

Route Profitability Analysis for Carrying- and Transport Businesses

Route Profitability Analysis with the Oracle E-Business Suite

Topic

Center of performance processes of carrying- and transport businesses is the transport of passengers or goods on more or less predefined distances. Task of the route profitability analysis (RPA) is to compare distance-specific revenues and costs to evaluate the coverage. Beyond that, it has to meet the specific information demands of management, route planning and controlling.

Costs

In the RPA usually four coverage-levels are differentiated: these are the direct variable costs, indirect variable costs, costs for the means of transports (vehicles, airplanes) and last all other costs. In addition it is requested to classify and evaluate costs by different criteria by e.g. being charged to the causing organisation unit. A simple cost center- and cost unit-accounting often does not meet the demands of these – mostly branch specific – requirements when it comes to cost structuring and defining hierarchies.

Profits

Also on the revenue side, miscellaneous revenue-levels are to be differentiated, which partially play a role when looking into the costs. This is the case for example when costs are defined as negative profits, such as commissions for indirect sales, discounts and costs for sales promotion. The ambition of the concept is to create a transparent illustration in the RPA of the distances regarding the obtained contribution margins and to make them comparable in the course of Benchmarking.

Periodical Reflection

The RPA is generated monthly or aggregately over a complete accounting period. The reporting system then focuses upon these aggregated values, but should also contain drill-down functionalities up to analysis of single transports or flights. Important here is, that besides reflecting past periods also projections can be made.

The RPA is completely prepared for the periodic performance system, independent from the plain accounting view. This means that costs and revenues are always exactly counted into the period they came in. In practice the RPA therefore often becomes the data supplier for finance and accounting, especially when accrual accounts are involved, such as fuel or airport charges.

The Solution: Oracle E-Business Suite

The Oracle E-Business Suite is an ideal platform for building up a flexible route profitability analysis. Here fore the costs have to be split up by vehicles and in a further step by distances respectively part-distances. For this purpose it offers to calculate statistic book entries in Oracle Financials, e.g. of driven kilometers or the driven/flown time. This can also be realized by automatic import of data from an operative system. Based on these statistic book entries, revenues and costs can be distributed appropriately according to – possibly multi level – allocation rules. And because allocations are very much business specific, the Oracle Chart of accounts - which is freely definable and segmentable - performs brilliant services.

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Planning

Oracle Enterprise Planning & Budgeting

In RPA planning is substantial. The problem is that the functionalities included here fore in the Oracle General Ledger are tailor-made for finance and accounting budgeting. The requirements of RPA to the flexibility of planning and analysis (slice & dice) however go far beyond that. The PROMATIS Solution there fore designates the appliance of the new E-Business Suite-Module Oracle Enterprise Planning & Budgeting. This is an easy to handle but very high performing tool. It provides for recording and downloading of target figures into so called Worksheets and covers the entire planning process within the route profitability analysis. An impression of Look & Feel is given by the following illustration.

The screenshot displays the Oracle Enterprise Planning & Budgeting interface. The top navigation bar shows 'Reports' and 'Worksheets'. The current view is 'Worksheet: August 2003 Expense Budget'. Below this, there are buttons for 'Cancel', 'Restore Layout', 'Save', and 'Submit'. A 'Worksheet' section includes 'Tools' (View, Layout, Annotation, Calculation, Sort, Auto Fill) and 'Page Items' (Organization: Sales, Product: Database, Geography: United States). A table shows expense data for 2003-Q1 through 2003-Q4.

	2003-Q1	2003-Q2	2003-Q3	2003-Q4
Employee Expenses	1000	1250	1500	1750
Salaries	400	525	650	775
Bonus	400	500	600	700
Benefits	200	225	250	275

Below the worksheet, the 'Monitor' view shows 'Status of Process Runs' with a table of process runs. The 'Tasks' section provides a detailed view of tasks for the 'Monthly Account Production' process run.

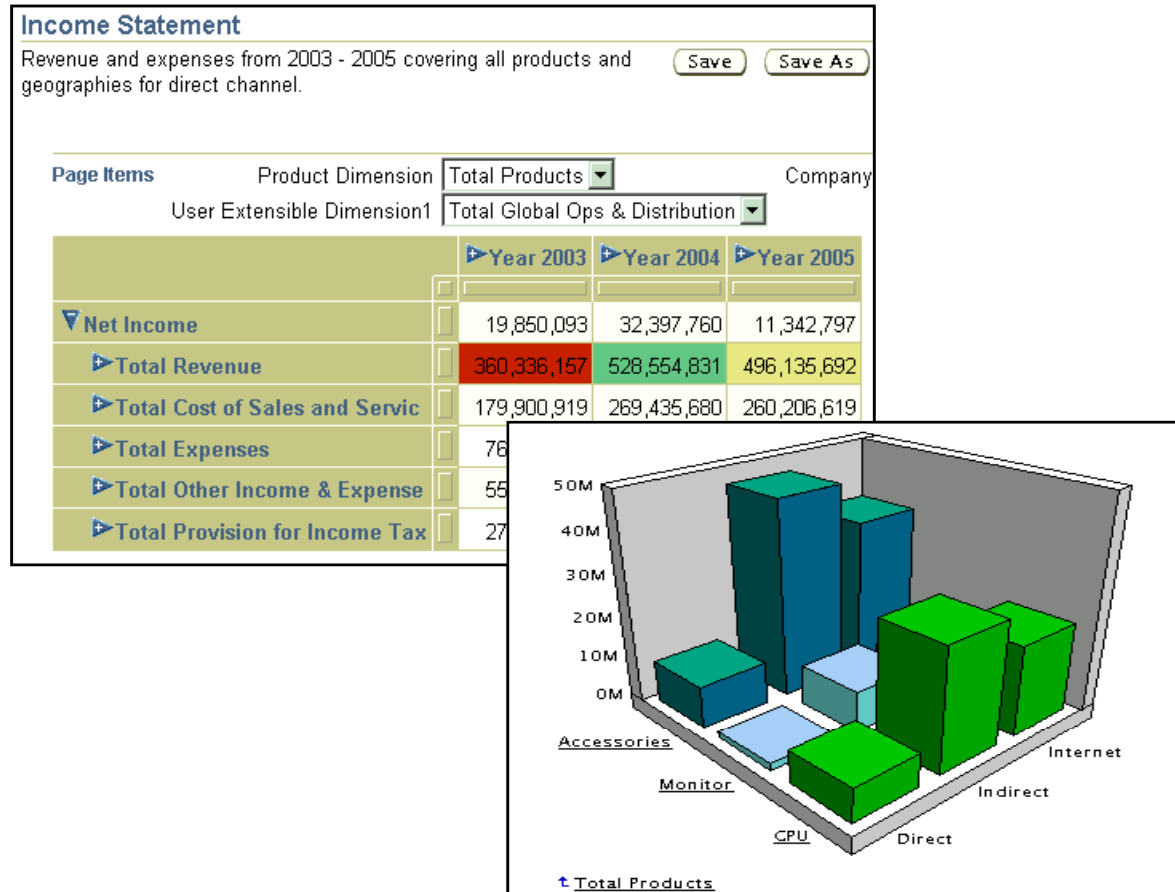
Details	Task Name	Task Type	Status
1	Review Monthly Account Framework	Review Business Process	✓
2	Load GL Data	Load Data	✓
3	Monthly Account Calculation	Solve	✓
4	Profitability Check	Exception Alerts	⚠
5	2nd GL Load	Wait	
6	2nd Load of GL Data	Load Data	
7	Set Monthly Account Instance	Set Current Process Run	
8	Profitability Check 2	Exception Alerts	

Planning process with Oracle Enterprise Planning and Budgeting

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Evaluations

For evaluations in RPA, Oracle Financials-Standard reports can be used at first. However, these reports do not give optimal insight into the multi dimensional tasks in RPA. Here, too, the Oracle Enterprise Planning & Budgeting is the adequate solution because planning and the entire evaluation body as well are based on a multi dimensional approach. The following illustration gives an impression of the available evaluation possibilities.



Evaluation possibilities with Oracle Enterprise Planning and Budgeting

PROMATIS Performance Portfolio

Together with branch-experienced consulting partners, PROMATIS offers turnkey solutions for route profitability analysis in carrying and transporting businesses. The implementation of Oracle Enterprise Planning & Budgeting belongs hereto, including the integration into an existing Oracle E-Business Suite-Solution.

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Information

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