



# Prism

## Gross Margin Analysis

### Are you making the right decisions to optimise your margins?

- Are you having fully informed negotiations with suppliers?
- Do you understand why margin changes over time?
- Extrapolating plans through manipulation of gross margin levers?

Margin management is a critical driver for business viability, but few purchasing departments get a clear picture of the factors that have changed margins for products or vendors over time. The ability to understand which components are impacting gross margin is crucial to improving the success of your business.

#### Focus on your Business with Infocube Prism

Our Cognos TM1 margin analysis solution, Infocube Prism™, provides the visibility to manage and refine the gross margin within your organisation. The analysis is presented as a waterfall between the gross margins for two periods, with the change broken down by component, showing graphically the impact of each component over the two designated periods.

### How does it Work?

- **Historical Reporting** allows analysts and managers to display clearly what has changed in key levers that have resulted in changes to gross profit over the selected period of comparison.
- **A dashboard** contains financial and operational data brought together into meaningful and actionable insight. It allows the operator to view a range of customer specific profit levers; e.g. buy and sell price, sales volumes, shrinkage and other COGS components.
- **Planning components** use the same data sets and extrapolating these forward, enabling buyers to explore the potential effects of adjusting various levers within the profit mix and other COGS components.

**One of the primary issues facing many companies is a lack of visibility around profit that can negatively affect many areas of your business, including merchandising and financial management.**

**Buyers**  
Businesses often discover that buying managers have pushed vendors too hard on price, at the cost of vendor participation, resulting in a net loss to margin

**Finance**  
The finance team often spends considerably more time manipulating data rather than understanding the business and proactively forward planning

## How do you benefit?

### Buyers

- Understand the impact of key drivers for changes in gross margin over time
- Access up-to-date vendor information for negotiations
- Identify key profit indicators to assist with decision making

### Finance

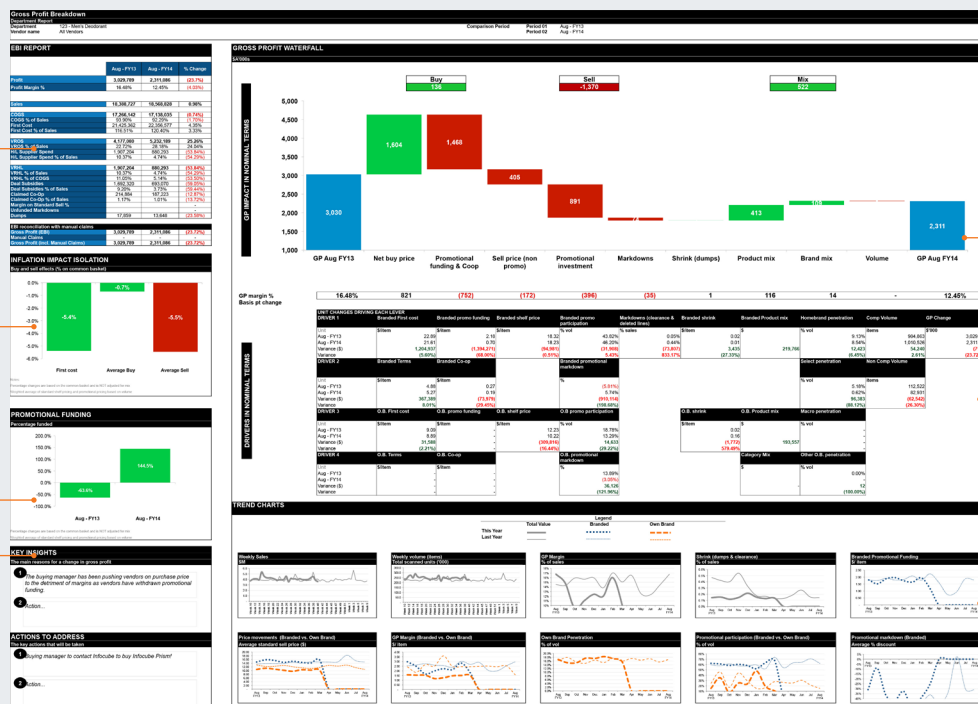
- Significantly reduce the effort and cost of producing reports margin over time
- Free up resources in the finance team to add value to the business with proactive forward planning, analysis and performance management

## Modules of Infocube Prism

**The Margin Analysis Tool:** Provides the ability to manage performance of products at multiple levels and vendors. The tool complements Category Planning by providing a monitoring mechanism for plans established using Category Planning and by disaggregating total Gross Margin change between periods into the isolated impact of the levers (represented in the waterfall chart below).

**The Category Planning Tool:** Provides transparency into levers impacting Gross Margin and allows managers to assign targets aligned to budget and strategic initiatives. The Category Planning Tool projects margin change based on assumptions and then reports the margin impact of the projected changes to levers. Users can then identify which levers to 'pull' to achieve the optimal results by category and then test alternative scenarios as required.

## The Infocube Prism Waterfall



### GM Report

Gross margin report used to understand category financials

### Contribution to GP

Net contribution on buy/sell price, promotion, shrink Levers on \$GP

### Inflation impact

Distinguishes between buy and sell inflation impacts on \$GP

### Market share (Volume and value)

13 months rolling trends in market share for the category

### Migrating waterfall

Show contribution of all 9 levels to \$GP in nominal terms (i.e. inflation and mix unadjusted)

### Driver

Show underlying metric changes for each of the levels in nominal values (e.g. changes in sell price)

### Trend Charts

13 months rolling trend key category metrics (e.g. sales, own brand penetration)

## About Infocube

Infocube is a management accounting consultancy, specialising in the application of IBM Cognos technology for accounting and finance solutions. We are accountants that specialise in business analytics.

Our people are highly experienced consultants in management and financial accounting, with specific expertise Business Intelligence, Corporate Planning, Data Warehousing, Predictive Analytics and Performance Management.

### Join a growing list of companies that have benefitted from Infocube Prism and other Infocube solutions

Our clients include many of Australia's leading companies such as News Limited, Woolworths Corporation, Goodman Fielder, Dick Smith and Schneider Electric.



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