

## The power of performance management: Success in the hospitality industry

### Overview:

It's no surprise operators need visibility into their performance—to sustain profitability while growing market share, given that when economic changes occur the hospitality industry is typically impacted. In response hotels, restaurants, casinos and resorts are working hard to lure people back with deep discounts and special packages.

The critical issues for hospitality executives: developing a unified mission statement, managing unit-level economics, and meeting expansion goals. Market changes, consumer trends, and optimizing the customer experience are also critical factors. And they don't accommodate slow decision-making.

To stay ahead, these companies need to actively monitor operations and employ a dynamic, integrated planning process to guide their decisions and performance. So they can quickly adapt and evolve as needs and challenges arise.

IBM Cognos performance management—planning, scorecarding, reporting, analysis and dashboards—provides the foundation operators need. It allows them to budget, manage performance, assess alternatives and model the financial impact of business scenarios and monitor results across the organization.

The powerful and flexible platform lets those engaged in the hospitality industry quickly communicate changing goals and expectations, helping close the loop between corporate strategy and field execution. With enterprise planning, companies gain an accurate forward-looking view of the business. They create a dynamic roadmap, where goals are clearly communicated across the organization. And everyone collaborates to make better strategic and operational decisions.

Read on to find out how five leaders in hospitality are using IBM Cognos software to better compete for shrinking discretionary spending.

Learn how:

- **Blue Mountain Resort** is making better decisions on staffing, particularly for their busy call center. Read how they are also using Cognos for budgeting, managing inventories and for detailed analysis in marketing and promotions to help increase profitability.
- Restaurant chain **CiCi's** can update the budget in days rather than several weeks. Learn how they have also reduced marketing reporting from four days to ten minutes.
- The world's largest provider of branded casino entertainment, **Harrah's Entertainment Inc.** is reducing costs, increasing revenues and enhancing customer service with IBM Cognos software.
- **Quiznos**, one of the fastest growing restaurant chains in North America, uses IBM Cognos software to improve forecast accuracy, measure sales, costs and margin performance and reduce their annual planning cycle from several months to three weeks.
- \$700 million per year casual dining restaurant **Steak n Shake** is driving critical results including record low associate turnover, record high guest satisfaction and higher speed of service.

# Blue Mountain



## Overview

Blue Mountain is Ontario's largest mountain resort, located just 2 hours north of Toronto, and 11 km west of Collingwood. The resort is a 4-season recreational and conference facility destination. During the winter season, more than 1 million visitors enjoy 34 ski and snowboard trails, and four terrain parks serviced by 12 lifts. In the summer months, the nationally ranked Monterra Golf course welcomes golfers to enjoy its spectacular layout.

These outdoor-based attractions are complemented by slope-side accommodations with approximately 1,000 rooms comprising of the Blue Mountain Inn, eight condominium developments, Historic Snowbridge Mountain Homes, and the luxurious suites of the Village at Blue. To meet the guests' needs in this wide range of activities, Blue Mountain employs over 1,600 employees peak season, including some 400 fulltime year-round staffers.

## Challenges faced

With 13 different lines of business, including restaurants, ticketing, call centers, and lodging, Blue Mountain needed a comprehensive software

package to run traditional budgeting, consolidation, reporting, and forecasting, as well as performance analysis on revenues trends, especially daily sales.

The company also faced two further complicating factors. With multiple lines of business, the software package they selected had to be able to draw on many different types of applications and data sources. The BI solution had to be easy to install and maintain, because at that time Blue Mountain only had three IT staffers and did not have any one employee dedicated fulltime to maintaining the system at the time.

Blue Mountain was in a bind because their existing system was not robust enough to handle all of the company's data input. Also, because that system was not automated, it increased the time IT spent waiting for reports from disparate data sources.

Blue Mountain needed a software solution that would reduce the stress on its IT staff by being easy to maintain and making it easier for users to obtain information for themselves. After an extensive review, Blue Mountain's IT

Director, John Gowers, selected a IBM Cognos performance management solution. A complete application that streamlines the performance management process and includes planning, budgeting, forecasting, reporting, and analysis capabilities, IBM Cognos TM1 leverages on-line analytical processing (OLAP) technology. This capability enables users to view and understand large sets of complex business data quickly. Analysts, managers, and executives can view data across multiple dimensions and drill down into the specific data underlying those summaries.

## Strategy followed

In a controlled rollout, Gowers introduced the Cognos software to each line of business, one at a time, when each seasonal business opened. In each case, Gowers started by configuring the financial applications based on previous expectations from the old system. If he faced an anomaly between his expectations and the actual numbers, he dug down into the data to reconcile the apparent incongruity. It took approximately one to three weeks to roll the solution out to each line of business.

An unexpected but positive by-product of rolling out the Cognos solution across the company was that Gowers was able to standardize how data was captured across the organization. As he and his staff talked to various groups about the distinctive ways departments categorized and recorded data, Gowers was able to unify the accounting methodology across the organization. Blue Mountain now has a dedicated fulltime developer to manage the reports and build the models. Data is now entered in the same way across the organization, and it has become easy for senior management to compare financial reports across departments.

#### **Benefits realized**

As in any resort, personnel staffing is a considerable chunk of Blue Mountain's operating budget. Holding this line item down is critical to the success of the organization. While staffing models are set during the budgeting process, actual levels must be adjusted daily depending on the weather, number of pre-sold tickets, hotel arrivals and departures, major conferences taking place at the resort, and historic business patterns. Based on these factors, Blue Mountain

uses IBM Cognos TM1 to determine appropriate staffing levels, which front line managers must follow. This built-in check means that if staffing levels exceed the prescribed budget constraints, the overstaffing must be cleared with an area director. As a result, this highly variable and volatile line item tends to map closely to the budgeted targets at the end of the year.

In the hospitality industry, starting off on the right foot is critical. For many guests, their first contact with Blue Mountain is through the call center. If a potential guest has to wait too long to be helped, she will go somewhere else to book the family vacation or sales conference. By helping set the proper staffing levels in the call center, IBM Cognos TM1 ensures that call center associates are not overly taxed, which allows them to greet each guest in a relaxed calm manner. Also, because the call center managers can use IBM Cognos TM1 to calculate inbound call volumes based on any number of factors—time of year, time of day, proximity to a given holiday, current resort promotions—they can be sure they are not unnecessarily overstaffed.

Not only does Blue Mountain use IBM Cognos TM1 to control staffing levels, but also to help adjust and maintain inventories from year to year. For example, taking the data from the application that runs the ski boot shop, and adding to the expected number of skiers in a given year, IBM CognosTM1 helps Blue Mountain order the right number of boots in each size. The same model extends to other inventories in its retail shops across the organization.

Although Blue Mountain has been able to push performance management out to the front lines, the company originally bought IBM Cognos TM1 to streamline its budgeting process. Like many organizations, Blue Mountain's budgeting process relied on a maddening amalgamation of spreadsheets. Often, searching for the right data was like mining for coal with an ice pick: it could be done but not without difficulty.

The IBM Cognos TM1 engine puts all of the budgeting information in one place. Once all of the data was entered, Blue Mountain had a clear estimate of what was spent at each business level,

creating a finely sliced view of each department's performance. From that base level, it was relatively easy to set forecasts for the coming year.

"I couldn't imagine budgeting and forecasting without Cognos," says Gowers. "IBM Cognos TM1 speeds up a process that was incredibly time consuming."

For the finance folks, the power and flexibility of Cognos did not stop once the budgets were done. Because the performance management software updates revenue in real time and can slice data in any number of ways, executives at Blue Mountain can compare year-to-date actual values to projected revenues and previous year's totals every day. This daily snapshot and compilation of trends allows senior managers to intervene quickly should corrective action be needed in a particular department.

Marketing is also digging into analytics. With the ability to view historical data and even perform 'what-if' analysis against daily revenue reports, the

team can focus on projects such as campaign and labor management to manage its spending more wisely.

For example, if a specific room type isn't selling as well as it had in previous years, a manager can look at which variables have remained constant and which ones have changed. IBM Cognos TM1 gives Blue Mountain the means to review the data from a variety of angles to isolate the particular variable that is a drag on sales. Armed with that information, a hotel manager can alter room rates, align them with previous year's rates, wait out a spell of bad weather, or implement a new marketing campaign featuring the affected area.

If the hotel launches a marketing campaign, Cognos can provide detailed analysis of which marketing campaigns have had the most impact in driving sales for a particular room type in a given season.

The proof of customer satisfaction is a positive answer to the question, "Would you do it again?" For Gowers, the answer is "yes!"

*"I couldn't imagine budgeting and forecasting without Cognos. The application speeds up a process that was incredibly time consuming."*

*John Gowers,  
IT Director, Blue Mountain Resort*

# IBM Cognos solution helps keep CiCi's fresh



## Overview

Based in Coppell, Texas, CiCi's Enterprises, LP, operates 650 restaurants in 30 states and expects continued aggressive growth. Each CiCi's location provides its customers with the ultimate pizza experience through a gourmet buffet of pastas, salads, desserts and 16 kinds of fresh-from-the-oven pizzas. CiCi's supplies its franchisees through its JMC Restaurant Distribution unit, which provides purchasing and distribution services solely for CiCi's. This means all locations receive exactly what they order 99.99 percent of the time, a rarity in the restaurant business.

Since opening its first restaurant in Plano, Texas in 1985, CiCi's has grown to become the eighth-largest pizza chain in the US, and is well known for its all-you-can-eat buffets. The company was ranked among the Top 25 Franchises in 2005 by the Wall Street Journal and number one for sales and unit growth in the pizza chain category for the past three years by Nation's Restaurant News.

## Challenges faced

CiCi's needed to access its data in a quicker and more structured manner so that everyone from human resources to finance and operational managers could make better-informed decisions on a wide range of issues, including purchasing and development, distribution of food supplies, sales and marketing, and even fraud. Also, CiCi's immediate need was to increase the accuracy of its marketing budgets so that it could better align budgeting goals with company objectives for increased marketing and operational efficiency.

The quick-service restaurant chain needed to improve performance management with a tool that could be accessed by a broad set of users. Since it does business in an industry where sales and data from franchises change daily, CiCi's must be continuously agile. The need for reliable, accurate up-to-the-minute data is constant, and without it, financial analysts and directors are operating at a disadvantage. What's more, this data needs to be easily accessible, no matter when it's needed.

"Having all of our data in one place from all of the different departments and companies is key, because it allows us to integrate them in ways that we wouldn't have thought of doing on our own before," says Jessica White, Operations/Financial Analyst, CiCi's Enterprises.

Also of note, managers wanted a solution that enabled the organization to view the company's revenue and operations figures in a variety of ways, such as over time or by geography.

## Strategy followed

CiCi's evaluated several vendors including Hyperion Essbase before ultimately selecting the Applix TM1 system, which became IBM Cognos TM1 when Cognos bought Applix. Thanks to support from Cortell Group, the IBM Cognos business intelligence (BI) and performance management consultants and implementation partners, the solution was implemented quickly to meet the expectation of supporting performance reporting with the organization's vision and strategy.

Once implemented, IBM Cognos TM1 first addressed an area of need in accounting. CiCi's was able to dramatically reduce the potential for manual errors, and make accounting more efficient within several areas, such as reporting on franchisee royalties and marketing fees. The solution helped make these processes much more efficient, and, as a result, CiCi's could maximize revenue by gaining more insight into these areas far quicker than before. CiCi's was so impressed with the increased insight and the capabilities displayed with this first step, that it decided to use the solution for even more complex projects, including creating budgets based on store sales, distribution centers and new store openings. Using IBM Cognos TM1, CiCi's was able to increase visibility and streamline data that was housed previously in hundreds of different reports.

"We've been able to import data that tracks where we are in the process of opening new stores, to get a better idea whether we're on target and how many we can expect to have open," White adds. "And, of course, this all affects our budget. If we're not on target, we're able to identify where we're stuck and be able to talk to various departments to solve the problem."

Now, CiCi's executives are able to see at any given time - in one single report - how the development of each and every new restaurant is progressing before their scheduled openings. Reports on store development are usually generated once a week for informational purposes, and they are also used to drive accountability. Executives can see which phase each and every store is at in the process, giving them far more insight than they had previously. When new CiCi's stores open on schedule, they start generating revenue more quickly, whereas delays can be costly and affect forecasts.

Benchmarks in IBM Cognos TM1 can be compared to actual progress, and this initiative has helped keep new openings on track according to growth plans. CiCi's aims for its stores to open in just under one year from the time development plans start. Whether it's with development of new locations, or other areas of the company, the overarching goal is to move to a real-time environment wherein executives are able to obtain more financial and operational insight whenever it is needed, according to White.

Another area of success for CiCi's IBM Cognos TM1 system is its JMC Restaurant distribution unit.

Management has turned its attention to gaining more financial effectiveness in expense management, and is now focused on getting financial reports ready to track profitability more accurately. For example, if margins on some of CiCi's food products change, budget analysts can use IBM Cognos TM1 to pull up an array of information on specific stores and look at the last invoice imported into TM1 to double-check on factors such as pricing structure to make sure everything is accurate, without having to go out to all of the different data sources and generate reports.

#### **Benefits realized**

By using the IBM Cognos TM1 solution in so many different ways, CiCi's has been able to provide more accurate, timely budgets and forecasting, all in less time. By implementing a new system with comprehensive checks and balances to prevent errors, and automation to consolidate plan data, analysts who once worked on charts for almost half their work week are now free to do other more value-added tasks. Executives who used to spend time consolidating data can now use IBM Cognos TM1 to create pivot tables for analysis quickly and easily.

For example, analysts can now determine more accurately how much food supplies are being used at

specific stores in certain timeframes. For instance, CiCi's tracks item usage and average "tray cost" as they test a redesigned buffet to include a hybrid salad bar and updated stations to reduce waste and increase profits for stores. Using IBM Cognos TM1, they can determine if trends in usage are making this change a profitable one. White says, "We can now run through a few "what-if" budget scenarios in a day, and be prepared for questions we think management and investors will ask."

CiCi's system users now include the chief financial officer, human resources and sales and marketing teams touching IBM Cognos TM1 on a daily basis. In terms of speed, specific budgeting tasks that once took several hours are now completed in a few minutes.

"They literally used to spend four days a week, among all of the people on the marketing team, doing their reports manually, and now it's done in minutes, probably in most cases within 10 minutes," says White.

To get the first budget pass, it used to take CiCi's a couple of months, including the time to round up data - new store openings, closing, forecast store sales growth and so on. Now, with IBM Cognos TM1, the first pass is usually completed in a month or less. White explains, "It's hard to quantify and compare, since the bulk of the time is spent getting input from the departments, but revisions to the budget that used to take up to two weeks can now be done in a day."

As further evidence of the success of the financial analytics platform, CiCi's has recently upgraded to the latest version of IBM Cognos TM1, and finance managers are so confident in the system that they are planning to roll out IBM Cognos TM1 Web dashboards for regional managers. Such a move will enable even more executives to see firsthand how efficiently the company is being run, how it can be further improved, and just how the many complex, detailed financial reports can be delivered so quickly.

*"It used to take us weeks of hard work to update our budget, and now with the IBM Cognos TM1 system, we could do it in a day or two if we were really pressed for time. So we're saving at least a week, which is great."*

*Jessica White, Operations/  
Financial Analyst, CiCi's Enterprises*

## Harrah's Entertainment, Inc.



### Overview

With more than 80,000 employees, Harrah's Entertainment, Inc. is the world's largest provider of branded casino entertainment through operating subsidiaries primarily under the Harrah's, Caesars and Horseshoe brand names. Harrah's also owns the London Clubs International family of casinos. Since its beginning in Reno, Nevada nearly 70 years ago, the company has grown through development of new properties, expansions, and acquisitions. Harrah's is focused on building loyalty and value with its customers through a unique combination of great service, excellent products, unsurpassed distribution, operational excellence, and technology leadership.

In the highly competitive gaming market, the need to attract and retain customers is critical to business success, as customer loyalty and satisfaction can make or break a company. Harrah's has been extremely successful in gathering data about its nearly 40 million customers through its Total Rewards program. However, the company sought to deploy a closed-loop system to better leverage that data and support overall customer

loyalty objectives and site operations. As part of this project, the company needed a technology solution to extract insight and understanding from customer preferences, gaming patterns, affinities, and operational metrics collected from all of its U.S. properties, stored in an NCR/Teradata data warehouse. Harrah's chose the IBM Cognos solution based on its flexibility, breadth and depth, as well as its strategic partnership with Teradata.

### Challenges faced

When planning its strategic growth strategy, Harrah's decided to maximize the ROI of its existing casino businesses by better understanding its customers' behavior and preferences. Harrah's already collects high volumes of transaction detail regarding its customers. This customer data is collected via the Harrah's Total Rewards Card, which records guest activities, from restaurants to gaming tables, and delivers rewards and customer incentives. The challenge was to understand, analyze, and leverage that raw data to maximize the lifetime value of the customer.

Further, Harrah's needed a system that could be managed from a central location, but be accessible from any

of its properties, including any newly acquired companies. The solution also needed to be easy for corporate and property-level managers to use, and provide insight and analysis into operational metrics to help overall property performance.

### Strategy followed

The company chose to leverage its existing technology investments in Teradata and IBM Cognos solutions to enhance its marketing and customer loyalty success with a closed-loop system. With Teradata as its single enterprise data warehouse, Harrah's expanded its use of IBM Cognos business intelligence software to drill further and deeper into customer data.

The company can now segment customers into numerous profiles and use this segmentation data to develop targeted campaigns to drive desired customer behavior. For example, Harrah's might reach out to customers who haven't visited in more than six months and offer an incentive to bring them back to their favorite property. Or it might promote a new game that is a known affinity to the customer's favorite gaming choice. In addition, with the detailed reporting and analysis capabilities of IBM Cognos business



intelligence solutions, Harrah's is also able to measure the effectiveness of these new campaigns against control groups.

The closed-loop system helps the marketing organization with all aspects of the campaigns, from identifying and segmenting customers, implementing marketing tactics, tracking execution, documenting redemption, and measuring the effectiveness of campaigns. In addition, by combining this information with other data, Harrah's can uncover new affinities to help guide improvements in overall operations. For example, if customers who enjoy playing one type of game also tend to play another, the property might move the games closer together.

"One of our objectives is simply to make sure the customer experience at our touch points is as rich as possible based on the variety of data and applications we have in the background," says Tim Stanley, SVP Innovation, Gaming & Technology and CIO at Harrah's.

To provide that individualized experience, Harrah's wanted to make sure that each property had access to all of the key customer information. Leveraging IBM Cognos software's service-oriented architecture, Harrah's was able to deploy IBM

Cognos products from its corporate data center and provide access to the data from any property site. In addition, the intuitive interface made it easy for property managers to interact with the software regardless of software experience. The company has developed standard marketing campaigns, each focused on driving activities for specific customer segments. Individual property managers can access these programs, determine what campaigns, or combinations of campaigns, make the most sense given the local property analysis, and execute them for their location.

"Instead of having executives make decisions based on the data and communicate that down to other people, our strategy is to drive business intelligence usage down to every level of the organization possible," explains Stanley.

#### **Benefits realized**

Harrah's has gained market share and reduced operational costs through better analysis of its customer data, such as customers' Total Rewards card usage, and gaming patterns and preferences. By identifying trends in this data, Harrah's has been able to create customized, special offers through its Total Rewards incentive program. Equally

important, Harrah's has been able to personalize interactions by leveraging information about customer activities and behaviors in real time—such as surprising a guest with a greeting or gift on his or her birthday. This level of customer service for the general gamer, which was previously unheard of in the gaming industry, has resulted in significant increases in revenue for Harrah's.

In addition, the technology architecture makes it easy for Harrah's to quickly bring new properties on board with this closed-loop system. Once Harrah's has integrated new data and source systems into Teradata, the company can then quickly provide the IBM Cognos business intelligence capabilities to the local property level. This architecture also allows Harrah's to plan for business resumption in the event of a physical disaster by maintaining a replica of Teradata in a different location. Properties are still able to use IBM Cognos products to access the customer information regardless of where the data warehouse is located.

The total solution resulted in smarter, more focused communication with customers and the ability to maximize each customer relationship. "With Cognos, we are able to evaluate how well we are satisfying guest requests and provide the right kind of predictive recommendations for the customer experience," states Stanley.

By refining its closed-loop insights and efforts, Harrah's has established a differentiated loyalty and service framework to continuously improve customer service interactions and business outcomes. Since the deployment of the system, customers' discretionary spending with Harrah's versus its competitors jumped from 30 percent to nearly 50 percent more. The centralized deployment also made it easy for the organization to scale to more locations, supporting future growth and acquisitions.

Harrah's has also cut down on personnel costs. With the data warehouse, the database and customer marketing teams can develop incentive programs with comparative ease. In the past, these teams spent the majority of their time collecting and aggregating data rather than analyzing it. By enabling this new level of analysis, the company has avoided the cost of hiring additional analysts per property.

By and large, Harrah's has transformed its decision-making approach from "I think" to "I know." Virtually every

customer-facing initiative is tested in a controlled environment using a test campaign and a control segment. In turn, Harrah's has evolved from simply analyzing historical data to predicting the future performance of many marketing campaigns—a critical lever in maintaining a competitive market advantage.

Harrah's can also leverage this closed-loop system to add new value to customer interactions, such as providing self-service access to gaming winnings for individual tax reporting purposes.

Having expanded its customer base through BI analysis, Harrah's also has the opportunity to offer an even broader set of locations, brands, and amenities in the United States and abroad. In addition, Harrah's currently operates in Canada, the United Kingdom, Egypt, South America and South Africa and has projects under development in Europe and the Caribbean. These new properties will leverage and enhance the company's existing capabilities, while also creating new value and insight.

*"With Cognos we established a closed-loop marketing system to be able to support our customer loyalty objectives. From analyzing customer behavior to developing and tracking the effectiveness of focused campaigns, we can use our data to better serve our customers and in turn decide how to improve our operations to increase their overall satisfaction. Both strategies complement each other in such a way that the combination of the two is more powerful than either individually."*

*Tim Stanley, SVP Innovation,  
Gaming & Technology and CIO  
at Harrah's Entertainment, Inc.*

# Serving up higher performance at Quiznos



## Overview

Every day, restaurants ring up \$1.5 billion in sales at nearly one million locations worldwide. With \$558 billion in revenues projected for this year and solid growth expected to continue, the industry is anything but static.

What's top of mind for chain executives in this dynamic environment? The key challenges: developing a unified mission statement, managing unit-level economics, and meeting expansion goals. Responding to market changes and consumer trends, and optimizing the dining experience are also critical issues.

To stay ahead, smart restaurant chains monitor their operations and depend on a dynamic, integrated planning process to guide their decisions. So they can grow the business, and quickly adapt and evolve as needs and challenges arise. With this in mind, Quiznos chose IBM Cognos software to power its planning and performance.

Quiznos is one of the fast-growing restaurant chains with over 5,000 outlets in the US and worldwide. The company provides freshly made sandwiches and other items, using chef-inspired recipes and premium quality ingredients.

The company was selected by Nation's Restaurant News as the top growing chain for five years in a row. Recently, the management group was also cited by QSR magazine as the best new management team in the industry.

This case study will focus on how Quiznos leveraged Cognos to help:

- Integrate its general ledgers and create standardized financial reporting across the business.
- Reduce monthly close by automating the consolidation process.
- Shorten planning cycles to support monthly forecasts for operations.
- Initiate driver-based planning to improve forecast accuracy.
- Measure sales, costs, and margin performance against plans.

The result: The annual planning cycle is much faster, reduced from several months to three weeks. What's more, the company's 35 separate reporting entities now use the same set of assumptions for their individual plans, resulting in greater consistency and fewer errors.

"Because of the reduced cycles in terms of consolidation and planning, it takes a lot less time away from

everyone in the organization," says Davis Shepherd, Financial Reporting Manager at Quiznos. "Just in terms of the time saved and increased productivity alone, the product has paid for itself."

## Business background and the case for change

Quiznos was experiencing rapid growth of its business. And it needed its planning and financial systems and process to keep pace.

A critical issue? The company was using spreadsheets for budgeting, financial reporting, and forecasts. As a result, business units created their own plans, and there was a serious problem with lack of consistency across the organization.

"We really didn't have much integration between reporting actuals versus our plan," says Shepherd. "We had a manual process where we could report variances between actual and plan, but describing what those variances meant became a real issue for us. And we were experiencing a very long cycle time for consolidating our financial results, generating reports, measuring actuals, and rolling up our annual plan."

Another complicating factor was the company's complex business structure: 35 separate legal entities ranged across five business segments. How to reduce the amount of detail around these entities, yet still maintain accurate plans and financial statements?

The challenge was to find a solution that would help the company standardize, integrate, consolidate, and simplify the financial reporting and planning process across all of its business units.

### **Finding the right vendor**

The first step was to find a financial reporting tool that would integrate the company's general ledgers and automate the consolidation process. Support for standardized reporting across the business was also a requirement.

That led to an initial deployment of IBM Cognos Finance. "With Cognos, we could consolidate the entire company and provide financial statements in about an hour, which was a huge step forward for us," says Shepherd. "That took two days off our monthly close cycle."

On the planning side, the company wanted to integrate all the business units to the same set of assumptions and drivers. This would help improve version control and keep everyone tied to the

same set of numbers. It would also create a more meaningful relationship between actuals and budgets.

With executive support, the Quiznos team created a business case to outline requirements. They then asked for bids from Cognos as well as two other leading business intelligence and planning vendors.

"We did our homework both on the product and consulting side," explains Shepherd. "Cognos came back with the best response, and we felt comfortable awarding them our business. And shortly after the decision to go with Cognos, JCB Partners came on board. The combination of industry knowledge and Cognos expertise made them a great partner for Quiznos."

### **The implementation**

The planning system deployment was a three-month project. The company worked closely with JCB to plan out the scope of the implementation and what it would look like. In the end, the project came in on time and budget.

"In almost every organization, you can expect IT projects to go over budget and you can expect them to go over their allotted timeframe,"

says Shepherd. "The biggest surprise I got with Cognos was that we actually came in on target, both in terms of budget and in terms of timeframe. We were very happy with the results."

Further work was done to link up IBM Cognos Finance and IBM Cognos Planning, to allow data flow between the two systems, as well as integrate with the company's HR system.

"One of our biggest drivers when it comes to general administrative expenses is headcount-related costs, so we integrated with the HRIS system to pull in our payroll data," notes Shepherd.

"So those were the major integration points that we had: our general ledgers and both of our finance systems talking with each other and with human resources."

### **The business impact**

Cognos has helped solve many of the company's financial and planning issues and led to a much more streamlined process. Consolidations are now completed in a matter of hours instead of days, and the annual budget takes weeks instead of months to prepare.

All the business units use the same financial reports and the same data source for reporting actuals, and there is GAAP compliance across the board. “They can open up the tool and create standalone financial statements that are the same. It lets everyone talk the same language company-wide.”

On the planning side, everyone uses a consistent set of assumptions, and actuals and budget are more closely aligned.

“All of our business units use the same assumptions and the same drivers when building their budgets and their plans,” says Shepherd. “We have also improved version control on our budgets and forecasts. And we have a tighter relationship between actuals and budget, so we can do more meaningful analysis in this area.”

“So not only can we see our variances. Because we’re using drivers to create our budget, we can actually begin to understand what these variances are telling us about the business.”

#### **Less complexity, better workflow**

Further, the business structure was simplified by building the planning process around the five business segments instead of the more detailed entities: franchise operations, food distribution, equipment, advertising, and corporate function.

“We had to determine what level of detail we wanted to plan to. In the past, all 35 of our entities used to prepare standalone financial statements,” explains Shepherd. “By simplifying and automating the process in Cognos Finance, it takes an entire step out of the monthly workflow. It’s much simpler and it takes less time for people to do their budget.”

#### **Data flow with payroll**

Linking the planning and financial systems to HRIS has also reduced time and effort in the HR department.

“HR has to provide me with a lot of employee-level detail: things like raise percentage, bonus percentage, hire date,” says Shepherd. “Staff used spreadsheets for this before and had to build it into their weekly workflow.”

“Going forward, it’s going to save them a lot of time to integrate with the planning system. I need this information either way. They can provide it to me manually, or they can use this new seamless process that’s a lot easier for them.”

#### **Effective compliance**

Shepherd also notes that cutting out spreadsheets has made company auditors much happier in terms of regulatory compliance. There are fewer reporting errors. And the Cognos platform allows for much tighter security and controls around different versions

of the budget—management can determine who sees which versions, and who can make adjustments.

All of these aspects allow finance to ensure the reliability and integrity of the plan as well as company financial statements.

“When you use an Excel-based process, there’s a lot of room for error,” says Shepherd. “With the internal controls we now have in place as part of the Cognos systems for planning and finance, we have significantly increased accuracy. Everyone is very confident that when they run a report out of Cognos, they know exactly what they’re going to get. And they know it will be accurate.”

#### **The move to driver-based planning**

More critically, Cognos supports a new focus on driver-based planning. In this case, Quiznos uses a key set of business metrics to drive its financial plans. “We came up with a key set of drivers that really were the core of what drove our business, and related those to how they play out in our financial statements,” explains Shepherd.

“We’ve tied our entire P&L down to gross margin so that all of our revenue and all of our cost of goods sold are linked to these key drivers: things like number of stores we plan to open, same-store sales, and franchises sold. Now by making one change, we can change our entire P&L and report against those drivers.”

A further advantage: it creates a much more manageable set of objectives and goals for operations and people in the field.

“It gives people a smaller set of variables to focus on. So it’s a lot cleaner for them. On a day-to-day basis, they know the key goals they need to strive for. And if they hit those goals, then Quiznos as a company will achieve its goals.”

### **Best practices**

Looking back, Shepherd says a number of factors contributed to the success of the Cognos implementation.

For one, getting the support of management from the outset was critical. “You absolutely have to have buy-in on these types of projects. In our case, management was onboard from the beginning.

“Once they saw what we wanted to do, they gave us support throughout and have recognized our group in front of the company. In fact, the planning process we did for this year’s budget was the best one the organization has ever seen. So developing the business case and making recommendations to management is essential.”

Another key strategy? Consider company culture and the steps needed to help people adapt to new technology and processes.

“Getting people on board with a new system is a challenge. One of the things we did to mitigate the issue was provide an individual training program. We went out and visited each user and spent as much time as they needed to get comfortable with the product. Once they knew how to use it, the transition from doing things the old way to the new way became a lot easier.

“Another strategy was to bring users into the project early on to get their input on what they wanted the system to do. It helped them feel empowered and really brought them into the process.”

More recently, the company converted the entire organization to a single chart of accounts. This way, all the operating units use a common language and structure – and people are less bogged down in time-consuming details. Accounting is simpler, and it’s helped to streamline the consolidation process even further.

Going forward, Quiznos will revisit its forecasting process, which is currently updated on a monthly basis.

“We really want to look at what we can do to improve the forecasting process,” says Shepherd. “Is monthly forecasting the direction we want to go? Do we want to do it on a quarterly basis? Do we have the right level of detail? Do we have the right level of frequency? So that’s a key area we’re going to focus on this year.”

*“Because of the reduced cycles in terms of consolidation and planning, it takes a lot less time away from everyone in the organization. Just in terms of the time saved and increased productivity alone, the product has paid for itself.”*

*Davis Shepherd,  
Financial Reporting Manager  
at Quiznos*

# Steak n Shake stirs up performance with IBM Cognos system



## Overview

The Steak n Shake Company (NYSE: SNS) is a full service, casual dining restaurant open 24 hours a day. Offering made-to-order food at the speed and price of fast food, Steak n Shake is one of the oldest restaurant chains in the United States.

- Today, Steak n Shake operates 483 restaurants in 20 Midwest and southeast states, including 49 franchised units. With more than 20,000 employees, the company's revenue is approximately \$700 million.

In 2006, Steak n Shake began executing a multi-year strategy to achieve sustained same-store sales growth and prepare for market expansion. Integral to the plan was implementation of an enterprise BI solution. With that in mind, Steak n Shake selected IBM Cognos 8 BI to enable the company to focus on its key economic drivers, and help drive performance management and profitable growth.

## Challenges faced

To meet its business objectives, Steak n Shake needed to overcome some challenges in its IT, operations and finance groups. Like many mid-size companies, the company's IT

department had to do more with less. More specifically, the technical team needed to consolidate internal skill sets, streamline reporting, and provide field users and corporate business units with self-service reporting.

On the operations side, store managers needed to spend less time analyzing numbers and questioning the data, and more time taking care of associates and guests. For finance, the objective was to align corporate strategy with operational metrics and measure performance to plan

"This is about taking into account all of our key metrics in how we manage our business," says Stephen Pruden, Director of Information Technology Strategy and Integration at The Steak n Shake Company. "Whether it's focusing on improving our leadership, whether it's focusing on retaining associates or whether it's focusing on whether we are hitting our margins. All of these things drive same-store sales for our operators."

The solution? Build two complementary technology assets: an enterprise data warehouse and a single BI platform. The BI platform, in particular, would serve as a key enabler for future growth.

## Strategy followed

After considering several BI vendors, Steak n Shake selected an IBM Cognos solution. The company was attracted to the IBM Cognos system due to its seamless integration across multiple data sources, ad-hoc reporting, and dashboard, scorecard and self-service capabilities.

Steak n Shake then sought guidance from IBM Cognos Platinum Partner, JCB Partners. "We wanted a partner that had expertise, not only with the technical solution, but also within our specific industry, the hospitality and multi-unit restaurant operator space," states Pruden.

To kick off the implementation, Steak n Shake created and loaded its new data warehouse with IBM® Cognos® Data Manager. The company then tapped JCB Partners to help create a "one-stop shopping" portal for employees that included dashboards, reports and analysis cubes. JCB consultants completed the data warehouse design and initial dashboard and report implementation in under 120 days.

To enable employees to take full advantage of their new IBM Cognos 8 BI solution, Steak n Shake also

established a Business Intelligence Competency Center (BICC). Sponsored by the company's CFO, the BICC comprises a cross-functional mix of company executives and subject matter experts. The BICC is seen as a model for project prioritization, requirements gathering, strategic alignment and governance.

In addition to the BICC, Steak n Shake used several unique strategies to ensure rapid adoption of the new system across the company:

- Building an infrastructure that would scale to meet rapid demand.
- Starting with the revenue-generating business units.
- Concentrating on simplification and user perception.
- Encouraging organic growth.

After an initial deployment of 50 sites, Steak n Shake has since implemented IBM Cognos 8 BI throughout all of its stores. The organization has also standardized on IBM Cognos products for all of its dash-boarding, reporting and analysis needs.

"Over a 9-month span, the IBM Cognos solution was deployed to 2000 users in our restaurants, corporate and other offices," notes Pruden. "This deployment was not scripted ahead

of time, but grew organically from our initial implementation. We believe our overall success was due to the speed at which we deployed the BI solution. This would not have been possible without a very scalable infrastructure providing trusted information through a simple reporting portal that meets the needs of restaurant managers, executives and analysts."

#### **Benefits realized**

Using the IBM Cognos system, Steak n Shake has been able to standardize its reporting process and provide users with a single and complete view of the business. "With IBM Cognos 8 BI, our reports are being delivered faster and in a more efficient way with little IT overhead," explains Pruden.

Specifically, 2000 associates in 500 locations use IBM Cognos reports to manage labor, enforce quality and cleanliness standards, improve guest satisfaction, and manage financials. Analysis tools are used by marketing, payroll and finance. And senior executives use IBM Cognos dashboards to stay on top of daily performance and strategic trends.

"Our IBM Cognos implementation has shaped all major business units at Steak n Shake," says Pruden. "Most importantly, our executives have the faith in information delivered through

the IBM Cognos system to drive our corporate strategy and measure our progress."

The IBM Cognos self-service reporting capabilities provide employees with easy access to information that is more accurate and timely. Equally important, store managers can now judge the day-to-day health of their restaurants quickly. Armed with this new insight, staff is able to make better decisions and support the growth targets and corporate objectives of Steak n Shake.

Pruden notes that information access and corporate insight are a real competitive advantage in the current economic climate. Restaurant operators use IBM Cognos dashboards to measure sales and average check performance; manage food, labor, and other controllable costs; understand customer satisfaction based on third-party surveys; and increase speed of service for drive-through sales to maintain and grow market share.

"Our IBM Cognos implementation gives us the ability to change behavior quickly in our restaurants, measure the impact of these changes relative to our strategy and refine as needed to drive results," says Pruden. "During these tough times, we have reduced overall spending through doing more



with less. Associate turnover is at a record low of 128 percent, overall guest satisfaction levels are near record levels and speed of service times has decreased substantially.”

Further, the IT department has gained efficiencies and now has more time to devote to other projects. “Because of the IBM Cognos BI single report-authoring tool set, we have been able to reduce the number of tools that we support,” says Pruden. “We have also found the IBM Cognos system to be very-user friendly and intuitive, so it is easy to train employees.”

The IBM Cognos solution has also helped put IT on the map at Steak n Shake. “Steak n Shake restaurants now view IT as enabler of the business,”

states Pruden. “Previously, we were often seen as a bottleneck to securing valuable information. Now we have employees lining up outside our door because they want more information and support for streamlining their business processes.”

Pruden sums up the company’s experience with the IBM Cognos solution: “Employee satisfaction is very important to Steak n Shake, so the IBM Cognos system has been a big win. Not only did IBM Cognos 8 BI score an impressive 96 percent rate of satisfaction among our pilot store managers, 91 percent believe it is easy to train new users and 85 percent state the solution saves them time every day.”

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## **About IBM Cognos BI and Performance Management**

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: [www.ibm.com/cognos](http://www.ibm.com/cognos)

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An IBM Cognos representative will respond to your enquiry within two business days.



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