# AL Futtaim
## Enterprise Performance Management

To Be Performance Management Workshop
21 June 2011

# Focus of this meeting

**Agenda includes the following:**

- **Our understanding of Business requirements for Performance Management**

- **Proposed Solution and Demos**
- Business Objects Dashboards
- Business Objects Explorer

- **Validate expectations and gather any additional requirements**

- **Other possible solution additions to help achieve customer and business outcomes**

- **Implementation challenges**

# Business Requirements

**Business  Performance Mgmt**

# Performance management is often seen as dashboard provision of information (Example CEO dealer dashboard)
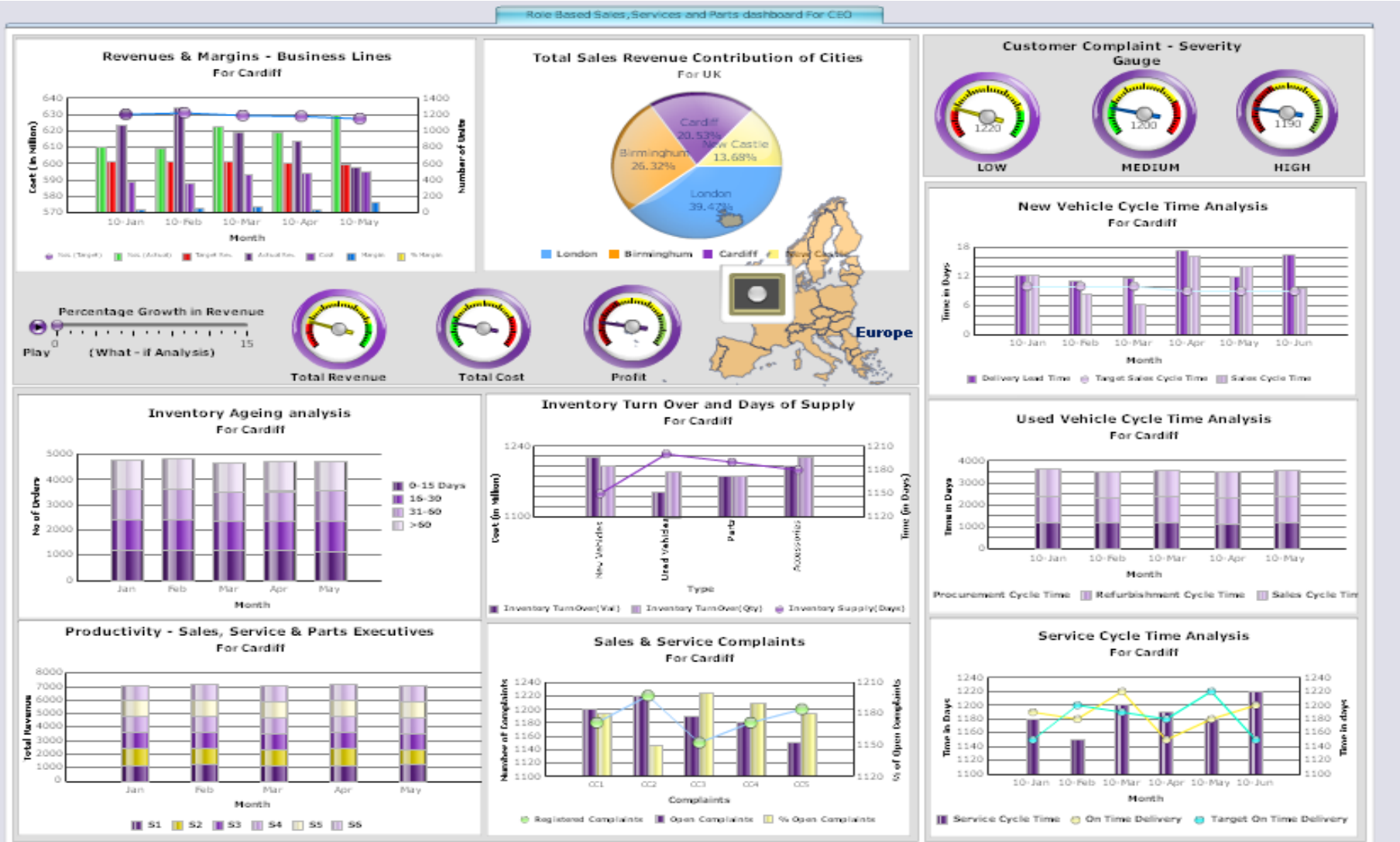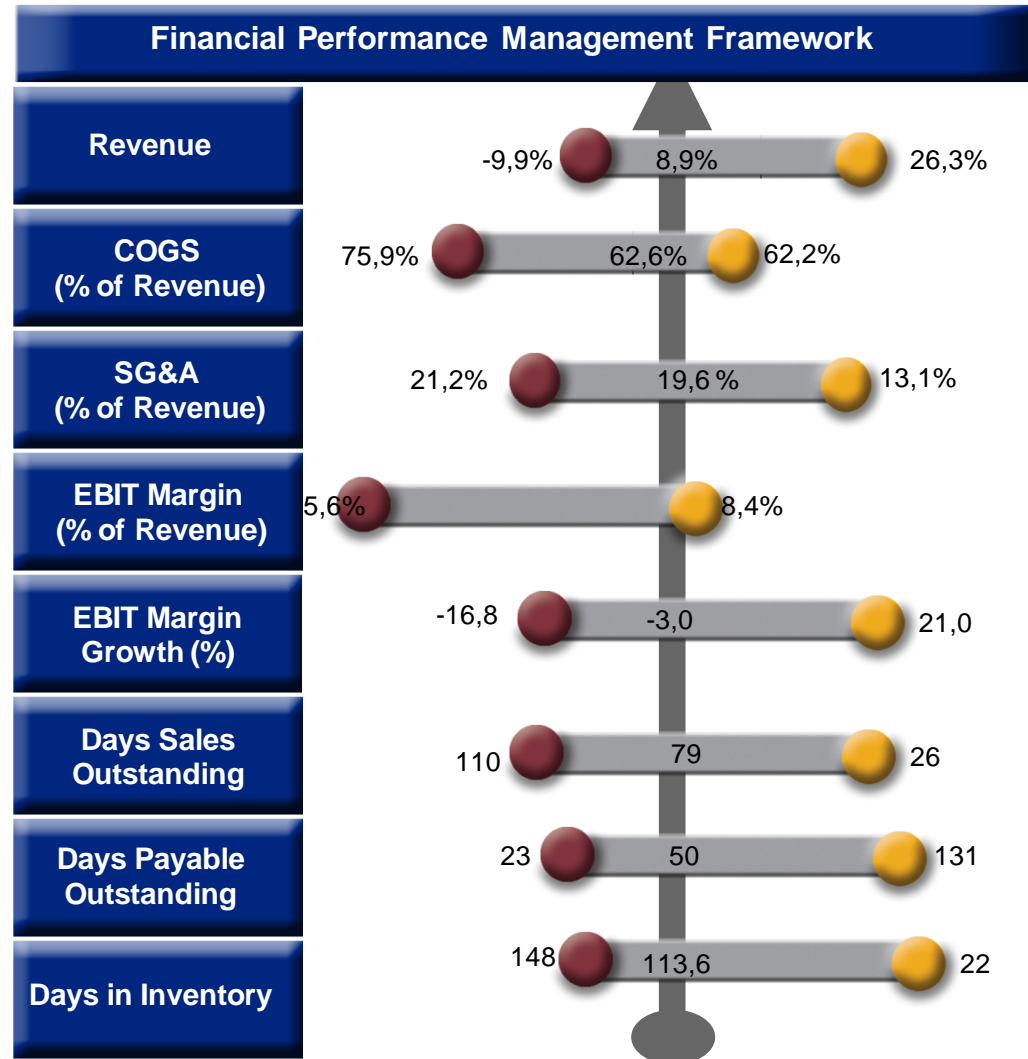
# Senior executives need a performance management framework to support decisions to achieve AFM's objectives

**How can I profitably grow my business while decreasing cost and increasing revenue per customer?**

**How do I generate and manage sales leads and increase margin?**

**How do I increase retention by fixing cars right first time with improved convenience & efficiency?**

**How do I improve parts availability and reduce working capital at the same time?**

## Financial Performance Management Framework

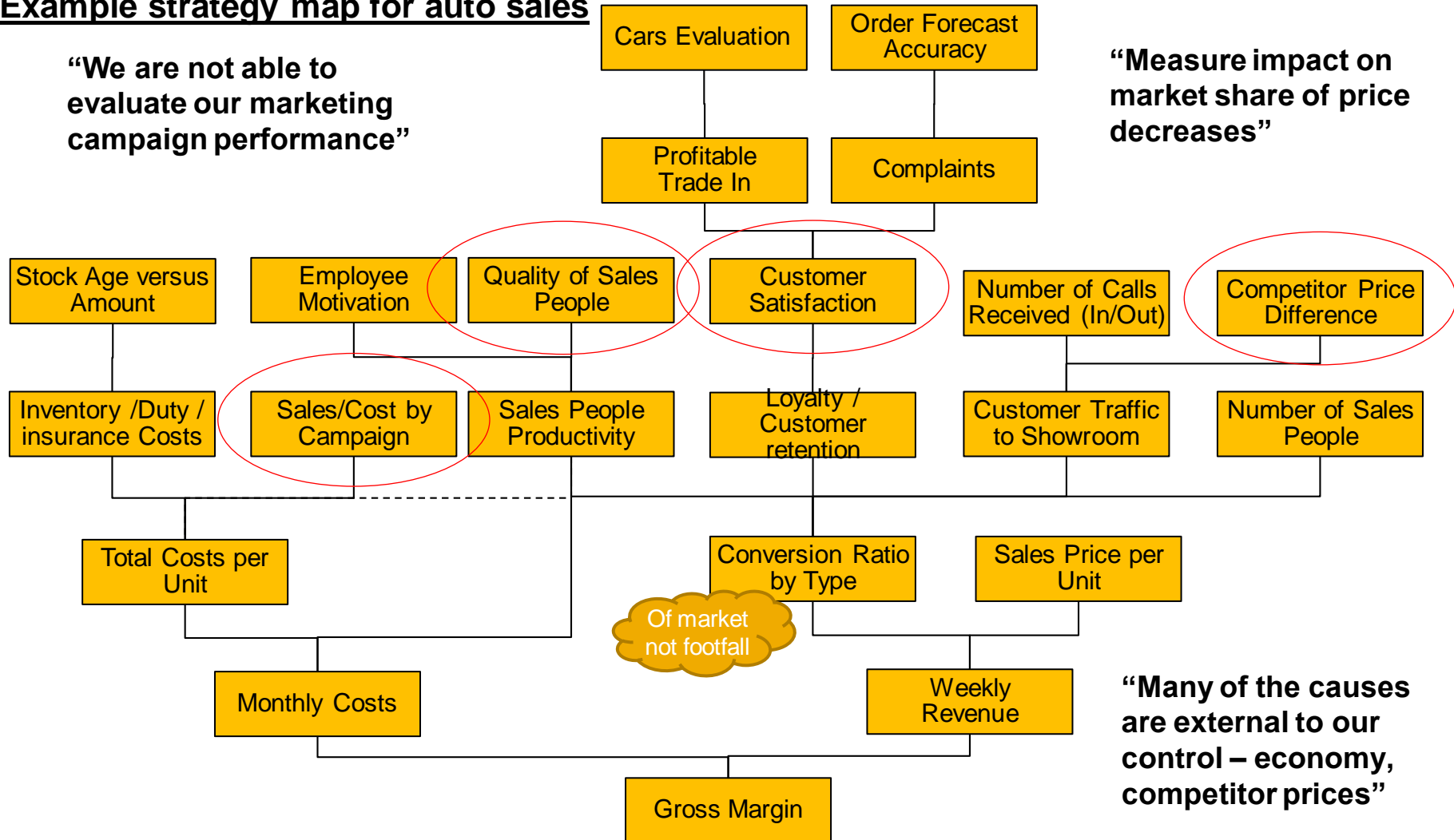| KPI | Low | Mid | High |
|-----|-----|-----|------|
| Revenue | -9,9% | 8,9% | 26,3% |
| COGS (% of Revenue) | 75,9% | 62,6% | 62,2% |
| SG&A (% of Revenue) | 21,2% | 19,6 % | 13,1% |
| EBIT Margin (% of Revenue) | 5,6% | | 8,4% |
| EBIT Margin Growth (%) | -16,8 | -3,0 | 21,0 |
| Days Sales Outstanding | 110 | 79 | 26 |
| Days Payable Outstanding | 23 | 50 | 131 |
| Days in Inventory | 148 | 113,6 | 22 |

*Only selected KPIs related to areas of improvement against the peers.*

# Need to identify drivers to identify complexity of data
## (part of next phase - drivers and data sources)

**Key Driver**

## Example strategy map for auto sales

**"We are not able to evaluate our marketing campaign performance"**

**"Measure impact on market share of price decreases"**

- Cars Evaluation
- Order Forecast Accuracy
- Profitable Trade In
- Complaints
- Stock Age versus Amount
- Employee Motivation
- Quality of Sales People
- Customer Satisfaction
- Number of Calls Received (In/Out)
- Competitor Price Difference
- Inventory /Duty / insurance Costs
- Sales/Cost by Campaign
- Sales People Productivity
- Loyalty / Customer retention
- Customer Traffic to Showroom
- Number of Sales People
- Total Costs per Unit
- Conversion Ratio by Type
- Sales Price per Unit

Of market not footfall

- Monthly Costs
- Weekly Revenue

**"Many of the causes are external to our control – economy, competitor prices"**

- Gross Margin

# Clarity on the drill down needed to understand root cause
## (part of next phase – drilldown requirements)

↑ Trending

**Example strategy map for auto service center**

**"Want to be more proactive in front of Toyota" "link to Toyota systems"**

**"We are best practice but won't be for long" "need benchmarking"**



- Parts Ordered but Not Used
- Justified Late Ordering
- Obsolete Parts (Parts Turnover)
- Claim Cycle Time
- Technical Skills Procurement
- Reporting on Time / Forecast /Order Accuracy
- Under / Over Resourcing
- ↓ Frequency of Meetings
- ↓ Employee Satisfaction
- ↓ Technician Performance
- Technician skills ↓
- No Shows
- Vehicles Waiting for Parts
- Justified Late Ordering
- Turnaround Time
- Customer Satisfaction
- ↑ Corporation Charges e.g. utilities
- ↑ Manpower Costs (Cap. Utilization)
- Customer Retention
- Cars Serviced / Repaired
- Pricing? Customer types?
- ↑ Monthly Costs
- Daily revenue
- ↓ Gross Margin

**"need transparency on financials – don't understand monthly figures"**

**"need more focus on operational issues e.g. job type profitability"**

# Key Requirements (from prevalidation meeting)

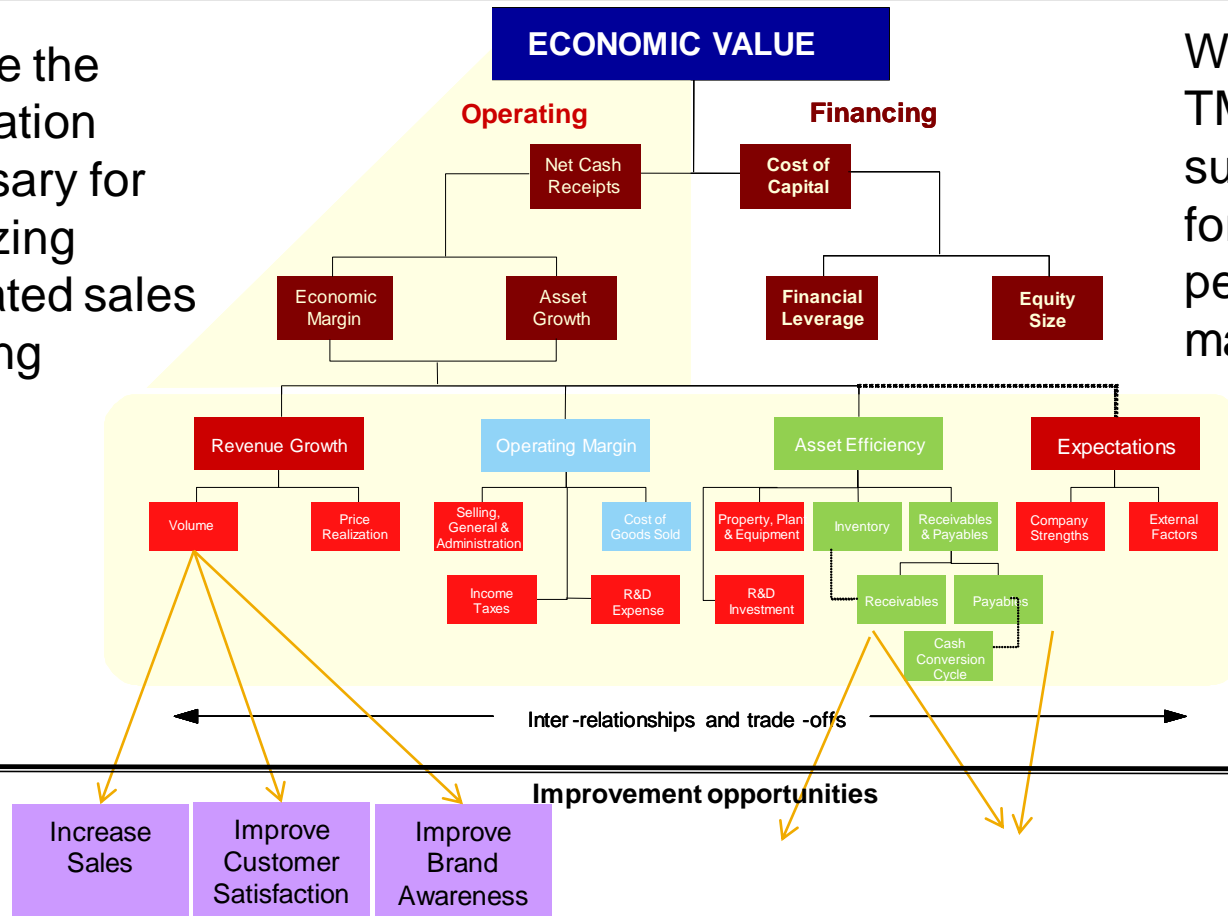## For Al Futtaim Motors Performance Management

- Senior executives need a performance management framework to support decisions to achieve AFM's objectives

- A framework needs to integrate top level financial planning to operational planning and improvement initiatives

- Key performance measures and incentives can be linked by role based dashboards across reporting levels

- **Provide guided exploration across multiple dimensions of information**

- **Enable Drill down and What-If-then analysis etc – for e.g. Cash Flow Analysis**

- **Compare performance against target and predictive analytics**

- **Communicate progress and quickly focus on issues that need attention and action**

- **Ensures compliance, ownership and accountability**

- **…**

# A framework needs to integrate top level financial planning to operational planning and improvement initiatives

Provide the information necessary for optimizing integrated sales planning

With integration into TMC and key suppliers/ customers for supply chain performance management

Real time so end of week can get a view on how performed that week
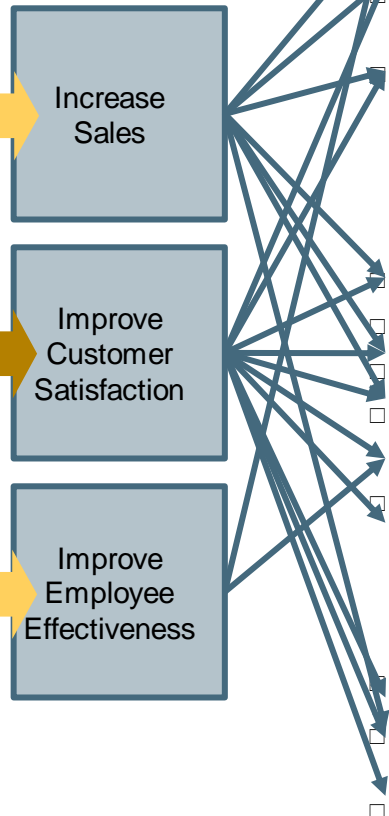


**ECONOMIC VALUE**

**Operating**

**Financing**

- Net Cash Receipts
- Cost of Capital
- Economic Margin
- Asset Growth
- Financial Leverage
- Equity Size
- Revenue Growth
  - Volume
  - Price Realization
- Operating Margin
  - Selling, General & Administration
  - Cost of Goods Sold
  - Income Taxes
  - R&D Expense
- Asset Efficiency
  - Property, Plant & Equipment
  - Inventory
  - Receivables & Payables
  - R&D Investment
  - Receivables
  - Payables
  - Cash Conversion Cycle
- Expectations
  - Company Strengths
  - External Factors

Inter-relationships and trade-offs

**Improvement opportunities**

- Increase Sales
- Improve Customer Satisfaction
- Improve Brand Awareness

## Provide consistent information across all types of report output for single version of truth

# A framework also needs to be able to track improvement initiatives contribution to performance improvement

In order of estimated benefit

☑ Quantified/ High Benefits

🚫 Not quantified

**Increase Sales**

**Improve Customer Satisfaction**

**Improve Employee Effectiveness**

*To be validated*

| Business Development | KPI |
|---|---|
| ☑ Improved campaign planning and execution (Process enabled by CRM and BI Integrated Planning) | Campaign/Event Cost Revenue Ratio, Sale Growth |
| ☑ Implement customer journey management (Purchase Intention dates enabled by CRM) | Customer Satisfaction Index(CSI) |
| ☑ Used cars in Web environment (enabled by vehicle master data and CMS) - may be Contact Centre not BD | Web Sales to Actual Sales, Sales Cycle time, Number of Orders, Line Items, and Shipments in the Channel |
| 🚫 Improve business planning | |

| Retail Sales | KPI |
|---|---|
| 🚫 Improve Vehicle procurement (includes forward order visibility at TMC) | CSI, Sales Cycle time |
| 🚫 Improve customer payment process (and integrating 3rd parties e.g. Orient) | CSI, Sales Cycle time, |
| ☑ Lean and effective opportunity management | CSI, Sales Growth |
| ☑ Reduce PDI cycle time (through notification of sales order at down payment) | |
| ☑ Balance PDI workload by introducing weekly sales targets | |
| ☑ Improve sales & marketing forecasting & planning | CSI |
| 🚫 Implement vehicle delivery to new preferred location (including customer homes) | |

| Fleet Sales | KPI |
|---|---|
| ☑ Improve fleet lead management (new customers) | CSI, Sales Cycle time |
| 🚫 Improve fleet key account management (existing customers) | CSI, Sales Cycle time |
| 🚫 Implement online fleet management (including Web Channel purchase of parts/ accessories, down payment and customization of cars (colour, accessories etc.) | Web Sales to Actual Sales, Sales Cycle time, Number of Orders, Line Items, and Shipments in the Channel |

# A framework needs to be able to track improvement initiatives contribution to performance improvement (2)

In order of estimated benefit

☑ Quantified/ High Benefits

🚫 Not quantified

Increase Sales

Improve Customer Satisfaction

Improve Employee Effectiveness

**To be validated**

| Parts Management | KPI |
|---|---|
| 🚫 Dynamic Parts Price Management | Sales Growth, Sales Cycle time, profitability |
| ☑ Improve Parts Sales Order Management | Lost Sale to Actual Sale, Churn, Sale Cycle time,, CSI |
| ☑ Service centre/ Parts Distribution Feedback loop for After Sales improvement | Delivery performance to customer request date |
| ☑ TMC Visibility during parts procurement | Delivery performance to customer request date, Inventory Days, F/C Accuracy |
| ☑ Improve parts duty drawback | |

| Service Management | KPI |
|---|---|
| ☑ Improve customer & vehicle reception through use of a single customer database and mobility for vehicle health check | Data accuracy, CSI, Delivery performance to customer request time |
| ☑ Streamlined Technician allocation and parts kitting process | Delivery performance to customer request time |
| ☑ Improve time clocking & work completion process | Order Fulfillment Cost, Delivery performance to customer request date |
| ☑ Improve service center customer follow up | Sales growth |
| 🚫 Improve after sales reporting | CSI |
| ☑ Improve billing & vehicle collection | |
| ☑ Enhance appointment booking & scheduling | |
| 🚫 Improve warranty and recall management | |

| Contact centre | KPI |
|---|---|
| ☑ Regular updates of products and services and campaigns to Contact Centre Staff incl. Training, retraining, performance incentives | Churn, CSI |
| ☑ Improve enquiry, complaint and issue management | Churn, CSI |
| 🚫 Provide full range of electronic services | Conversion Rate |
| ☑ Improve contact center mgt (includes improving Floor performance mgt – enabled by CRM contact center metrics) | Delivery performance to customer request date |

# Key performance measures and incentives can be linked by role based dashboards across reporting levels

- Dashboard development considering the interlinkages – e.g. Service Centre Incentive Management to include weightings for Customer satisfaction and Service Delivery

- Aggregation to different levels of AFM hierarchy per user group definition – Dashboards, Scorecards, Mobility etc

- Essential for retail/ distributor split

**Procurement Leadership Dashboard**

| Financial: | Leveraging Scale: | Supply Base Reduction | Innovation | Supply Chain Improvement |
|---|---|---|---|---|
| • Purchasing spend as a % of total spend<br>• $ and % reduction to COPS+ COGS<br>• Productivity through cost reduction (in $)<br>• Productivity through cost avoidance (in $) | • % of global categories to total categories<br>• % of categories unique to a BU to total categories<br>• $ spend on BU specific categories to total spend | • Number of suppliers per main category<br>• % reduction to supply base | • Number of product introductions driven by supplier<br>• Bottom-line $ and impact of innovations | • $ Working Capital reduced<br>• % WC Reduction/Spend |

*Total and per Family*

**Category Management Dashboard**

| Financial: | Leveraging Scale: | Supply Base Reduction | Innovation | Supply Chain Improvement | Supplier Perform. |
|---|---|---|---|---|---|
| • Purchasing spend as a % of total spend<br>• $ and % reduction to COPS+ COGS<br>• Productivity through cost reduction (in $)<br>• Productivity through cost avoidance (in $) | • $ in contracts by BU<br>• % of spend on contracts by BU | • Number of suppliers per main category<br>• % reduction to supply base | • Number of product introductions driven by supplier<br>• Bottom-line $ and impact of innovations | • $ Working Capital reduced<br>• % WC Reduction/Spend | • Number of quality complaints<br>• % Order Delivery Compliance |

*Total family and per (sub) Category*

**EXAMPLE**

**Supply Fulfillment Dashboards**

| Quality | On time delivery | Lead Time |
|---|---|---|
| • Number of Complaints<br>• Production loss % of max capacity | • On time/Total deliveries<br>• Complete/Total Orders | • Average order lead time |

*Per Supplier per Main Product*

# Other Key Requirements?

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- **…**

# Proposed Solution

**Business  Performance Mgmt**

# Meeting Business requirements with SAP Solutions

**Al Futtaim Performance Management**

**Top 7**

## Solution Highlights

1. **Integrated performance management framework**

2. **Single Version of Truth**

3. **Different views – Finance, Sales, Customer, Logistics Monitor etc**

4. **At Different AFM levels – Regional, Corporate etc & Line Of Business wise - Vehicle, Parts, Servcie etc.**

5. **Mobility – Decisions On the move**

6. **What If analysis capabilities**

7. **Enables effective Governance**

**AFM Business Management Framework**

| BOBJ dashboard | BO Explorer |
| --- | --- |

Mobile Bo Explorer App

**BO Middleware**

**Business Intelligence 7.X**

**BI Accelerator**

| SAP ECC | SAP DBM | SAP CRM | SAP VMS | non-SAP |
| --- | --- | --- | --- | --- |
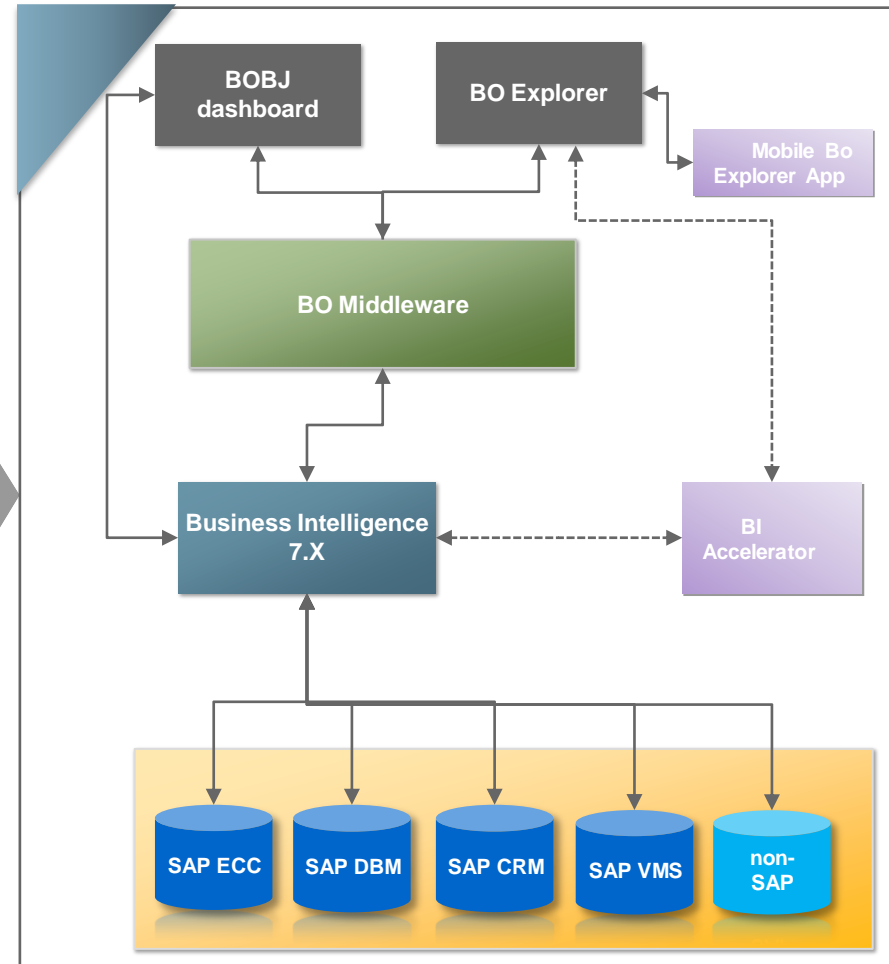
Optional

# DEMO #1

**(Dashboards)**

# DEMO #2

### (Explorer)

# Performance Management

How do we exceed customer & business outcomes?

SAP®

# Predicting performance - Statistical modeling can significantly improve planning/ forecasting e.g. parts forecasting or marketing campaigns



**„Advanced Analytics"**

Competitive Advantage

- Optimization
- Modelling
- Data Mining
- Ad-hoc Analysis
- Standard Reporting

Analytical Maturity

Data

**Delivery Model**
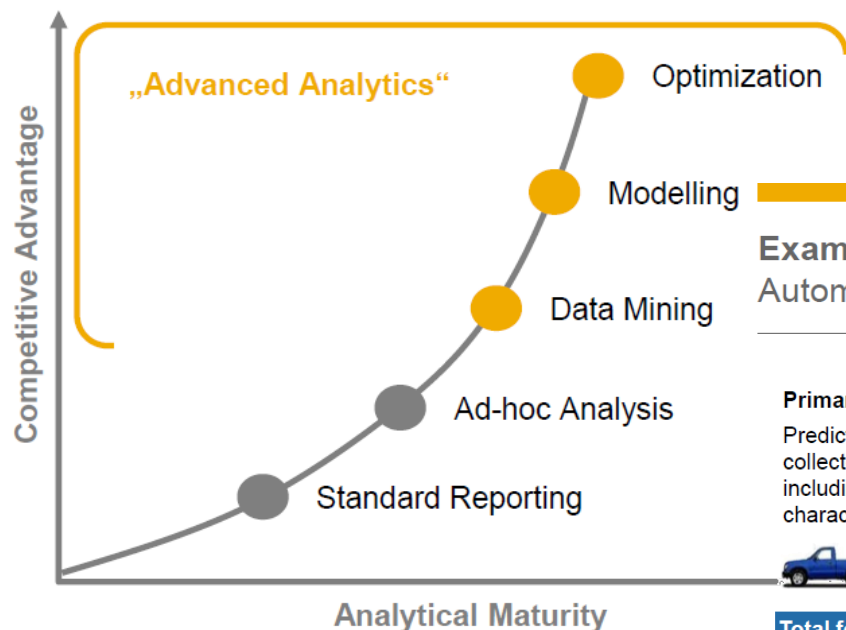
## Predictive Solutions can optimize performance & improve forecasts

**Changes or scenario planning possible in real-time**

**Example**
Automotive parts demand

**Primary requirements forecast**
Predicted sales numbers per car model are collected monthly from each subsidary, including estimated share of each characteristic

| Total forecasted sales | 1.000 |
|---|---|
| GPS system | 40% |
| Air conditioning | 70% |
| … | … |
| … | … |

**Secondary requirements forecast**
Aggregated primary demand needs to be translated in demand forecasts per part

| Part requirements forecast | |
|---|---|
| Display for GPS system | 400 |
| Temperature controller | 700 |
| Cable between GPS and A/C | ? |
| … | … |
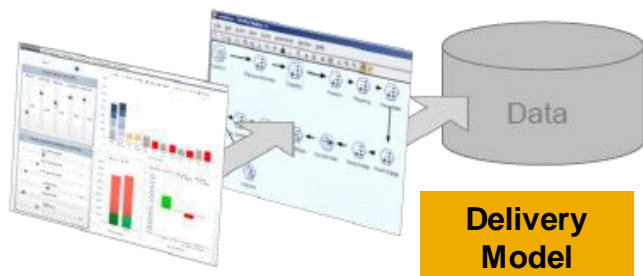
**Answers the question what vehicle/ service characteristics generate demand for a given part**

# Implementation challenges

# Implementation challenges

- Establishment of performance management framework in alignment with strategic objectives and interlinkages

- Organization design - e.g. Cost centre & profit centre definition across organization entities with interlinkages

- Quality of Master data & Transaction data -Data and process harmonization across LOB

- Pre condition in processes for reporting e.g. cancellation of quotation with valid reason, PO closure etc

- Volatility in process landscape – Process and data governance

- User group definition with respect to the requirement

# Discussion

Validate expectations and gather requirements

# Thank You!

# Appendix

# Interactive GL Dashboard – standard templates



General Ledger Analysis — Balance Sheet | Income Statement | Comparison — Help

Year Ended: 8/24/2002

Set of Books/Ledger: Vision Operations (USA)  ▼  View %

| | Actual | Budget | Variance |
|---|---|---|---|
| Cash & Short Term Equivalents | 797,562,971 | 400,000,000 | 397,562,971 |
| Accounts Receivable | 183,049,374 | 200,000,000 | -16,950,626 |
| Other Current Assets | 2,410,949 | 0 | 2,410,949 |
| Inventory | 733,314,401 | 0 | 733,314,401 |
| Current Assets | 1,716,337,694 | 600,000,000 | 1,116,337,694 |
| Property Plant & Equipment | 69,399,218 | 0 | 69,399,218 |
| Accumulated Depreciation | -25,986,552 | 0 | -25,986,552 |
| Other Assets | 7,765,985 | 0 | 7,765,985 |
| Non Current Assets | 103,151,755 | 0 | 103,151,755 |
| Total Assets | 1,819,489,449 | 600,000,000 | 1,219,489,449 |
| Accounts Payable | 220,628,760 | 300,000,000 | -79,371,240 |
| Taxes Payable | 0 | 0 | 0 |
| Accrued Payroll and Taxes | 171,908,871 | 0 | 171,908,871 |
| Other Current Liabilities | 5,123,625 | 0 | 5,123,625 |
| Current Liabilities | 397,661,257 | 300,000,000 | 97,661,257 |
| Long Term Debt | 43,770 | 0 | 43,770 |
| Non Current Liabilities | 43,770 | 0 | 43,770 |
| Total Liabilities | 397,705,027 | 300,000,000 | 97,705,027 |

## BALANCE SHEET YTD FINANCIAL RATIOS

| | Actual | Budget | Variance % |
|---|---|---|---|
| Accounts Receivable Turnover Ratio | 14.06 | 4.5 | 9.56% |
| Asset Turnover Ratio (Annualized) | 1.41 | 1.5 | -0.09% |
| Current Ratio | 4.32 | 2 | 2.32% |
| Days In Inventory | 17.89 | 0 | 17.89% |
| Debt To Equity Ratio | 0.29 | 1 | -0.71% |
| DSO (Annualized) | 25.92 | 81.03 | -55.12% |
| Inventory Turnover Ratio (Annualized) | 7417.53 | 0 | 7417.53% |
| Quick Ratio | 0.57 | 1 | -0.43% |

● Period ● Quarter ● Year

### Cash & Short Term Equivalents
YTD

(chart: Aug-00, Aug-01, Aug-02)

### Financial Ratio Trend Analysis
YTD

(chart: Aug-00, Aug-01, Aug-02)

Legend:
■ Accounts Receivable Turnover Ratio
● Asset Turnover Ratio (Annualized)
■ Current Ratio
● Days In Inventory
■ Debt To Equity Ratio
■ DSO (Annualized)
■ Inventory Turnover Ratio (Annualized)
■ Quick Ratio

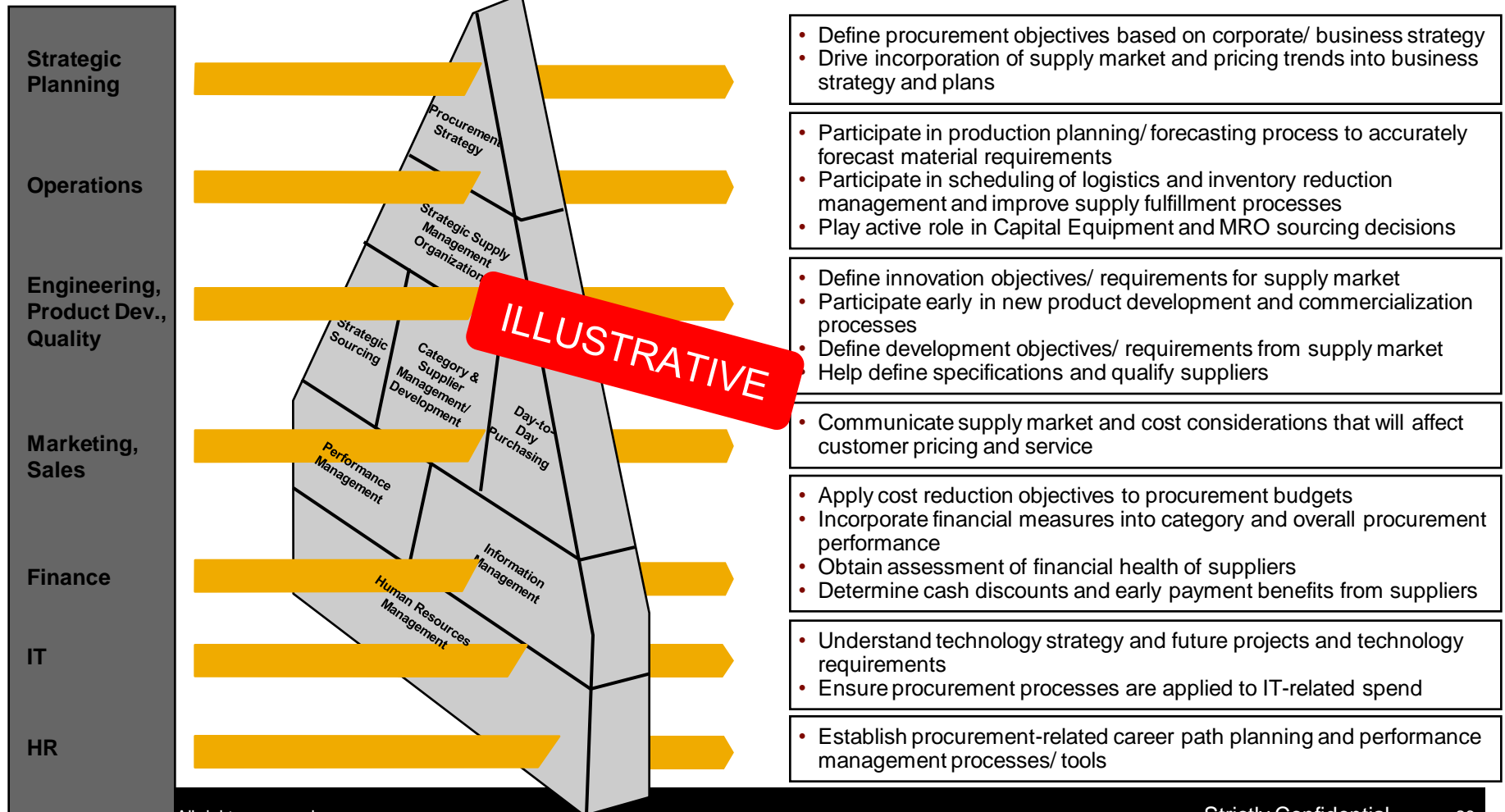BusinessObjects™ Rapid Marts™                crystal xcelsius

# To ensure maximum impact and effectiveness, linkages must be defined with other core business processes

**Procurement/Cross-Functional Integration**

| Business Functions | Procurement Function | Key Integration Elements for Procurement |
|---|---|---|

**Business Functions**
- Strategic Planning
- Operations
- Engineering, Product Dev., Quality
- Marketing, Sales
- Finance
- IT
- HR

**Procurement Function**
- Procurement Strategy
- Strategic Supply Management Organization
- Strategic Sourcing
- Category & Supplier Management/ Development
- Day-to-Day Purchasing
- Performance Management
- Information Management
- Human Resources Management

ILLUSTRATIVE

**Key Integration Elements for Procurement**

- Define procurement objectives based on corporate/ business strategy
- Drive incorporation of supply market and pricing trends into business strategy and plans

- Participate in production planning/ forecasting process to accurately forecast material requirements
- Participate in scheduling of logistics and inventory reduction management and improve supply fulfillment processes
- Play active role in Capital Equipment and MRO sourcing decisions

- Define innovation objectives/ requirements for supply market
- Participate early in new product development and commercialization processes
- Define development objectives/ requirements from supply market
Help define specifications and qualify suppliers

- Communicate supply market and cost considerations that will affect customer pricing and service

- Apply cost reduction objectives to procurement budgets
- Incorporate financial measures into category and overall procurement performance
- Obtain assessment of financial health of suppliers
- Determine cash discounts and early payment benefits from suppliers

- Understand technology strategy and future projects and technology requirements
- Ensure procurement processes are applied to IT-related spend

- Establish procurement-related career path planning and performance management processes/ tools

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# KPI Design Template

| KPI | Owner | Baseline/Target |
|---|---|---|
| Average Fulfillment Event Cycle Time (Days) | [Name] | Baseline: XX days<br>Target: XX days |

| Definition | Calculation | | |
|---|---|---|---|
| Measure the average duration of the fulfillment cycle beginning with the requirement demand signal and ending with the Delivery | (PO Creation Date – Requisition/Shopping Cart Approval Date) + (Requisition/Shopping Cart Approval Date – Requisition/Shopping Cart Creation Date) * (PO delivery date – PO Creation Date) | | |

| Used by | Reporting Frequency | Drill Down Capability | Planned Data Sources | Reporting Method |
|---|---|---|---|---|
| <ul><li>Global Procurement Category Lead</li><li>Global Procurement Analyst</li><li>Plant Manager</li><li>Buyer</li></ul> | <ul><li>Yearly</li><li>Quarterly</li><li>Period</li></ul> | <ul><li>Total</li><li>Category</li><li>Sub-Category</li><li>Contract and SKU by Enterprise, Division, Buyer and Vendor</li></ul> | <ul><li>PP</li><li>EBP</li></ul> | <ul><li>BW</li></ul> |

# KPI Readiness Assessment

| Process Area | KPI | Business Owner | Status/Planned Completion | | | | |
|---|---|---|---|---|---|---|---|
| | | | Business Alignment | Base-line | Target Range | Measurement Process/ Tools | Data Availa-bility |
| Inventory | Inventory Accuracy | Merchandizing | Complete | Not started | Not started | Not started | Complete |
| Inventory | Range of Coverage in weeks | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | Range of Coverage in Demand Periods | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | Total Forecast Error % | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | % Perfect Orders | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | Service Level | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | Percentage Difference of Quantity Changed | Replenisher | Complete | Not started | Complete | Complete | Complete |
| Inventory | Store Transfers | Replenisher | Complete | Not started | Not started | Not started | Not started |