

## SAP Solution Brief

SAP BusinessObjects Enterprise Performance Management Solutions

SAP BusinessObjects Profitability and Cost Management

# Driving Profitability and Managing Costs in Telecommunications



## Quick Facts

### Summary

The SAP® BusinessObjects™ Profitability and Cost Management application helps telecom companies understand the drivers of cost and profitability. Powerful, user-friendly analytics offer insight into the costs and profits of customers, networks, products, and bundled plans. You can eliminate inefficient processes, cut expenses, accurately price offerings, and boost profits. You can also improve compliance with transparent costing and avoid penalties for faulty or slow compliance reporting.

### Business Challenges

- Poor visibility into the profitability of individual products in bundled plans and third-party services
- Need to switch focus from revenue per user to margin per user
- Difficulty in accurately allocating network costs
- Manual sourcing, integration, and calculation of data
- Lack of security, structure, and modeling in spreadsheet programs

### Key Features

- **Multidimensional cost allocation** – Allocate cost against customers, products, and channels
- **On-demand, what-if scenario analysis** – Conduct driver-based and activity-based budgeting and price simulation
- **Transactional costing analysis** – Drill down to the individual transaction level
- **Optimal data integration** – Acquire data from disparate back-end business support systems and operations support systems

### Business Benefits

- **Maximize profits** by pricing products and bundled plans accurately
- **Boost revenues** by allocating network costs accurately
- **Set the right tariffs and justify rate increases** with insight into costs associated with products, customers, third-party services, and networks
- **Improve vendor management and channel profitability** by analyzing profitability data on individual suppliers, retailers, online stores, and other third-party partners
- **Reduce the impact of churn** by focusing on retaining profitable customers

### For More Information

Visit [www.sap.com/sapbusinessobjects/telecommunications](http://www.sap.com/sapbusinessobjects/telecommunications).



The Best-Run Businesses Run SAP™

Telecom companies like yours need [visibility into profitability and cost drivers](#) to know which products and customers are profitable and which aren't. You must decide what to do with an underperforming or mispriced product, asset, or rate plan; how to bundle services; and how to boost profits using your networks. An automated, activity-based approach to costing can help create accurate cost models that reflect the relationships among customers, products, networks, and the resources they consume.

With the SAP® BusinessObjects™ Profitability and Cost Management application, you can construct a full, detailed picture of the costs of serving a customer, offering a particular rate plan, or delivering a product. The software eliminates inefficient and error-prone manual costing activities in data collection, calculation, and analysis. Powerful, user-friendly business analytics enable the multidimensional linking of costs and activities to specific processes, products, and customers using cause-and-effect relationships as well as activity-based modeling and assignment of expenses. Data integration, profitability data modeling, and administrative and reporting functionality are all integrated and leverage the same source data and calculations.

## **UNDERSTAND THE TRUE DRIVERS OF PROFITS AND COSTS**

Telecommunication service providers need detailed visibility into expenses to properly assess cost and profitability across four areas: products and bundled plans, customers, third-party services, and networks.

### **Products and Bundled Plans**

To meet customer demands in a creative way, service providers increasingly bundle products together in numerous combinations. How to cost and price these bundled plans and which products to bundle are complex questions. A lack of visibility into the costs and profits associated with an individual product in a bundled plan can lead to erroneous profitability and performance assumptions. These assumptions can impact business decisions across the organization, from plan management to vendor relations.

### **Customers**

Not all customers use products and services in the same ways, and simple cost allocation does not provide a true picture of the profitability of each customer. For example, customers with high-end handsets for Internet access and fixed-price "all you can eat" rate plans tend to use much more bandwidth than other users. These customers may also contact the call center more often with support issues. Higher use of the network bandwidth can cause

network congestion and lead to service degradation, requiring costly network upgrades and improvements. These customers can appear very successful when measured by individual metrics like average revenue per user (ARPU) in isolation, but a deeper cost-basis analysis reveals the true numbers. Activity-based costing enables you to co-relate and tie activities and associated costs to a specific customer segment – or to an individual customer – for detailed profitability analysis.

### **Third-Party Services**

Today's telecom companies employ a new business model involving third-party services such as content and applications. This model presents unique challenges in the area of cost management. The use of third-party services means tracking and paying royalty fees or licenses. You need a solution that provides highly granular data on the expenses and revenue of a third-party service to get a true picture of its profitability contribution.

### **Networks**

Telecommunications companies operate different kinds of networks with various technologies and protocols. What's more, different logical networks may share the same facilities, such as transmission networks. As a result, numerous variables and data points make it difficult to allocate network costs. To calculate the profitability of a network properly, you need to include the factors related to its deployment and operation. These include depreciation, usage information, scheduled and emergency downtime, maintenance costs,

frequency of break-fix and repair, cost and availability of technicians, and so on.

Many telecommunications operators also need to justify rate increases for fixed-line regulated networks. Detailed network cost information helps prepare the case for rate increases, with greater transparency into fixed-line costing to justify pricing levels.

### **ENHANCE PROFITABILITY AND COST MANAGEMENT WITH SAP SOFTWARE**

SAP BusinessObjects Profitability and Cost Management helps you develop a deeper understanding of the costs associated with your business. The software combines data extraction and integration, profitability data modeling, and administrative and reporting functionality into one application to enable better decision making. Through its activity-based costing approach, you can reliably and accurately calculate how products, customers, and networks consume activities and how activities consume resources.

With the application, you can eliminate inefficient, inaccurate manual data collection, calculation, and analytical costing activities. You can keep sensitive data out of insecure spreadsheet programs and improve control, access, and security with built-in data management. Extract,

transform, and load (ETL) functionality enables you to pull data ranging from financial to customer relationship management information from both SAP and non-SAP environments.

### **Data Modeling and Comprehensive Costing**

To model the parameters of costs accurately – across channels, times periods, and so on – you need a multidimensional data structure for realistic representation. But calculating costs involving high volumes of transactions is much more efficient with a relational data structure. SAP BusinessObjects Profitability and Cost Management gives you the best of both worlds, with functionality for costing high volumes accurately and efficiently. You can create agile, adaptable, analytical models that truly reflect organizational costs and that can be updated to meet changing circumstances.

With the application, you can perform comprehensive costing calculations and modeling to gain a deeper understanding of profitability. You can conduct analysis by multiple categories, including location, network, rate plan, handset, consumption plan, individual, and subscriber. Access to this level of information drives more-accurate decisions based on actual performance

and enables you to predict future performance more accurately based on the true operating profitability of the business.

SAP BusinessObjects Profitability and Cost Management lets you understand the detailed costs of offering a buffet of services. With the application, you can implement a consumption-based revenue allocation process that provides immediate insight into the true profitability of bundled rate plans and the products they include.

### **User Friendly and Scalable**

Intuitive to use and understand, the SAP BusinessObjects Profitability and Cost Management application lets you run simulations and create new items or processes step-by-step. You can securely and automatically load new data with established data integration routines. The application is Web-based and scalable to meet business requirements ranging from single-site implementations to global deployments.

### **REALIZE THE BENEFITS OF COST AND PROFITABILITY INSIGHTS**

With SAP BusinessObjects Profitability and Cost Management, you can perform accurate cost analysis across multiple dimensions to gain visibility into your products, customers, content, and network costs.

Telecommunications companies need to improve visibility into profitability and cost drivers to **know which products and customers are profitable**, how to best bundle services, and how to maximize network profits.





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The application enables you to:

- Achieve a deeper understanding of the costs and profitability of individual products and bundled plans
- Gain visibility into customer data on a segment or individual level, enabling insights that help maximize customer profitability
- Optimize network performance and utilization to increase margins and revenues
- Set the right cost levels and justify requests for rate increases
- Speed rate increase processes, lower associated legal costs, and protect brand and company reputation
- Improve vendor management and channel profitability by analyzing data on individual suppliers, retailers, online stores, and other third-party partners
- Facilitate compliance by making costing processes transparent to executives and regulators
- Save on compliance costs by avoiding penalty payments incurred due to faulty or slow reporting

#### LEARN MORE

To find out more about how the SAP BusinessObjects Profitability and Cost Management application can help you understand the true drivers of cost and profitability, see [www.sap.com/sapbusinessobjects/telecommunications](http://www.sap.com/sapbusinessobjects/telecommunications).



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