Companies are finding it increasingly difficult to understand all the factors that drive their products’ gross margins. The presence of global product portfolios with varying accounting standards makes the process of generating accurate gross margin data exceedingly complicated. The fact that this information is spread across multiple, isolated systems makes the process even more time-consuming and challenging. Companies with diverse supply chains, vendors, products, and information systems find it hard to identify the true cost of a particular product. Furthermore, it is vital to continuously measure a firm’s sales performance against the plan/forecast. Identifying the root causes for variances from the plan/forecast consumes significant time and resources of sales executives.

Enterprise Resource Planning Systems (ERP) are useful for planning and executing transactions, but these systems may not be optimal for the in-depth reporting and analysis activities needed to identify opportunities to improve gross margins, to identify poorly performing product lines regions or business units, to understand revenue drivers, to gain insight into customer-buying trends, or to monitor ongoing performance.

The Deloitte Managed Analytics (DMA) Solution
The DMA Sales and Gross Margin Analysis application is a managed analytic solution that integrates sales and marketing data from multiple source systems and presents it to users through interactive reporting dashboards and scorecards. The application provides leading industry metrics and key performance indicators to monitor business performance. It creates drillable reports and scorecards to investigate performance from a high-level executive view down to individual sales teams and transactions.

The DMA Sales and Gross Margin Analysis reports display revenue trends, cost of goods sold, and average selling price data across multiple dimensions and compare performance against the plan/forecast. Users can view profitability of regions, products, customers, etc. to find top-performing areas and at-risk products. Scorecards display total YTD sales as well as percentage of sales for regions, sales teams, and products. Sales reports show sales performance among sales regions down to individual sales people.

Potential Benefits
- Identify over and underperforming products, customers and regions:
  - Understand trends in revenue and profitability against plan, budget, and prior periods
  - Identify cost savings opportunities
  - Identify unprofitable customers and products
  - Drive working capital improvements
  - Lower administrative costs and save time
- Get a turn-key solution in place rapidly:
  - Integrate and organize data across systems
  - Leverage prebuilt analytics and integration technology
  - Focused IT and business resource support
- Fast, low risk approach:
  - Rapid deployment in 10 to 12 weeks
  - Fixed cost deployment
  - Deep domain experience
  - Software-as-a-Service (SaaS) delivery model
Opportunity Flags
DMA Sales and Gross Margin Analysis can provide value to organizations that wish to improve performance in the following areas:
• Integrating and using data from multiple source systems
• Monitoring performance across any dimension of the business
• Calculating adjusted gross margins
• Viewing variance against plan and the underlying causes of variance
• Targeting customers with high revenue potential
• Prioritizing sales team actions

Key Business Questions Answered:
• How can you monitor and improve gross margins?
• Which products/services and customers have the highest/lowest gross margins?
• How can you measure the performance of each product in your product line?
• Can you identify over-performing business units to mine for best practices?
• How are your sales teams performing in terms of volume and selling price?

Sample Metrics and Key Performance Indicators:
• Average Selling Price — Current vs. Prior
• Gross Sales
• Net Sales
• Gross Margin Amount and percentage
• Discounting Amounts and percentage
• Forecast Sales
• Plan and Forecast Variance
• Year-to-Year Variance
• Backlog Units and Dollars
• Cost of Goods Sold Total, Material, Labor

Sample Reports:
• Revenue Trending
• Revenue and Gross Margin Analysis
• Revenue Actual vs. Plan
• Bookings and Backlog
• At-Risk Product Lines and Regions
• Revenue and Profitability Scorecard

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