

HOW IT IMPROVED BUDGET VARIANCE AND PREDICTABILITY

to help drive a major modernization effort

A Caesars case study

Executive summary

Emerging from a voluntary reorganization, Caesars is poised for growth. The global casino-entertainment leader has moved from “keeping the lights on” to fueling expansion, initiating significant organizational changes and a revamp of all major technology systems. Getting Apptio up and running in front of all that change has helped the IT team build the trust needed to move forward with large initiatives—replacing key platforms in Finance, HR, Sales, and Marketing and exploring innovations to attract new business from millennial customers.

Caesars corporate overview

Caesars Entertainment Corporation (CEC) is the world’s most diversified casino-entertainment provider and the most geographically diverse U.S. casino-entertainment company. CEC is mainly comprised of the following three entities: the majority owned operating subsidiary Caesars Entertainment Operating Company, wholly owned Caesars Entertainment Resort Properties and Caesars Growth Properties, in which they hold a variable economic interest. Since its beginning in Reno, Nevada, 75 years ago, CEC has grown through development of new resorts, expansions and acquisitions and its portfolio of subsidiaries now operate 50 casinos in 13 U.S. states and five countries. The Company’s affiliated resorts operate primarily under the Caesars®, Harrah’s® and Horseshoe® brand names. CEC’s portfolio also includes the London Clubs International family of casinos. CEC is focused on building loyalty and value with its guests through a unique combination of great service, excellent products, unsurpassed distribution, operational excellence, and technology leadership.



CAESARS
ENTERTAINMENT®

Industry // **Gambling /
hospitality**

Revenue // **\$9B**

Employees // **58,800**

TBM solutions

- Apptio® Cost Transparency
- Apptio® IT Planning
- Apptio® SaaS Insights
- Apptio® Vendor Insights

Benefits

- IT budget planning process reduced from 6 months to 4 weeks
- \$800K in software contracts uncovered
- Approval process accountability is now enforced by single source of truth
- Better analysis results in data center optimization
- Automation of manual processes increased rate and fidelity of reporting

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"Today, IT is seen as an enabler of investments that allow the business to compete and even lead in their areas of expertise."

John Dermody,
VP of Business Management

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CIO Les Ottolenghi is placing a bet. As Caesars accelerates development of new properties, expansions, and acquisitions to better compete in a rapidly changing market, the pressure is on to evolve legacy platforms and explore innovative technologies that appeal to future generations.

To meet this challenge, Ottolenghi's IT team is leveraging new standards to capture and reflect the total cost of technologies that impact the company's ability to fuel growth and innovation. Determined to reduce IT run costs and reallocate funding to growth-oriented projects, Ottolenghi has brought in a team of experienced technology business management (TBM) practitioners to evolve the way IT is planned, monitored, and reported.

The result? TBM has paved the way for a new cost modelling program, one that offers fact-based, current views of IT spend. This gives IT a new way to challenge old business assumptions about performance, spend, and optimization, and has led a modernization effort that spans most of the company's technology systems. In addition to the implementation of new G/L, HR, email, hospitality, and marketing platforms, today IT is driving improved budget variance and predictability, optimization that targets a 10% non-discretionary cost takeout, and true TCO of infrastructure and services that impacts investment decisions related to modernization.

New planning tool transforms budget process in 5 weeks

Coming in, John Dermody, VP of Business Management, realized there was a lot to do from a cost transparency perspective. Michael Roley, new Director of Analytics and Reporting, immediately immersed himself in the TBM Council's certification program and began mapping data sources. But it was Linda Schmitz, Senior Director of IT Financial Planning, who presented the first opportunity to test a TBM solution at Caesars.

Like many others, Schmitz' team did all their budgeting and planning in spreadsheets. Not only was the process time-consuming and error-prone, but it was difficult to get traction and secure buy-in from the C-suite for large initiatives, as details behind the numbers were difficult to translate and present.

Schmitz considered using the new corporate management tool that was mid-implementation in 2016. But there wasn't enough functionality available; for example, only budget summaries were available at the account level, when her team needed more line item detail, like repair and maintenance items. Additionally, Schmitz found the user interface cumbersome for those not familiar with financial planning products.

Within 5 weeks, budget owners are actively engaged in new IT planning application

The team took advantage of Apptio IT Planning's out-of-the-box functionality to tackle the fast approaching 2017 budget cycle. Within 4–5 weeks, the application was up and running, with end users uploading budgets and verifying data.

"By the sixth week, we were using the tool to present our 2017 budget to our CIO and CFO, way ahead of the corporate plan," said Schmitz. "And unlike in the past, when we could really only give the executives a high-level summary of hardware, software, etc., we were able to give them the line item detail that justified our plan in a way we couldn't before. It gave us a lot of credibility."

This built confidence in IT's ability to spend in the best interest of the company. "Corporate finance now has more confidence when they give us approval to move forward with some of these large transformation initiatives. They know we're managing them well, we're on top of the details, and we can share feedback on status, spend, and value at any time. It's really enabled the IT organization to jump into some of these large projects that may not have been approved in the past."

Eliminating budget padding

Today, 35 budget owners and approvers work in the application alongside Linda's team, using it on a monthly basis for P&Ls and variance analysis. "We've found Apptio to be much more user friendly and easy to train even non-finance people. Because the information is easy to access, it saves budget owners a lot of time and gives them a chance to really drill into specific areas," said Schmitz.

In the past, budget owners would aggregate spend without having to show the details. Because the Apptio software provides inputs for more granular line items, the team has fostered more clarity and accountability for the budget. "What we find is that budgets no longer have a lot of fluff in them because the actuals are right there to tell the story," said Dermody.

Better accountability

Because budget owners can look at their budget by line item and see an actual outcome—not just allocations but line item G/L detail—they can actually go into the tool to provide a summary of how they're doing each month. IT finance is able to roll up not only what happened in the month, but why. That ends up putting the onus on that owner to really understand and own their budget.

"Our budget variance is more predictable than in prior planning periods, before we used Apptio. For example, last year our variance on software and hardware repair and maintenance costs was 9% off from budget, while this year we are trending at 4%. The granularity at which we can budget and review our actuals prevents planning misses."

Linda Schmitz, Sr. Director of Financial Planning & Analysis

This also builds confidence in the numbers. Corporate finance now accepts IT's monthly P/L statements as a source of truth. "We're able to answer their questions before they even ask them," said Schmitz.

Added Dermody, "It's made a big impact on our conversations with our CFO. When you can walk in and show him on a screen where our costs are rising and what the levers are, he's better informed to make decisions and we have a better understanding of how we can act on those decisions."

Transforming data into actionable information

Being new to Caesars has helped Ottolenghi's TBM team objectively evaluate IT cost data and what they need to create a more holistic view to provide back to the business. The work they've invested in IT planning has transitioned well into cost transparency, providing a new flashlight for data and illuminating information silos that have developed over time in the organization.

Eliminating shadow IT in CapEx

"One of the main issues we found as we pursued a TCO view was that everyone had their own system residing within their own team. So, they knew certain pieces of the puzzle but no one could really put the pieces together," said Roley. "Take data centers for example. One group had the servers, one group had the storage, and another group had the actual operations, and none of them could really meet until we had Apptio."

Prior to working with Apptio, the instinct was to provision on demand rather than to evaluate current capacity to satisfy. With a more holistic view of costs at their fingertips, the IT team can better address requests. "When we get a CapEx request for something like storage, we now have the ability to look at the environment and assess whether or not there's a real need," said Dermody. "We're able to help departments control their costs based on the information coming out of Apptio."

"Cost transparency arms us with the information we need to ask the right questions to the right people," said Schmitz. "We've really seen the value of having IT vet some of these capital requests before they are submitted for funding. Having IT sign off eliminates some of the shadow IT we were seeing before."

Time savings is also a factor. "If people are asking for more servers, applications, and etc. and we already have them, they don't have to go through the procurement process. They don't have to wait for signatures. They don't have to wait for money. Instead, we're able to get them what they need faster, delivering a better outcome for everyone involved," said Roley.

Cost transparency highlights disparity in data center costs

The gaming industry requires on-premises data centers for regulatory data, but Dermody and team are consolidating where they can. One of their first TBM-related tasks was to identify ways to gain efficiency and lower cost in this area.

Pulling cost data into Apptio illuminated some strange results for the company's New Jersey data center. "Right away, we noticed the cost per kilowatt hour was 3-4x more expensive than what we pay in Las Vegas. And the usage numbers coming from that location weren't high enough to warrant the expense. When we reached out to the consultants helping us update our infrastructure mapping, we were able to help them make the recommendation to consolidate that center," said Roley. This move is estimated to save the company roughly \$500K annually.

"By aggregating this infrastructure data into an application that provides real-time analytics, we can say, 'This is how much a data center costs in New Jersey, and here's what it costs in Las Vegas.' The data pulls together to create actionable information for real decision-making."

Shift to new platforms exposes \$800K in shadow licenses

Another surprise for Roley and team was the discovery of a large number of untracked software licenses resulting from computer purchases occurring outside of procurement. Preloaded with software, these purchases included licenses that would often go undetected. The associated cost was significant: almost \$800K in licenses were dormant and available for reallocation.

"Getting software licenses into Apptio from the get-go gives us new visibility into what's happening with costs, users, and more. That has helped us build confidence with our business partners. And it's this kind of insight that helps them see us as a partner who can help track and manage these large initiatives they're doing," said Schmitz.

Imperfect data helps define the roadmap

Over the past year, the IT team has grappled with good, better, best sources of data as systems turn over and old ways of tracking assets, etc. give way to more modern data collection platforms. "It takes courage to trust that your data will get you where you need to go," said Schmitz. "You have to use what you have as a first step and continue to iterate until the data gets cleaner."

When Roley has hit potential data roadblocks, he's learned he can often solve the problem in a different way, easily changing out data sources and evolving the model as new systems come online. "Apptio as a tool has been so flexible," he reports. "If anything, it's given us a roadmap for where our data needs to go next."

TBM builds business confidence

Because IT is packaged as a service to franchisees and properties who want the Caesars brand experience and Total Rewards program, it's essential that IT accurately bill for and deliver a great service. Said Dermody, "Our business units want to know they're only paying for the IT they need and use. To do that, we need to build a consistently packaged IT experience. We have to show them the value they're going to get when they buy into our program."

Dermody sees some pushback at times from the business. But Ottolenghi's leadership is rubbing off as they see the IT team exploring ways to disrupt the casino industry. "Our CIO is enabling business units to do things they couldn't do on their own. Or that would have taken so long, we'd have lost our competitive lead. They understand that technology is going to be the thing that drives revenue for the company in the future," said Dermody.

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"One of the things we benefit from most is having a CIO that really believes in TBM and wouldn't do it any other way."

John Dermody, VP of Business Management

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Following the roadmap

Showback to set expectations

Showback is next on the roadmap, as IT finance works to replace a 5-year-old corporate allocation model. The team is on track to fulfill a promise made to the CFO: to deliver showback by the end of the year and to show actual costs to all properties in 2018. Schmitz believes there's a culture shift coming.

"People aren't accustomed to seeing the actual cost if IT. They haven't been empowered to see what that cost is made of, nor where they might have an impact on the cost and value they're receiving," she said. "But as we open ourselves up to these changes and we look for ways to support the kind of growth we need to achieve as a company, knowing our true costs will help everyone."

Better insights to save time and improve accuracy

The Caesars team has licensed Apptio Vendor Insights to add outstanding purchase orders, contract expirations, and other vendor information to monthly P/L reviews. "Our budget owners want automated visibility into vendor spend so that they can manage it proactively, instead of manually monitoring contracts and POs. We believe this will speed up the budgeting process even more," said Roley.

The team is also working with Apptio SaaS Insights for key platforms to help monitor license usage, adoption, and cost. Going forward, the team hopes to avoid shadow license issues.

It's all right there

Apptio already captures a lot of project data, and Roley is developing additional reports to help migrate the PMO from spreadsheets.

"At the end of the day, the goal is to make everything go through Apptio. People no longer need to go to finance for finance information because their budget information is all right there. They don't have to go to a procurement or contract management system to find vendor information. And they don't have to go to a project management tool for project status. It's all right there," said Dermody.



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