



# Managing the Fundamentals of Cost and Corporate Direction

Overview  
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Even in the information age, the simple goal of giving decision-makers instant access to relevant, up-to-date business analytics remains elusive. The raw data exists to help executives and managers make decisions that can have a profound impact on their companies, but unifying and making sense of it for in-depth profitability or 'what-if' analyses is nearly impossible. As a result, key corporate decisions are made while 'flying blind,' leaving the door open for better-informed competitors to steal away market share.

Today's uncertain economic climate adds to the dilemma, since corporate executives face increasing pressure from their customers, shareholders and suppliers to make rapid decisions about their operations and the markets they serve. At the same time, new regulatory requirements such as the SEC's Fair Disclosure Regulation (Reg. FD) forces companies to make financial information and corresponding strategic initiatives public sooner than at any point in history. These dynamics signal a new paradigm that requires corporations to engage in ongoing strategic planning, rather than the traditional annual approach.

"Virtual Strategy... helps executives determine their strategic goals and objectives by allowing them to perform scenario-based, what-if style analysis dynamically. This enables executives to analyze the costs and benefits of specific actions quickly, simulate potential ROI for any operational activity, and determine the strategic impact of specific decisions immediately."

- Lynne Harvey, Patricia Seybold Group

At Virtual Strategy, our solutions enable companies to view a complete picture of their operations at any point in time and make the decisions that will drive their business forward. Using a simple, intuitive interface, our customers can examine every aspect of their companies' operations in one place, drilling down from a comprehensive view of the enterprise to details about individual products, accounts, regions, or any other pertinent business dimension. Using Virtual Strategy's powerful reporting capabilities, customers can assess limitless 'what-if' scenarios and evaluate opportunities to improve profitability that were previously unavailable.

## Today's corporate environment

Companies typically use an enterprise operation plan that requires executives and managers to analyze information from separate data stores and then manually piece it all together. Trying to understand key parts of the business such as strategic objectives, risks, finances, customers, and processes without a single integrated view is frustrating, time-consuming and ultimately imperfect. Business intelligence (BI) solutions provide detailed views at a departmental level, but lack the scalability to look at the enterprise as a whole. Data Warehousing can scale across the enterprise but it is expensive, time consuming, and not flexible enough to meet changing business demands. Yet most executives do not have access to comprehensive financial reporting - or even the profitability numbers associated with their products or customers - to make key decisions. As a result, many organizations are forced to make large-scale tactical decisions outside of their strategic plans, using incomplete data.

"Business Intelligence allows companies to have a clear vision of where they are going and how to get there. However, traditional Business Intelligence solutions are often expensive and inflexible, ending in failure. Virtual Strategy offers a faster, flexible and up-to-the-minute alternative that delivers better Business Intelligence today."

- Lisa Williams, The Yankee Group

## Scenario Management and Enterprise Business Analytics

Virtual Strategy's Scenario Management and Enterprise Business Analytic Solutions empower decision-makers with an accurate, real-time, and personalized view of the enterprise, providing everything they need to help their company thrive. With our solutions, executives and managers can make informed decisions about any aspect of the organization's operations. The bottom line is that Virtual Strategy has the only comprehensive solution that produces what companies need for today's challenges. Virtual Strategy's patent

pending next-generation technology provides executives and managers with the ability to analyze their businesses in real-time, as customer and market demands dictate. Using our product, customers can use a simple drag-and-drop interface to create in-depth analyses of the enterprise, including, but not limited to:

- Financial roll-ups from disparate systems
- Rolling Forward Annual Budgeting
- Merger and acquisition evaluations
- Forward-looking scenario management
- Market Campaign Management
- Customer Relationship Management
- Profitability analysis
- Business Analytics
- Cross-selling analysis
- Dynamic Near Real Time Reporting
- Program Management
- Market Segmentation Analysis

Virtual Strategy provides the only solution on the market that allows executives and analysts to rapidly generate their own reports to answer pressing business questions without the need for a technical support team. The ability to make expedient decisions has finally arrived, without groups of people cutting and pasting spreadsheets or building complex models.

### **Limitations of OLAP for Enterprise Reporting**

Until now, companies have had to employ several online analytical processing (OLAP) technologies to satisfy their decision-making requirements, including very large databases (VLDB) or data warehouses for corporate data as well as multiple data marts for and BI solutions for departmental reporting. After investing millions of dollars in these technologies, companies still do not have an accurate, real-time, enterprise-wide view of their operations. These systems provide cumbersome reporting that is dated and predefined. The data models required by these products are static, extremely resource-heavy, and unable to scale across the enterprise.

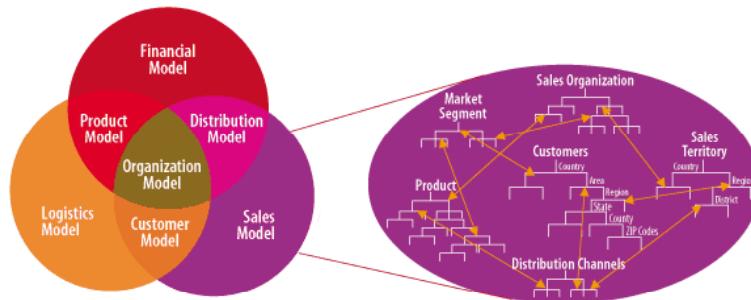
Companies work around these limitations by creating departmental rather than enterprise models, or limiting the enterprise information to summary data. Limited-scope solutions like these are easier to administer but the trade-off is they have no enterprise repository and information access is restricted to higher-level data. Even at smaller scales, traditional models are still cumbersome and slow to load, making it difficult or impossible to keep them stocked with up-to-date information. The implementation of even a departmental solution can take several years and cost millions of dollars.

“Companies have to buy hundreds of terabytes of disk space earlier than they otherwise would, and that means millions of dollars spent early on. So most wait to test until they actually try to build the database. By then, the budget is gone, and the project is probably behind schedule. There hasn’t been any business result proven yet, and they’re going to the board asking to spend another \$10 million.”

- Richard Winter, President, Winter Corporation

### **Virtual Strategy Implementation**

Virtual Strategy starts by determining the hierarchies of the business model and importing information about chart-of-accounts, general ledgers, branch locations, product hierarchies, vendor statistics, and the like. The resulting business model is extensible and can be modified at any time. A simple linking wizard creates relationships between entities and imports all the relevant data in the enterprise, resulting in a model that is ready to be used for reporting. Instead of requiring a rigid, manpower and resource-intensive multidimensional database, Virtual Strategy easily replicates your business architecture into an integrated, dynamic enterprise model that can tackle any business question for which there is available data. As a result, Virtual Strategy takes the form of the structure of your company, and is products, customers and partners providing an extremely intuitive and easy to use presentation.



Source: DM Direct **The Case for Enterprise Business Model Management**  
By Harjinder S. Gill

Unlimited complex reports or scorecards can be created in Excel, then imported and linked to the enterprise model within Virtual Strategy. Our flexible reporting structure enables you to create any report based on any data combination in the enterprise model through a simple point-and-click interface (no programming required). Virtual Strategy reports and charts can be distributed through an Intranet Information Portal to various locations or departments, and there is an integrated security system that restricts access to data on the basis of parameters that you set.

*“Compared to other competitive products we saved in excess \$1M and 18 months on the implementation.. Virtual Strategy built our entire solution during the peak retail season with minimal impact on our staff. The solution has given Modell's unrivaled merchandising capabilities.”*

**-Larry Long, CFO/CAO. Modell's Sporting Good, Inc.**

Because of this simple, innovative architecture, Virtual Strategy's implementation and ongoing costs are only 10% to 20% of traditional OLAP solutions. In comparison, a complete Virtual Strategy implementation can be performed in months instead of years; uses gigabytes instead of terabytes; provides near real-time information instead of latent data; is flexible and dynamic instead of pre-defined and static; and requires only an Intel server instead of a large-scale computing solution. The bottom line is that a corporation's return on investment is substantially higher and cost savings are realized within months rather than years. Some Virtual Strategy customers have seen a complete return on their investment within two months of operation.

## **Zero Programming**

Using the product's wizards, custom implementations can be done from start to finish without the need for a single programmer, reducing resource and time requirements. Business Analysts can schedule data loads, generate data series, and create custom reports right out of the box with nothing more than knowledge of spreadsheets.

## **Minimal Resource Requirements**

Because Virtual Strategy implementations are so simple, they require very little time from our clients. After 1-2 meetings lasting roughly a half-day, our integration consultants can construct a full enterprise model including reports and custom metrics and indicators. In addition, VSI's small data footprint allows businesses to spend less on infrastructure and upkeep, reducing the otherwise prohibitive ongoing costs of maintaining an enterprise analytics system. Instead, our clients house their data on standard Intel platforms with few maintenance requirements.

## Rapid Turnaround

These tools allow VSI to implement a full enterprise solution in a matter of weeks instead of months. Most of our clients get preliminary models to review within 2-3 weeks, with final systems following shortly afterwards. The result is a flexible model that is both completely up to date and updateable in order to handle changing business needs.

## Virtual Strategy Cross Industry Applications

### Financial Management

- Consolidate financials from multiple systems to create an enterprise view
- Create wizard based reports 'out of the box' without programming
- Create custom reports and analysis to reflect the balance sheets, income statements and other reports of the organization
- Calculate profitability based on actual expenses and revenues from the General Ledger and transaction systems at all levels
- Distribute financial reporting and analysis through an intranet portal
- Manage using rolling forward budgets based on actuals
- Distribute financial reporting and analysis through an intranet portal
- Forecast using leading and lagging internal and external indicators such as interest rates, consumer confidence, etc.

Virtual Strategy provides its customers with an up-to-date enterprise model that may be used for financial and operations management. It becomes the decision-making infrastructure of the organization. Online reporting and analysis is provided through Virtual Strategy's information portal that presents 'out of the box' reporting and custom Excel compatible scorecard reports modeled after the organizations financial and operations reports.

Because the enterprise model includes data down to the transaction level profitability can be determined based on actual expenses and revenues as they happen. With VSI's revolutionary enterprise model, there is no need to use assumptions or industry standard values for transactions and operations to generate approximate profitability. Data from all aspects of the enterprise is collected and revenue and expenses are updated on the fly. Profitability is instantly calculated using profitability rules custom to each implementation, resulting in an up to date profitability model that is calculated from the transaction up to the corporate levels.

"Virtual Strategy built a model of our business in less than a month and delivered everything that they promised and more. The solution and their insights have significantly furthered our efforts to improve margin and yield."

-Jeff Cooper, CTO, Tauck Discovery Travel

The Virtual Strategy Portal provides comprehensive reporting out of the box using a series of wizards, so there is no need for programming. Decompositions allow users to break up data by type, customer, product, location, and employee using basic drop down menus. Geo-reports plot data on maps overlaid with external indicators such as income and traffic levels. Model view allows users to restructure products, close stores and segment customers in a drag and drop interface and see the results instantly. The resulting scenarios and views can be shared via e-mail, and a simple to use notification alert system sends e-mails, calls phones or pages individuals if reports meet certain conditions.

### Enterprise Management

- Consolidate data from across the enterprise and provide enterprise level reporting, analysis and forecasting

- Use Scenario Management to assess tactical and strategic alternatives, before the final decisions are made and view the ripple effects across the entire enterprise in real time
- Use Custom electronic program management books to manage portfolio risk, strategic indicators, and corporate resourcing
- Link programs, initiatives and campaigns directly to the enterprise model for accurate cost and return forecasting
- Create Annual Rolling Forward Budgets based on actuals
- Assess the impact of new mergers or acquisitions
- Create a micro economic model of the competitive and economic landscape
- Deploy tactical scorecards to help operations management implement organizational policy and make discretionary decisions

Scenario Management allows organizations to assess the impact of alternatives on financials, resources, customers, risks and other key metrics. Without it, simple questions like “What if certain operations were discontinued?”, “What is the effect of a new product introduction?”, and “What will happen if interest rates change?” are difficult to answer.

Global 2000 companies spend hundreds of millions annually on analytical tools, but few have the ability to assess the impact of critical decisions before they are made. Virtual Strategy enables you to analyze your entire operation on an up-to-the-minute basis as business demands dictate. Scenarios such as profit and loss, mergers and acquisitions, and forward-looking program management are now possible in a drag-and-drop interface.

*"We are using Virtual Strategy, providing us the capability to manage all initiatives in the bank, and quickly model all our operations by answering the key business questions: What is happening, why is it happening, what might happen next, and what can be done about it."*

**Anton de Sousa, General Manager, Nedcor Ltd. South Africa.**

Create and manage initiatives, setting strategic indicators and assigning risks and resources. Then use excel-compatible scorecards to link your program to the enterprise model to utilize your actual data for more accurate cost and cash flow analysis. Make edits to programs and watch the changes on interactive scoreboards that can be broadcast across a network for collaborative sessions and board meetings. Then, as programs begin, load in the actual returns to accurately assess performance and profitability.

## **Relationship Management**

- Create a 360° view of customers, partners and suppliers across multiple
- Identify cross selling/repeat selling/up selling opportunities
- Generate target prospect lists for tactical campaigns
- Optimize catalog distribution
- Use marketing campaign books to manage, resources, expenses, and responses for multi-channel campaigns
- Assess the potential impact of campaign alternatives and supply chain alternatives before decisions are made
- Create multiple customer segmentation views to target the most profitable customers
- Use Geographical Reporting to analyze internal and external data sources
- Analyze vendor and supplier relationships and quality

Virtual Strategy provides a series of reporting and planning tools aimed at creating pinpoint marketing campaigns. VSI helps you to determine your most valued and profitable customers, along with their buying patterns, loyalty, and product affinity. Based on actual operations data, customers can be identified for up

selling, cross-selling, and product conversion activities to improve profitability, while minimizing cannibalization.

Use Virtual Strategy to determine market segmentation and performance based on factors such as age, income, geographical location, consumer confidence, or past buying patterns. Create programs aimed at marketing to this select group with forecast financials based on previous campaign returns and multiple regression analysis.

Cost and results are automatically calculated as campaign results are automatically loaded into the system and provide an accurate picture of profitability and performance. The resulting success rate of a marketing campaign is measured and used for future campaigns. Profitability is calculated for each campaign and Virtual Strategy's scenario management capabilities provide forward looking results on how many campaigns should be run and what the anticipated results will be. For the first time, finance and marketing can work on the same model to achieve the common goal of corporate long-term success.

"In less than a month Virtual Strategy provided the bank a system that gathers information from different transactional systems and data warehouses to facilitate analysis, decision making, scenario management and proactive consideration of alternatives in real time. Virtual Strategy's solution is scalable across our entire enterprise, with a low cost of implementation and operation. "

**Lloyd Hamm, Executive Vice President and Chief Executive Officer, Eastern Bank**

## Capabilities

### Enterprise Model

Virtual Strategy's unique technology takes on the form of your enterprise as it consolidates data from across the organization. The patent pending wizard-based technology can create models of even the largest organizations in days.



### Profitability Analysis

Determine profitability based on actual data integrated with the GL rather than industry averages or high-level assumptions.



### Financial Reporting

Consolidated financial reporting across all operating units in your format with easy to use navigation, decomposition, forecasting and scenario based 'what if' capabilities.



### Rolling Forward Budgeting

Virtual Strategy provides electronic annual rolling forward budget capabilities based on actual data. These dynamic budget 'books' may be distributed to decision makers across the enterprise.



### **Business Drivers & Forecasting**

Determine which external/internal indicators are driving revenue, expenses and operating performance, and use them to forecast activity.



### **Geographical Reporting**

Use MAPINFO compatible geographic capabilities to plot any internal or external data by geography.



### **Cross-/Up-Selling, Repeat Sales**

Determine the effects of complex selling activities to maximize the profitability of existing customers. Model product repricing, conversion and affinity.



### **Campaign Management**

Create electronic marketing campaign books linked to the sales, inventory, orders and other data as well as campaign results to create a closed loop solution.



### **360° Relationship View**

Create a consolidated view of each customer, partner or supplier relationships from multiple disparate systems including product, sales, transaction, marketing and other systems with dynamically generated recommendations for cross selling or relationship management



### **Program Management**

Create electronic program books to manage all strategic and tactical initiatives. Managing Financials, resources, risks, strategy, processes, and customer impact simultaneously.



### **Customer Segmentation**

Create multiple customer segmentation models and analyze the profitability and cross selling , up selling and repeat selling possibilities.



### **Supply Chain Management**

Scenario based management of suppliers, vendors, inventories and transportation alternatives. Analysis of custom pricing and margin alternatives with major accounts.



## Applying Virtual Strategy Solutions

Virtual Strategy's solutions can work with companies' existing BI and data warehousing investments. Applications can be tailored to meet each organization's business objectives, including:

### Financial Services

Financial service companies including banks and insurance companies can use Virtual Strategy to consolidate and manage finances, profitability and assess mergers and acquisitions across operating companies and divisions, and do program management.

### Retail

Optimize the performance and profitability of stores, catalog and Internet sales, segment their customers to improve repeat selling/cross selling/up selling. Manage profitability and planning down to the SKU level. Support proactive scenario based marketing campaign management.

### Manufacturing

Use Virtual Strategy to optimize and manage relationships with suppliers, customers and partners. Assess the impact of potential supply and demand based economic and industry data. Optimize profitability and plant operations.

### Travel/Transportation

Construct an enterprise model of all operations. Manage yield and optimize operating performance. Assess the impact of tactical and strategic marketing campaigns before they are executed. Assess the impact of pricing policies on margin and revenue before price changes are implemented.

## About Virtual Strategy, Inc.

Virtual Strategy provides Enterprise Business Analytics and Scenario Management Solutions that empower decision-makers with an accurate, real-time, personalized view of the enterprise and the ability to evaluate tactical and strategic alternatives before they take place. Executives and managers can make informed decisions about any aspect of the organization's operations in a matter of minutes.

Customers use a simple drag-and-drop interface to create in-depth analysis of the enterprise including, but not limited to:

Financial roll-ups from disparate systems, Merger and Acquisition evaluations, Forward-Looking Scenario Management, Marketing Campaign Management, Customer/Supplier Relationship Management, Rolling Forward Annual Budgeting, Profitability analysis, Business Analytics, Cross-Selling Analysis, Market Segmentation, Program Management and Dynamic Near Real Time Reporting.

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