

Driver-based Forecasting Thanks to TN Planning



Media-Saturn-Holding accomplishes the ideal route in planning



A recent study clearly affirms that driver-based planning reduces the overall planning effort, significantly improves the controllability of a company, and ultimately increases the efficiency of planning. These factors were also recognized by the Media-Saturn-Holding, which has very successfully switched to a driver-based model with the help of Thinking Networks.

Specialist retailers – in particular companies involved in electrical appliances trade - are facing tremendous challenges. It is important to strengthen and develop one's own position, primarily due to the massive pressure of competition arising from the Internet. The use of space, positive shopping experiences for customers, the product range or, for example, the replanning of markets - all these factors need to be considered more intensively than ever before.

In order to do this, the companies certainly need a qualified, granular planning strategy, as noted in a recent study by the Capgemini Group. In doing so, the experts see, above all, strengths in the „driver-based“ planning which captures the essential factors that influence business. The ideal route in planning is thus characterized by business oriented types of planning and driver-based planning models. „It makes sense to develop a KPI system that focuses on business drivers, and to define KPIs that quantitatively describe the cause and effect chain of a driver on the top KPI. Including the drivers in all types of planning allows for a continuous and accurate monitoring of its impact on the overall success,“ according to the experts from Capgemini.

The Media-Saturn-Holding (MSH) took precisely this path. It is the market leader in European consumer electronics retailing, and is represented altogether in more than 850 locations in 16 European and Asian countries, under the brand names „Saturn“ and „Media Markt“.

Media-Saturn-Holding

The consumer electronics stores of the Media-Saturn-Holding are set up as independent companies in which the managing directors hold a share of up to ten percent. They decide autonomously about the local advertising measures, the assortment of product lines, pricing, as well as personnel policy. This enables them to respond flexibly to the needs of their local customers. Media Markt and Saturn are on a path of continuous growth and have developed into the leading consumer electronics retailers of Europe. On the whole they are represented in more than 850 locations, in 16 countries in Europe and Asia, and in 2010 they reached sales about 20.8 billion Euros. The group currently employs more than 70,000 people, of which more than 2,000 are at its headquarters in Ingolstadt.

Benefits at a glance

- *Optimization of entire planning on the basis of forecast derived from business processes*
- *All financial drivers, costs as well as earnings, can be mapped along the chain of causes in order to plan effectively*
- *Reduction of the overall planning expense, harmonization and downsizing of sales and financial forecasting*
- *New simulations are possible*
- *Clear process and planning responsibilities exist*

In 2010, these stores achieved a revenue of about 20.8 billion Euros. The group currently employs more than 70,000 people. All consumer electronics stores are set up as independent companies, in which the managing director holds a share of up to ten percent. They make their own decisions about local advertising, the assortment of product lines, pricing and personnel policy. This allows them to respond in a flexible way to the needs of their local customers.

The previously existing landscape of tools and methods at MSH allowed only for the submission of sales and financial forecasts separately, without integrative elements of the two forecast views. For this reason, the Ingolstadt based company decided, with support from planning experts of the management consultancy Horváth & Partners, to introduce a driver-based forecasting process based on TN Planning.

Beyond that, MSH had clear goals regarding content and processes: „We wanted to raise planning accuracy through planning focused on key figures, and depart from the ‘story isolating’ planning of single balance sheet items. Moreover, the objective was to be able to concentrate on essential key figures and to realize the essential development of business at the country level,” reports Dominik Mandel, Vice President of Operative Controlling & Development at MSH. It was also important to optimize the information basis for net working capital (net current assets) and the cash flow forecast, and to offer the individual country subsidiaries systematic simulation possibilities.

At a procedural level - and here, too, MSH is fully in line with the results of the study - it was important to the company to streamline and harmonize the sales and financial forecasts through the driver-based processes. „This, in order to gain a leeway in time, which our employees can then spend on deeper analyses”, commented Dominik Mandel. It should henceforth be possible to jointly agree upon the country forecast between controlling and finance, namely for establishing clearer process and planning responsibilities. Additional parts of the specifications: a way of adjusting the planning activities of MSH „Group Tax” and MSH „Group Treasury” in content with the financial planning, implementing a best case/worst case comparison as a standard, and expanding the planning horizon by a rolling component.

The first conclusion of this wide-ranging requirement profile is: mission accomplished! TN Planning was integrated as an intermediary in the controlling processes of MSH. The software henceforth validates the two channels of information (technical and content), aggregates these and thus ensures a qualified, driver-based forecast. Dominik Mandel: „Thus we can link together and merge the available data and knowledge for forecasting into a single system. The control is made simpler and offers, as we desired, the focus on the KPIs that drive our business processes, such as return on sales, EBIT margins, net working capital, cash flow and the individual country portfolios.” MSH can now break down this data as desired for individual national companies, the management headquartered in Ingolstadt, and the shareholder, and prepare it according to preference.

In fact, the depth of detail of TN Planning goes so far in this process that even very individual specificities of the organizational structure can be modeled. In this way, MSH differentiates its markets according to life cycle: „New markets”, „opened last year” and „current markets”.

MSH can now plan each of these separate segments based on the actual numbers. Also, simulations of various kinds are now possible in a granular fashion. In the practice





of planning MSH, through TN Planning, can now transform technical information into control relevant KPIs. Conversely, it is possible through simulation of sales activities to change the corresponding balance sheet items. Finally, it is possible to validate business specific drivers such as area and staff productivity, expansion planning, or simply sales per area. The company gets these options in the full range of the input data supplied: actual balance data from the ERP system inventory, statistical ratios, investment, or cash flows can in this way be transformed into valuable management information. This means, for example, that for planning one can control the balance sheet items by the cash flow, or one can see how components of the sales forecast effect the balances. Thus on the basis of the calculated items, MSH can plan with the highest precision. „Planning with TN Planning for me is planning from one mould: from the origin of data at the country level to the consolidation in the profit and loss account - this software solution helps me to map all financial drivers, costs as well as earnings, along the chain of cause and thereby to plan sensibly,“ Dominik Mandel draws a contented conclusion of the software's performance.

Thinking Networks AG

Markt 45 - 47
52062 Aachen
Germany

Phone +49 (0)241/47072-0
Fax +49 (0)241/47072-250
info@thinking-networks.com
www.thinking-networks.com

Competence Centers in Germany:
Aachen · Frankfurt · Hamburg