Elevating Profit Margins: A Pricing and Profitability Journey

Business Challenges and Objectives

- The client operated in a complex Pricing and Profitability environment, dealing with multiple product variations (SKUs), diverse facilities, and various customer sectors.
- They aimed to optimize profit margins using standard costs and wanted a strategic product framework to assess their competitive advantage and prevent value loss.
- The client needed a solution to calculate P&Ls consistently across different segments without additional ERP configuration.

Client

- Our client is an American company with expertise in designing and manufacturing electronic connectors and interconnect solutions. Their products are widely used in various industries, such as automotive, consumer electronics, telecommunications, data centers, and other industrial applications.

Industry

- Manufacturing

Function

- Finance Controlling

Technology

- SAP HANA

The Solution

- **Enhanced Profitability Insights:** The Profitability Analysis (PA) Tool offers comprehensive visibility into the factors driving profitability.
- **Dynamic Pricing Alignment:** The solution facilitates real-time adjustments to selling prices, ensuring they align with market rates for specific customers and products, ultimately boosting profitability.
- **Streamlined Freight Strategies:** By identifying opportunities for optimized shipping methods, the tool improves profitability for both the client and their shipping partners.
- **Proactive Improvement Focus:** The material-level variance analysis guides the team toward areas for future improvement within the solution.
- **Precise Cost Allocation:** With the ability to allocate costs to products and provide detailed breakdowns of standard, variances, and excess capacity costs, the tool empowers better cost management.
- **Activity-Based Cost Allocation:** The Profitability Analysis Tool leverages algorithm-based cost allocation for more accurate insights.
- **Technical Optimization:** The TekLink Team has enhanced HANA Models and Stored Procedures, enabling rapid troubleshooting during critical project phases and ensuring project timelines are met efficiently.

Outcomes and Benefits

- The solution enables the client to calculate Net Income After Tax (NIAT) at a product level, enhancing decision-making and cost-allocation efficiency.
- It is the central data source integrated with the client's financials, standardizing allocation methods for consistency.
- The solution offers a unified set of profitability visualizations accessible to users across various business units and functions, facilitating better decision-making.
- It provides transparency into cost allocation, distinguishing between activity-based costs and costs attributed to individual cost drivers.
- The tool contributes to an overall reduction in freight costs and manufacturing variances, resulting in cost savings.