

Managing costs and Improving margins In volatile Markets

International Conferences for Building Materials, Chemicals,
Forest Products, Paper, Packaging, Mining & Metals
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what is precious to you?

Meet the speakers



Dr. ROBERT VULTIER

Retired, Exec Advisor to Mibcon NDC

Integrated Business Processes
Improved Pricing based on faster communication

30 years Clariant International,
Sr positions in Procurement Direct Spend,
Production, Sales & Strategic Projects

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Mibcon NDC – Head of Product

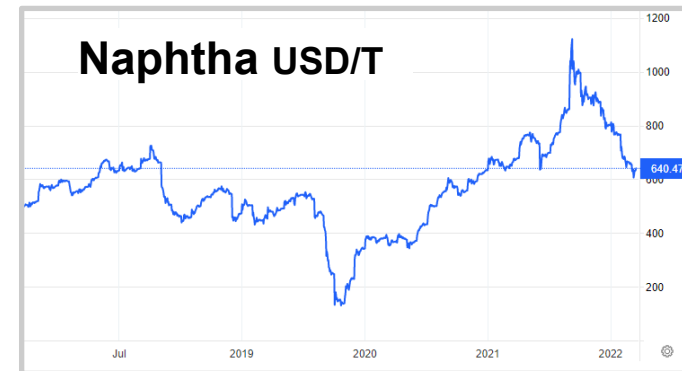
Data Analytics and Data Management
Software delivery leadership

ex Adecco Group – Global MDM Lead
ex TSCNET – Head of IT
ex Unicorn Systems – Software delivery lead

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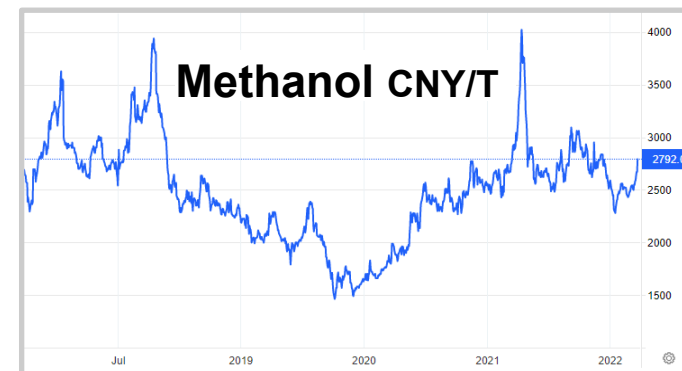
What are our challenges (e.g., in the chemical industry)?

- **Volatility increasing**
- **Predictability decreasing**
- **Limited “cost logic”**
- **Supply/Demand Balance** became main driver



... due to influence factors

- (Geo)-Politics
- Supply Chain disruption
- Financial speculation
- Climate influence
- War / Pandemic
- ...



Is Pricing Process re-design needed to stay “ahead of the wave”?



Traditional Pricing Process ...

- Is based on historic Costing (accounting view)
- Has slow communication of market changes
- From the Service Unit Procurement to Sales
- Therefore, change of Pricing often lags behind market development, which leads to

Margin Squeeze



Target Pricing Process enables

- ✓ Pro-active Margin Management by
- ✓ Sales pricing based on current market development
- ✓ Reflecting most updated Forecast from Procurement
- ✓ In different scenarios
- ✓ With Procurement as integrated business partner

Improved Margin (by Enhanced Pricing Process)

Cost transparency essential for good margin management

Especially important for companies with

- ✓ Complex value chains (large number of products / production steps)
- ✓ High volatility of input costs
- ✓ High impact of COGS (in % of sales)

Valid for
most chemical companies

Enhanced margin management requires additional views / simulations:

- ✓ Future view (forecast), not just backwards view (accounting)
- ✓ Different scenarios (What-if scenarios; market vs actual negotiated cost)
- ✓ Along complex production processes (multi-step processes across sites)

Need for cost simulations

Way to cost transparency by enhanced real-time Simulation

Traditional tools have limitations

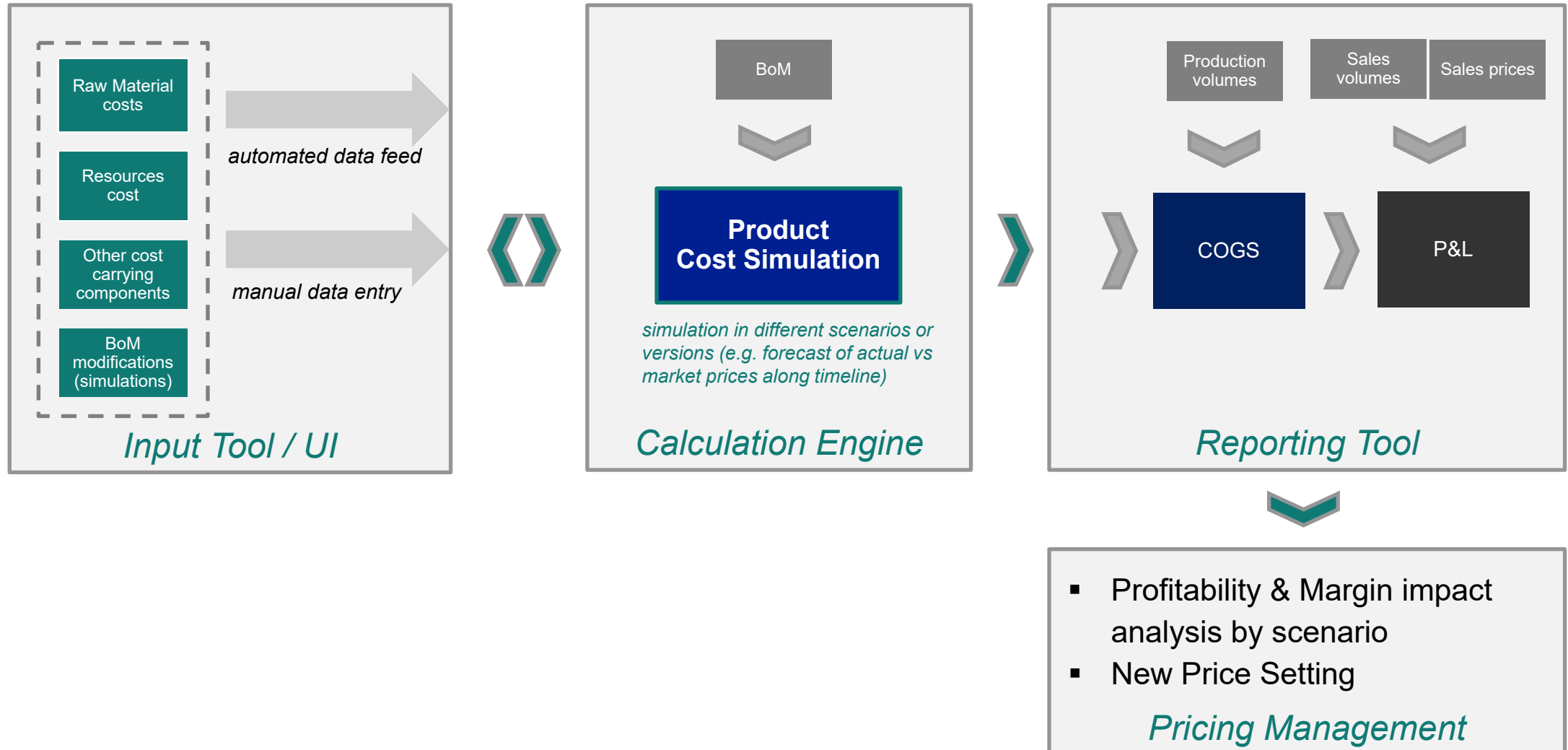
- Linked to Costing Run (once a month)
- Only one scenario (historic purchase prices)
- Standard Simulation Tool with limits of
 - Number of input changes
 - Limited possibility for Scenarios
 - Central (mostly by Controlling)

Vision for new Simulation Tool

- ✓ **Independent** (of Costing Run)
- ✓ **Ad-hoc simulation** possible any time
- ✓ Allows for **multiple scenarios** (What-if scenarios; market vs actual negotiated cost)
- ✓ **Fast**, ideally Real-Time
- ✓ **Forecast** Input **Easy-to-Use** by Procurement (decentral)

- ✓ **Joint development** of new **Cost Forecasting Tool** between **Clariant** (business process provider) and **Mibcon NDC** (owner of cost calculation engine) in 2020
- ✓ Development and Pilot within 6 month; global roll-out in 3 month
- ✓ Clariant managed to increase margins despite significant cost increases / volatility
- ✓ Pricing Process re-design based on new Cost Forecasting Tool

NDC Product Cost Simulation – How does it work?





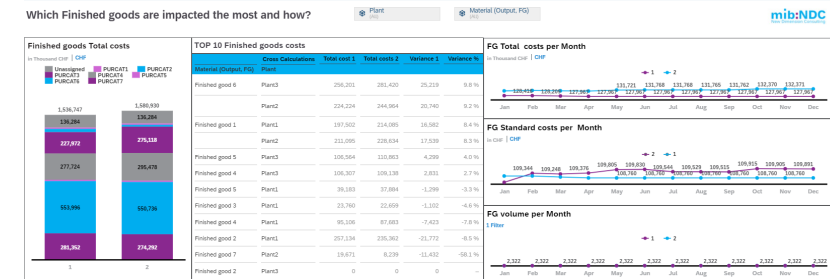
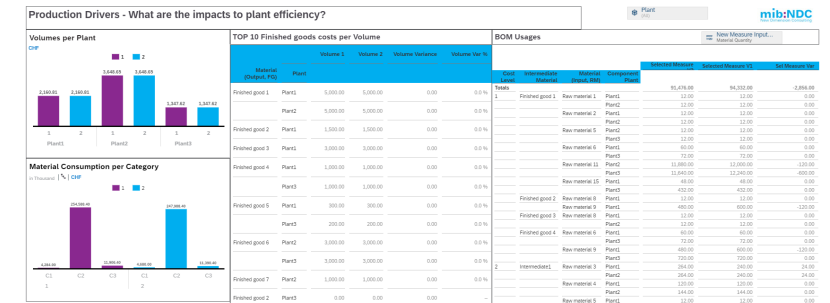
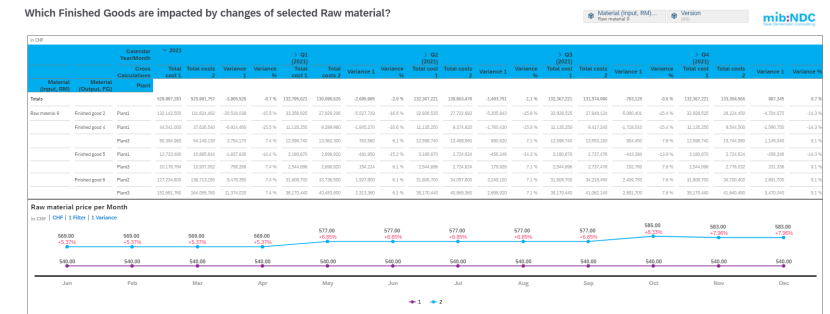
NDC Product Costing – Output Stories

A combination of Simulations (cost forecast in scenarios / versions) with historic data allows for many customized reports and analysis

- from the Past via Present into the Future (forecasts)
- In different scenarios

- ☐ Historic Purchase prices → Raw material cost development
- ☐ Historic Production Data → Finished Good Cost development
- ☐ Historic Sales Data → Margin development

These build the **base for an improved Pricing Process**



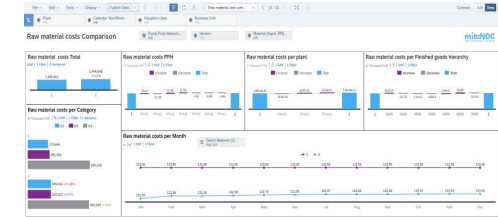
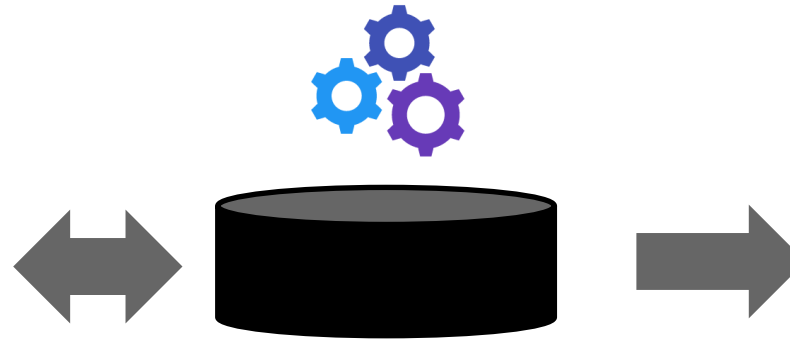
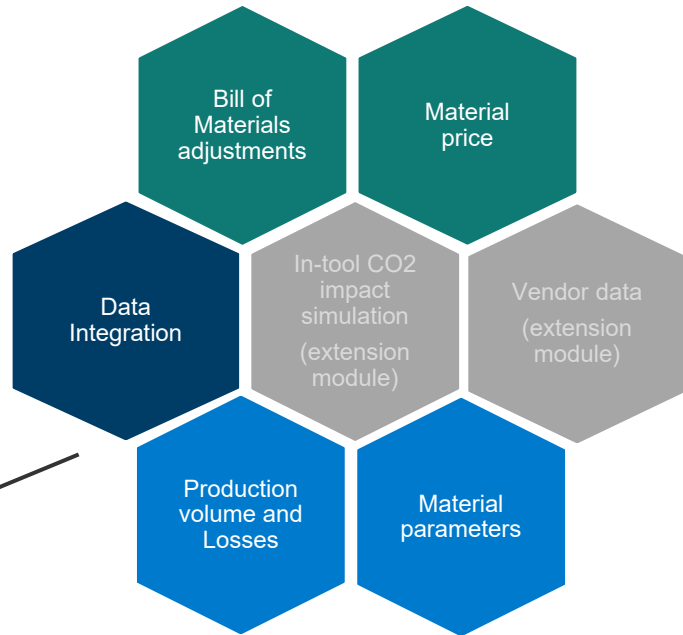


NDC Product Costing – conceptual architecture

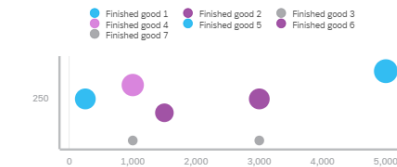
Control / Input Panel

NDC Calculation Engine

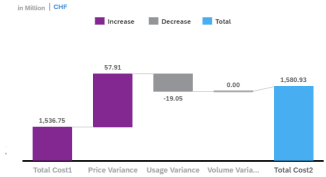
Reporting Cockpit



CO2 footprint - CO2 kg/Sales quantity/Standard costs



Variance analysis



Modern UI, providing:

- Material cost forecast
- BoM visualisation and simulation changes
- Bulk BoM changes and material swaps
- Scenario management
- Data Access controls

What else can be achieved with the same NDC Simulation Suite?



Full production process forecast and simulation

Translate the **price signals into your product cost**, margin impact, and overall COGS. Analyse the cost forecasts through the levels of **Bill of Materials** and **simulate alternative product compositions** or supplier setups. Calculate **CO2 impact**.



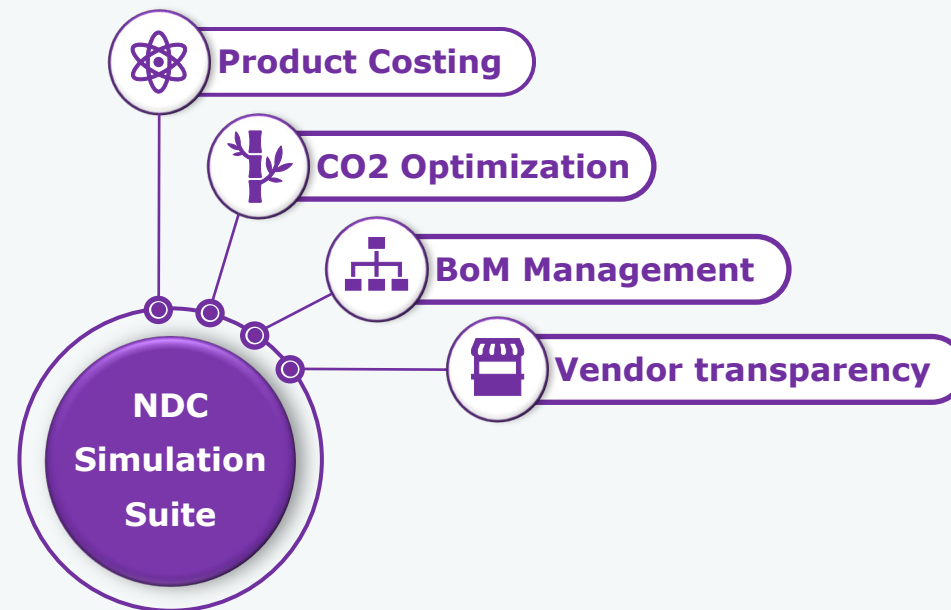
Single and unified process

All values are combined in **one dataset** and in one application. This not only helps to **bridge the gap** between the functions, but also **speeds up the information** sharing.



Comprehensive analysis

The data can be combined with **sales** or **production volumes** to derive **COGS** and **Net Income** forecasts. The results can be analysed on any level of granularity (e.g. product groups, plants, or business units).



Get in touch!

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Want to know more?

