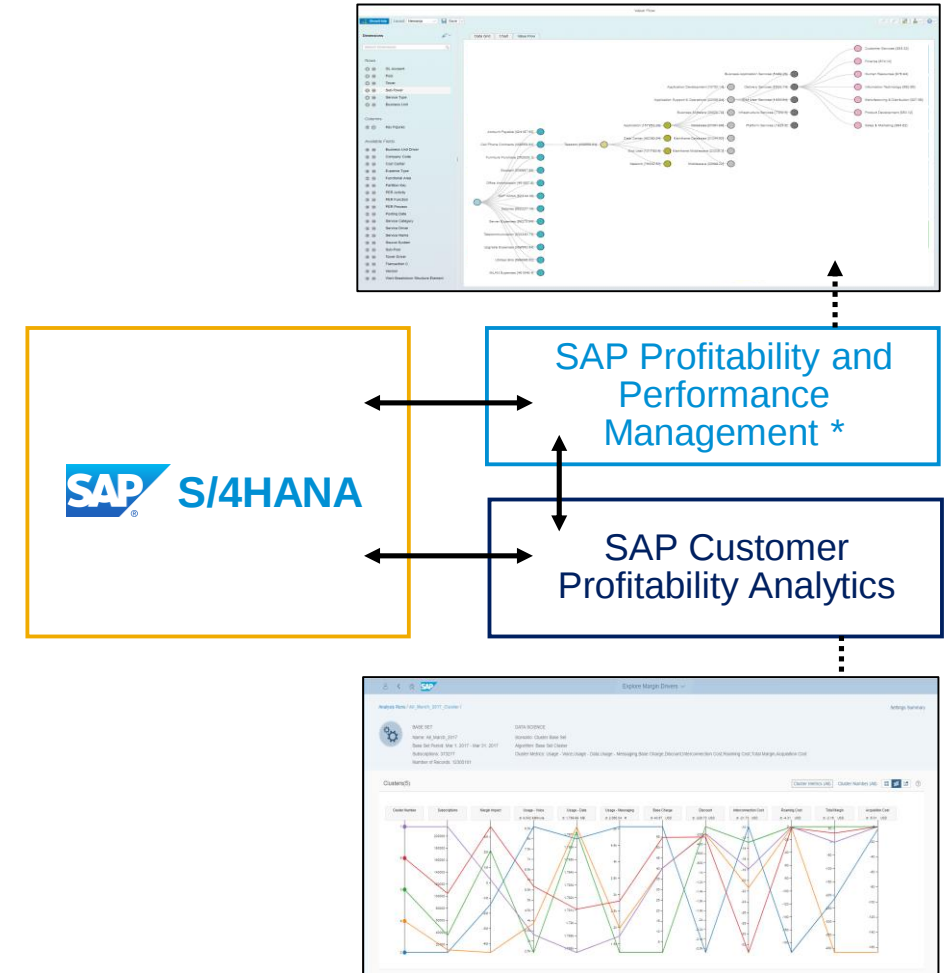


Extending S/4HANA with additional/ more granular profitability insights and driver based modeling

Granular analytics is all about providing **automated, tool driven profitability insights** by multiple business dimensions

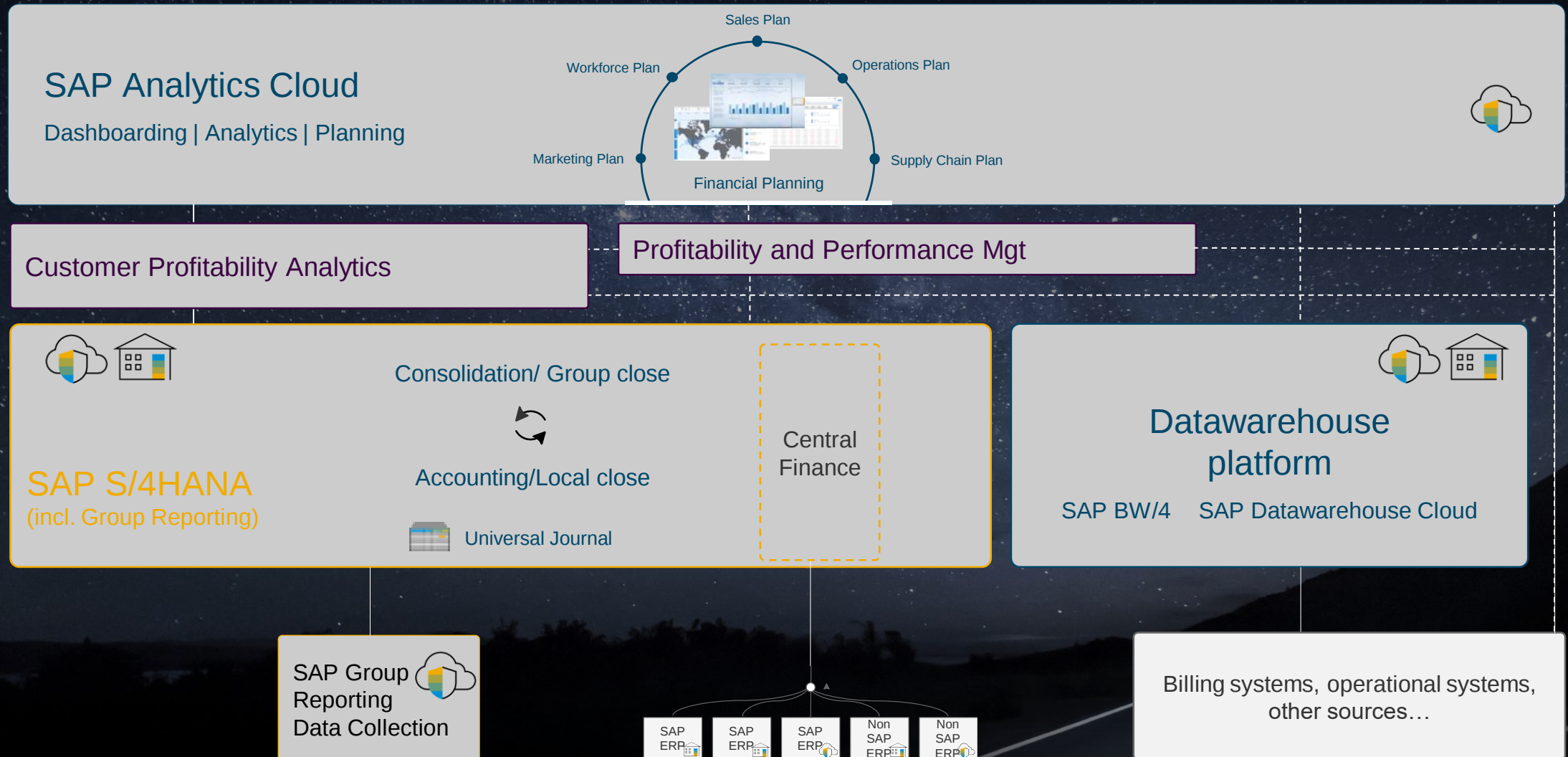
- **SAP CPA** leverages **data sources in and outside of S/4HANA** like billing data and manages customer profitability combined with **granular insights**
- **SAP CPA** leverages intelligent technologies like data science and Machine Learning support detection of margin leakages and its root causes
- **SAP PaPM** allocates **indirect costs *** (e.g. service costs) down to single costs rates which can be used in **SAP CPA** for **steering** on individual customer/ subscription level

* Depending on business requirements and technical architecture, cost allocations can be modeled and executed in SAP S/4HANA or SAP Profitability and Performance Management (or SAP Analytics Cloud if less complex)



Best practice architecture for group wide reporting

offering a new quality of integration between local and group insights

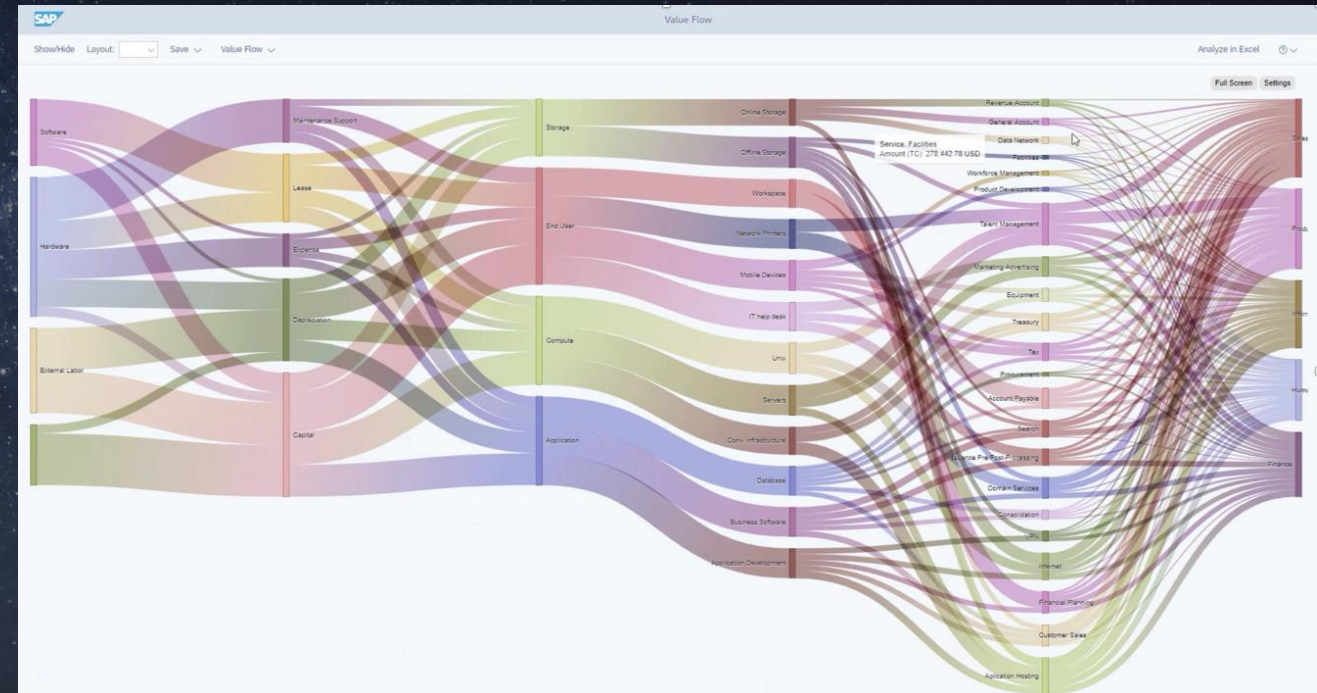
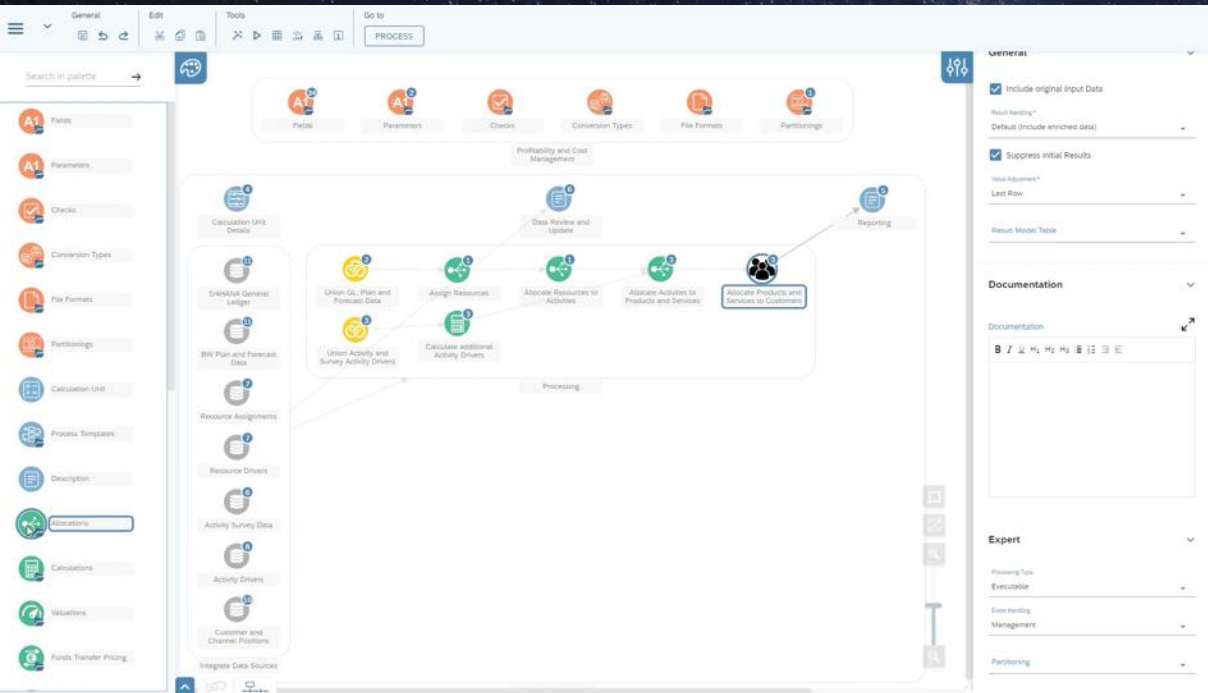


THE BEST RUN



SAP Profitability and Performance Management

Business-user driven modeling and transparency



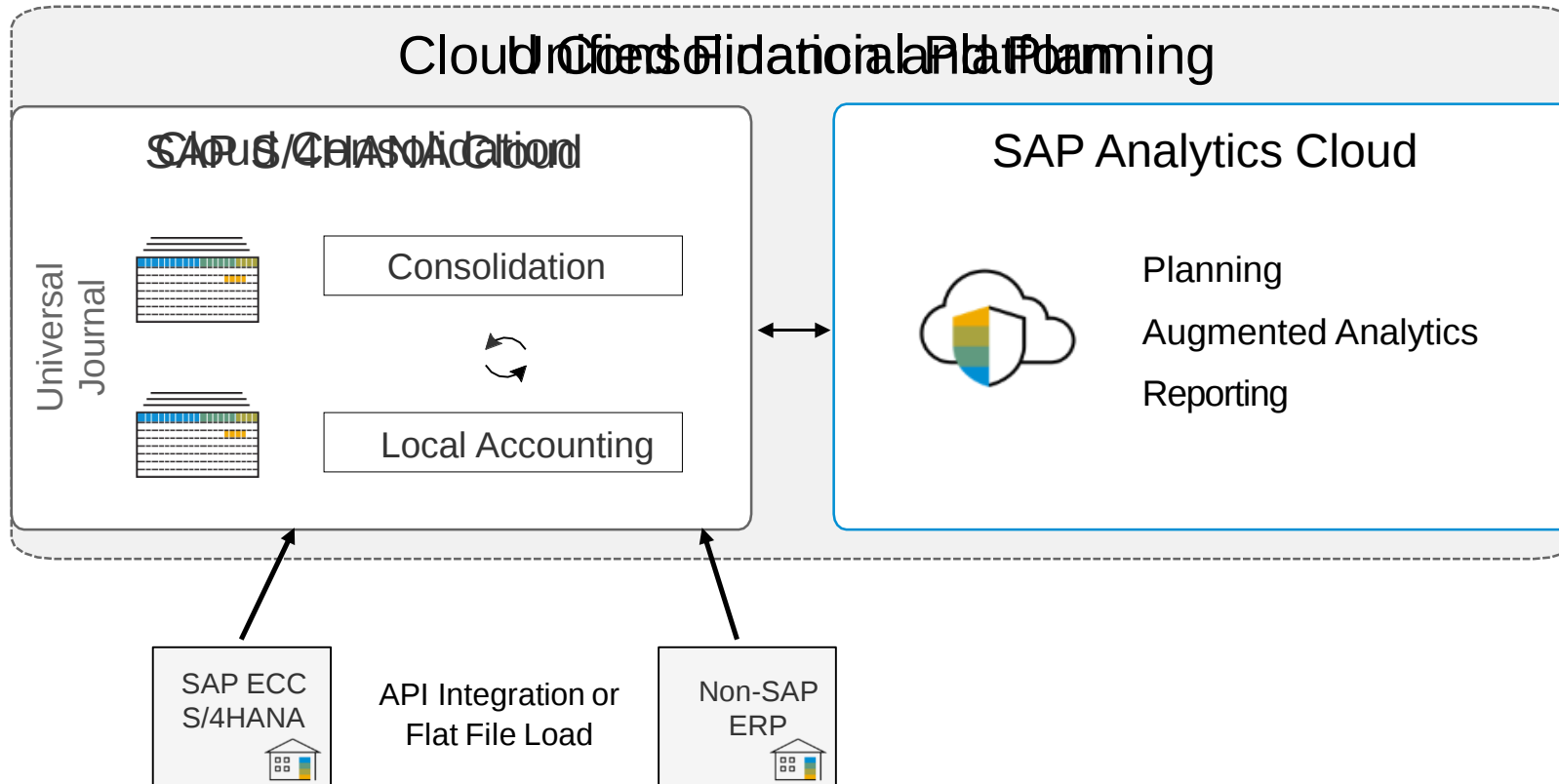
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Unified Platform for Consolidation and Planning



- **Single reporting platform** to support journey to S/4HANA
- **Simplify consolidation** and planning landscape and processes
- **Improve data access, transparency** and auditability
- **Off the Shelf content** allowing for quicker engagement with end users and quicker time to value
- **Investment now with continued benefits.** The “Real” real-time!

Your thoughts?

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