

Operating Expense Analytics



Control and Reduce Operating Expenses and Gain Competitive Advantage Over Peers by:

- Acquiring visibility at a transactional level across business units
- Curbing financial leakage
- Ensuring policy and contract compliance
- Equipping line managers with tools to assume ownership of their costs

Studies show that a 1% decrease in operating expenses can increase profitability by up to ten times more than corresponding increase in revenue.

Enhancing Margins and Gaining Competitive Advantage

The business environment has seen drastic changes in recent times, with increasing competition, complex tax regulations and more rigid compliance norms designated by the government all having detrimental impact on companies' bottom lines. This has led to such corporations turning their attention to lowering operating costs within their decentralized operations through strategic analytics.

Today, the businesses that substantially outperform the competition are five times more likely to use analytics strategically in comparison to underperformers.

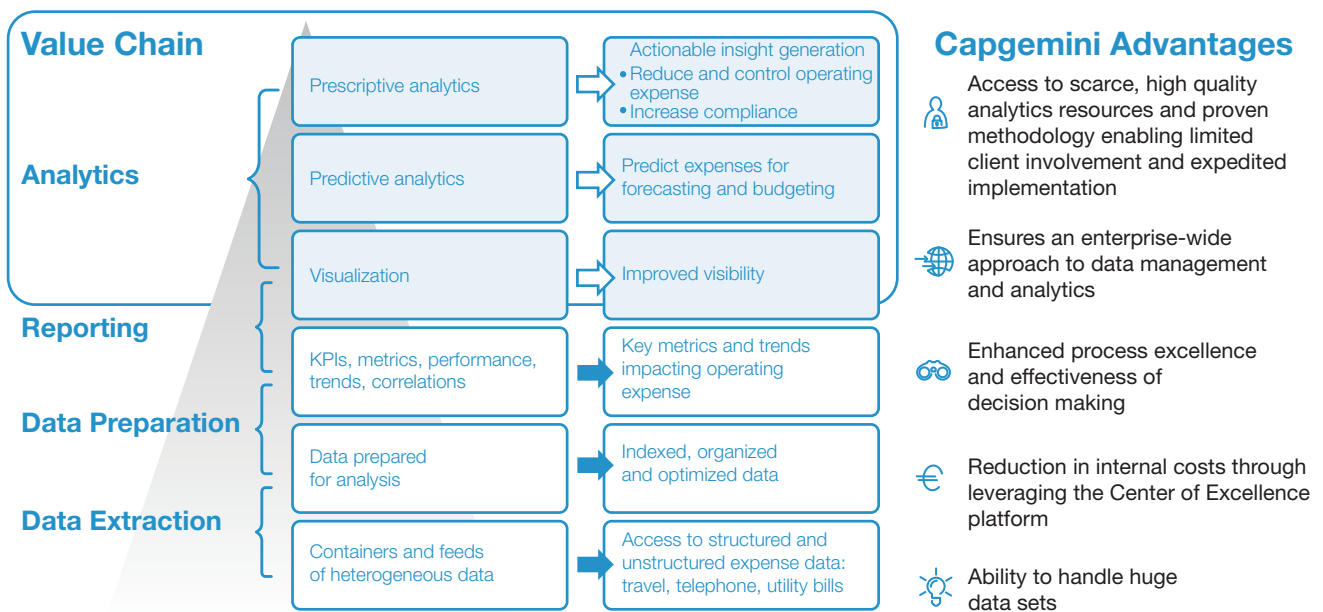
Controlling Operating Expenses: Typical Challenges for the CFO

- A lack of holistic reporting across expense category level(s) and BUs
- Huge data sets with no tools for their analysis
- Information failing to reach line managers for change implementation
- Scarce financial resources in both the short- and long-term

Our Offer

Capgemini's Analytics solution provides a holistic service with actionable insights at a transactional level. As a result our clients gains granular visibility of each dollar of expense incurred by the organization and will be able to identify cost saving opportunities with effective multidimensional drill down analysis. This, in turn, allows effective prioritization of action areas.

Capgemini Value Proposition



Methodology and Approach

Income and Loss Statement	
Sales	
Less Cost of Goods Sold	
Gross Profit	
Operating Expense	
Sales & Marketing	
Research & Development	
General & Administrative	
Salaries and wages	
Insurance	
Depreciation	
Commission	
Rent	
Travel	
Utilities	
Office Supplies	
Telephone	
Maintenance and Repair	
Freight and Logistics	
Power & Fuel	
Postage	
Total Operating expense	
Operating Income	
Less: Non Operating Expense	
Income (Loss) Before Taxes	

Our focus area is operating expense categories with high flexibility of control such as travel, utilities, office supplies, telephone, maintenance and repair, freight and logistics, power and fuel, and postage to identify easy cost reduction opportunities.

Typical Reasons for High Expense in Certain Categories:

Travel

- Last minute booking
- Booking through agents
- Failure to use company-approved hotels

Telephone

- High usage per person
- Non-compliance with office policy
- Numerous service providers

Logistics

- Under-utilization of truck capacity
- Non-optimal route

Key Service Highlights

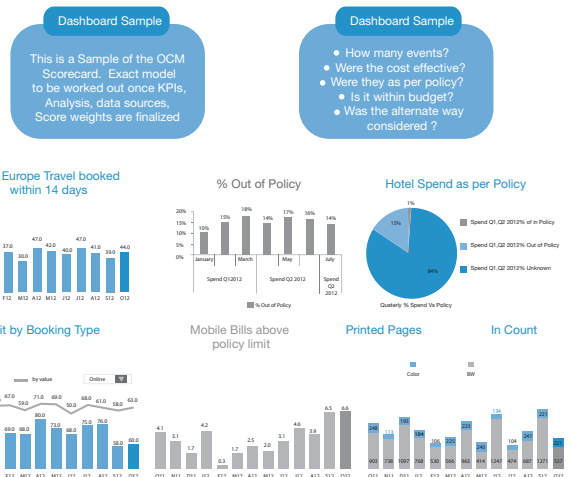
- Limited client involvement
- Holistic reporting and analytics
- Detailed, consistent, timely view of expenses
- Visualization through common web portal
- Actionable insights for reducing expense and increasing compliance
- Easy access to relevant information

Deliverables

As a strategic partner, Capgemini leverages its Analytics tools to enable companies to improve visibility of underlying activities that perpetuate their operating expense and provide line managers with actionable insights to instill ownership cost behavior within their teams:

- Increase policy compliance by employee
- Enhance contract compliance by supplier
- Decrease transaction costs
- Root cause analysis
- Decrease expense through improved negotiation

A control dashboard accompanies our insights to improve the visibility of your company's operating expense situation.



Success Stories

Outcome: Helped Leading CPG company Reduce Their Operating Expense by 8%

Challenges Faced by the Client:

- Limited alignment across teams on inputs or outputs
- Suboptimal use of scarce financial resources
- No “common approach” - risk of inaccurate/duplicated data
- Information continuously failing to reach line manager level

Approach and Solution

- Analysis of operating expenses like travel, telephone, stationary, conference, logistics, based on non-financial data.
- Analysts provided actionable insights:
 - Top employees and teams driving policy noncompliance and high expense across various categories
 - Existence of expenses with scope for reduction in particular BUs
 - Savings achieved by using video conference vs. traveling to other locations
 - Savings lost due to policy noncompliance (e.g. staying in a hotel above budget, last minute bookings)
 - Comparison of team average spend with overall average spend

T&E Expense Analytics and Construction of Centralized Web Portal Executed for Leading European Paper Company

Challenges:

- Limited visibility of T&E expense across different EMEA regions
- Frequently exceeding budget and absence of proactive tool and analytics for tracking.

Approach and Solution

- Drill down of travel expenses into: cars, lodging, business conferences, business meals, travel agency fees, fuel etc., across EMEA regions to help identify outliers/high expense areas
- Visibility of actual vs. budgeted expense on a monthly basis for each category across regions to identify variances
- Profiling of T&E expense by employee for monthly expenses and actual vs. budgeted expense to drive policy compliance

Major CPG Company Benefits from Reduced Logistics Costs, Reversing Previous Stagnation

Approach and Solution

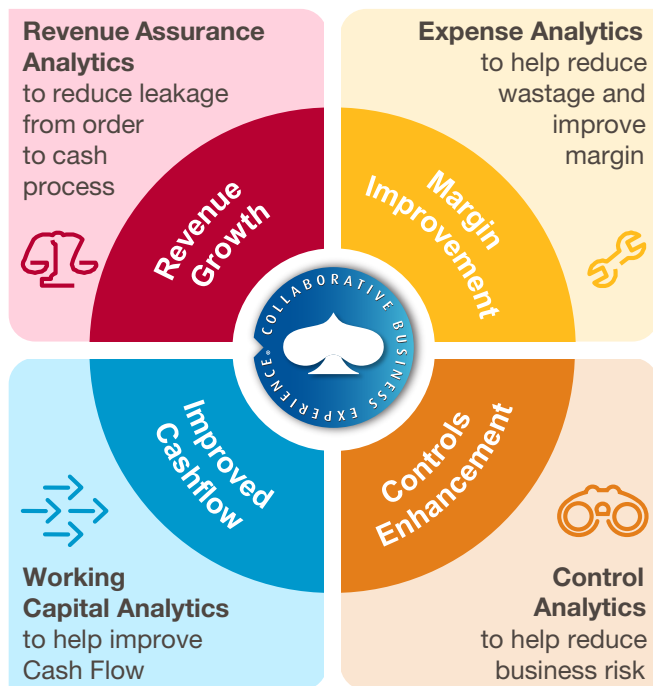
- Capgemini identified the following key levers: (1) buy smart; (2) source locally (3) optimize resources; (4) increase utilization; (5) avoid waste (6) travel less
- Reduced logistics costs achieved through: improved truck utilization, transition from buffer movements, optimum regionalization, cross border movement avoidance, and direct dispatch push.

The Capgemini Experience

Our teams are led by senior practitioners and are recognized as specialists in their respective fields. The Operating Expense Analytics team has a strong analytical background comprising MBAs, finance graduates, Masters in Statistics, with experience in strategy, consulting and finance.

Our clients get lasting value because we engage directly and meaningfully with stakeholders at each level of the enterprise – from boardroom to shop floor and warehouse.

Our Other Analytics Offerings



The key components of the CFO Analytics solution include:

Revenue Assurance Analytics:

- Improved customer query to order conversion
- Enhanced credit and collection performance
- Reduced billing leakage and more sell-ons

Expenses and Payables Analytics:

- Recovery of erroneous or duplicate payments
- Increased compliance with procurement policy
- Informed views of global spend

Control Analytics:

- Dynamic real-time monitoring of key controls
- Predictive leading indicators to prevent failures
- Lower cost of better, broader risk mitigation

Working Capital Analytics:

- Optimized treasury performance
- Reduced write off of stock and bad debt
- Effective use of discounts and promotions

Analytical Tools and Capabilities

- Huge data sets handled by our SQL data warehouses
- Efficiently analyzed using statistical tools like



- Visualization-focused business intelligence



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About Capgemini

With more than 125,000 people in 44 countries, Capgemini is one of the world's foremost providers of consulting, technology and outsourcing services. The Group reported 2012 global revenues of EUR 10.3 billion.

Together with its clients, Capgemini creates and delivers business and technology solutions that fit their needs and drive the results they want.

A deeply multicultural organization, Capgemini has developed its own way of working, the Collaborative Business Experience™, and draws on Rightshore®, its worldwide delivery model.

Learn more about us at www.capgemini.com