

SKANDINAVISH MOTOR COMPANY



SKANDINAVISK MOTOR COMPANY ACCELERATES PERFORMANCE WITH COGNOS-POWERED ENTERPRISE PLANNING

Few industries are as volatile as the automotive industry, influenced by even the subtlest changes in national economic activity. Despite substantial dealer revenues, profit margins are very low—typically in the modest range of two to five percent. “Since our margins are so small, we need an extremely detailed picture of profit generation,” says Jens Kofoed,

Business Management Manager of Skandinavisk Motor Company A/S in Denmark, general importer of Volkswagen Group cars (VW, Audi and Porsche). “This is one of the reasons we spend so much time on the analysis of actuals; and it’s also the reason we appreciate Cognos, an efficient, effective strategic performance planning solution that provides broad flexibility for working with forecast models, ‘what-if’ scenarios, and budget versions.”

SKANDINAVISK MOTOR COMPANY A/S

Distributor of Volkswagen Group autos. Sells more than 25,000 vehicles a year through a network of 200 dealerships across Denmark.

Industry

Automotive

Geography

Denmark

Planning requirements

- Dynamic multi-dimensional modeling
- Daily individual dealer P&L
- Profit-performance benchmarking
- Budgeting, forecasting, and reporting

Previous system

Lotus spreadsheets and e-mail

System solution

Cognos Management Series - Planning

Benefits to SMC

- Improved forecast accuracy
- Reduced budget cycle
- Streamlined information access

Benefits to SMC Dealers

- Recovered more than £100,000 in overlooked profits
- Reduced planning cycle from 60 days to only 15
- Reduced budget costs by 15%
- Increased cost forecast accuracy

A SOLUTION FOR PAIN-FREE PLANNING

“Three years ago we started looking for a new planning and budgeting solution and our choice was Cognos.

Previously we would typically develop seven or eight versions of a Lotus 1-2-3 spreadsheet-based model, which required a lot of costly maintenance, and we continuously made errors. Every time we had to implement a new car model, for example, we needed to make corrections in 400 cells,” says Kofoed, going on to say that Cognos performs the operation much more elegantly. Once a change is made, it is automatically applied to all the models. And since formulas and numbers are handled separately, typical spreadsheet errors are eliminated.

SMC uses the Cognos planning solution to support business processes and logistics across the organization. “We’re IBM mainframe-based,” says Kofoed, “and our IT Department employs 70 people



THE NEXT LEVEL OF PERFORMANCE™

to maintain, control, and develop the solutions we provide to our dealers with whom we share a common IT platform providing the account plan, Enterprise Resource Planning, invoicing, and salary system.”

INNOVATIVE DEALER MODEL

Using Cognos, SMC has rolled out a model all 73 of its dealers and to more than 100 Seat and Skoda dealerships in its subsidiaries. “All P&L figures for individual dealers are made available over the Internet,” says Kofoed. “The financial data is updated and copied to a (SAS) Web-server from the central machines overnight. On the basis of actuals from the previous day, dealers review their performance against five different benchmark target groups each morning. This benchmarking plays an important part in how we control and manage the business.”

CROSS-ENTERPRISE BENCHMARKING

SMC has used Cognos to create a benchmarking model called The Ideal Business, which was requested by the VW-Audi Dealer Association to provide a quick overview of market potential in their respective territories and benchmarks for performance in a number of key areas. Says Kofoed, “We’ve developed a ‘Top 10’ model on all measurement figures based on reported performance from our dealers, and this is now used as the basis for profit forecasting. In our multidimensional model you find the entire spectrum of all financial data for The Ideal Business such as actuals, budgets, and forecasts.”

Cognos is also used for calculating prices on cars prior to price negotiations between SMC and the VW Group factories. According to Kofoed, it is quite difficult to calculate the actual sales price of a car due to factors such as: assorted taxes, additional charges, deductions, and so on, which vary from model to model. “The Cognos breakback function—where you calculate backwards through an entire model in different pricing versions—is of great value here,” he notes.

PLANNING FOR MARKET BATTLES

In two years the Danish automobile market will be deregulated and prices are expected to go into free-fall as local operations lose their monopoly and car manufacturers become more aggressive in trying to sell direct to consumers, thus eliminating dealerships. SMC is using Cognos to plan alternative business scenarios so the company can ride out the storm and retain its ranking as the largest car importer and reseller in Denmark.

If foreign car dealers do invade the Danish market, Skandinavisk Motor Company will be prepared to rapidly execute alternative sales strategies—for example, to employ a sales team to target big company car users, or sell over the Web. “We have invested a lot of money in our business and our dealerships,” says Kofoed, “and our business is changing every day, so we must be able to run ‘what if’ scenarios so that we can turn the company around very quickly if we have to.”

STEERING 'ROUND THE NEXT CORNER

According to Kofoed, feedback on the Cognos planning solution dealer model has been very positive. Danish SEAT and Skoda dealers—served by two SMC sister companies—have followed suit and rolled out Cognos planning applications.

In the longer-term, Skandinavisk plans to roll out Cognos across 80 to 90 percent of the organisation in time for its annual round of budget planning. “As I see it, the latest version of Cognos Enterprise Planning is very fast and easy to use, and I like the fact that you can create plans based on scenarios, not just figures,” says Kofoed. “But it’s the product’s speed that will be of most importance to us, because we must be able to make quick decisions.”



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