knowledge17

WORK at LIGHTSPEED™

IT Cost Transparency

DEREK SHAW
SENIOR DIRECTOR, IT OPERATIONS
Land O'Lakes

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servicenow

Agenda

- What is IT Financial Management (ITFM)?
- Why should you implement ITFM?
- Challenges of Implementing
- Benefits of Cost Transparency
- Lessons Learned

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Speaker Introduction



NAME: Derek Shaw

TITLE: Senior Director

FUNCTION: IT Operations

COMPANY: Land O'Lakes

EXPERIENCE: 12 years in corporate IT, 5 years in USAF Space Command, 2 years in software development

EXPERTISE: Leading high performing, global teams

ACHIEVEMENTS: Raising three kids, coaching youth sports and completing five Tough Mudders

CURRENT PROJECTS: ITFM automation, Asset Management, Help Desk Chat & MDM workflow automation

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About Land O'Lakes



NAME: Land O'Lakes

INDUSTRY: Agriculture, CPG

MARKET FOCUS: High-Value, Branded Products

COMPANY'S PRIMARY BUSINESS UNITS: Dairy Foods, Purina Animal Nutrition, WinField United, Sustain

COMPANY-WIDE INITIATIVES: Growth, Customer & Member Relationship, Total Margin Management, Best Talent

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Session Overview



Objectives

- To demonstrate the value provided through disciplined IT Financial Management



What You Will Learn

- Benefits of implementing ITFM
- Power of cost transparency
- Cost Benchmarking Opportunities
- Improved Conversations regarding costs of IT
- How to start on your ITFM journey

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How Do You Run IT?

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Sample Utility Bill



Xcel Energy®

ACCOUNT NUMBER	DUE DATE	AMOUNT DUE	AMOUNT ENCLOSED
53-1234567890-1	MM/DD/YYYY	$00.00	

Please help our neighbors in need of energy assistance by contributing to Energy Outreach Colorado. To participate, check the box in the lower left corner and mark your contribution amount on the back of this payment stub using blue or black ink.

Please see the back of this bill for more information regarding the late payment charge. Make your check payable to XCEL ENERGY.

NOVEMBER

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

90 FP 1 B 1 1 A 10061 10061 **5 DGT

JOHN E. CUSTOMER, MARTHA W. CUSTOMER
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
1234 ELECTRIC AVENUE
TAKUHIER, CO 00000-0000

XCEL ENERGY
P.O. BOX 9477
MPLS, MN 55484-9477

003077310 00977701910003077310324

SUMMARY OF CURRENT CHARGES (detailed charges begin on page 2)

Electricity Service	MM/DD - MM/DD	000 kWh	$00.00
Natural Gas Service	MM/DD - MM/DD	000 Therms	$00.00
Current Charges			**$00.00**

ACCOUNT BALANCE

Previous Balance	As of MM/DD		$00.00
Payment Received	Check MM/DD		- $00.00 CR
Balance Forward			**$00.00**
Current Charges			$00.00
Amount Due			**$00.00**

QUESTIONS ABOUT YOUR BILL?

See our website: xcelenergy.com
Email us at: info@xcelenergy.com

Call 24 hours a day, 7 days a week
Please Call: 1-800-895-4999
Hearing Impaired: 1-800-895-4949
Español: 1-800-687-8778

Or write us at: XCEL ENERGY
PO BOX 8
EAU CLAIRE WI 54702-0008

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YOUR MONTHLY ELECTRICITY USAGE



DAILY AVERAGES	SEP 2009	SEP 2010
Temperature	0°	0°
Electricity kWh	000	000
Electricity Cost	$00.00	$00.00

YOUR MONTHLY NATURAL GAS USAGE

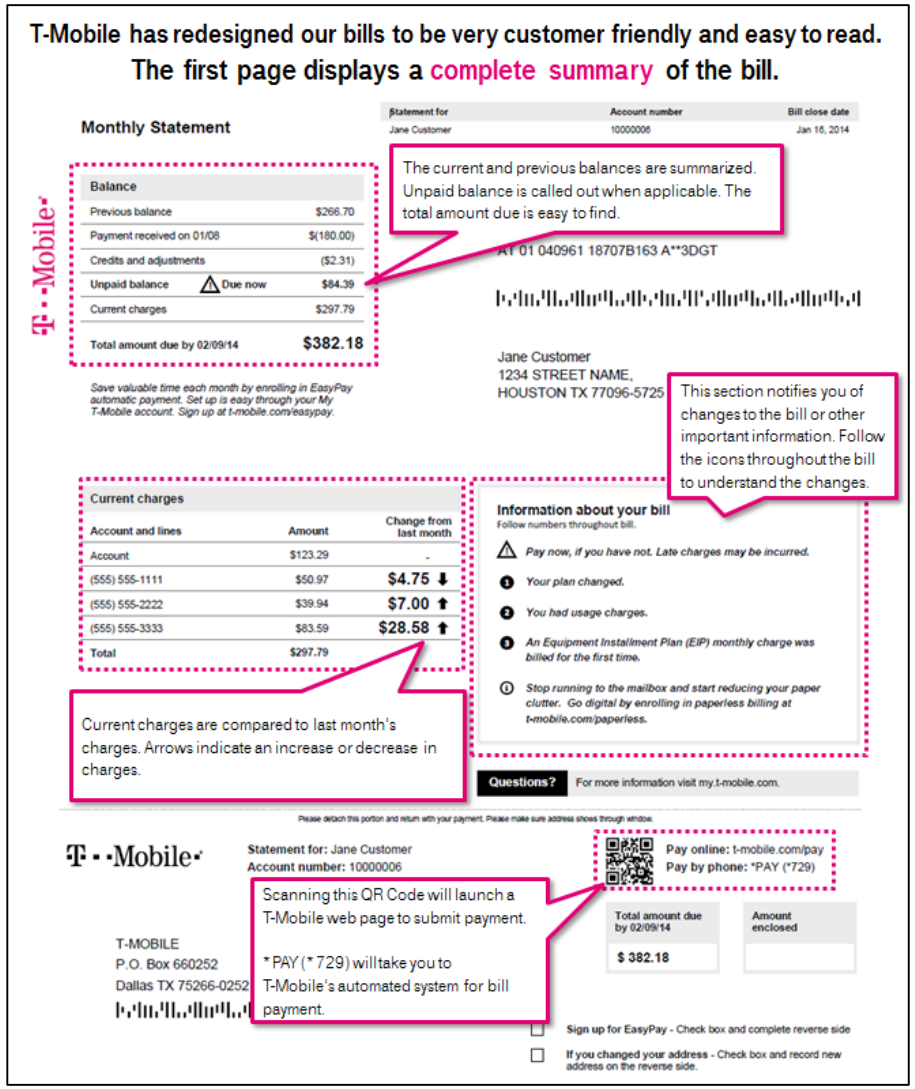


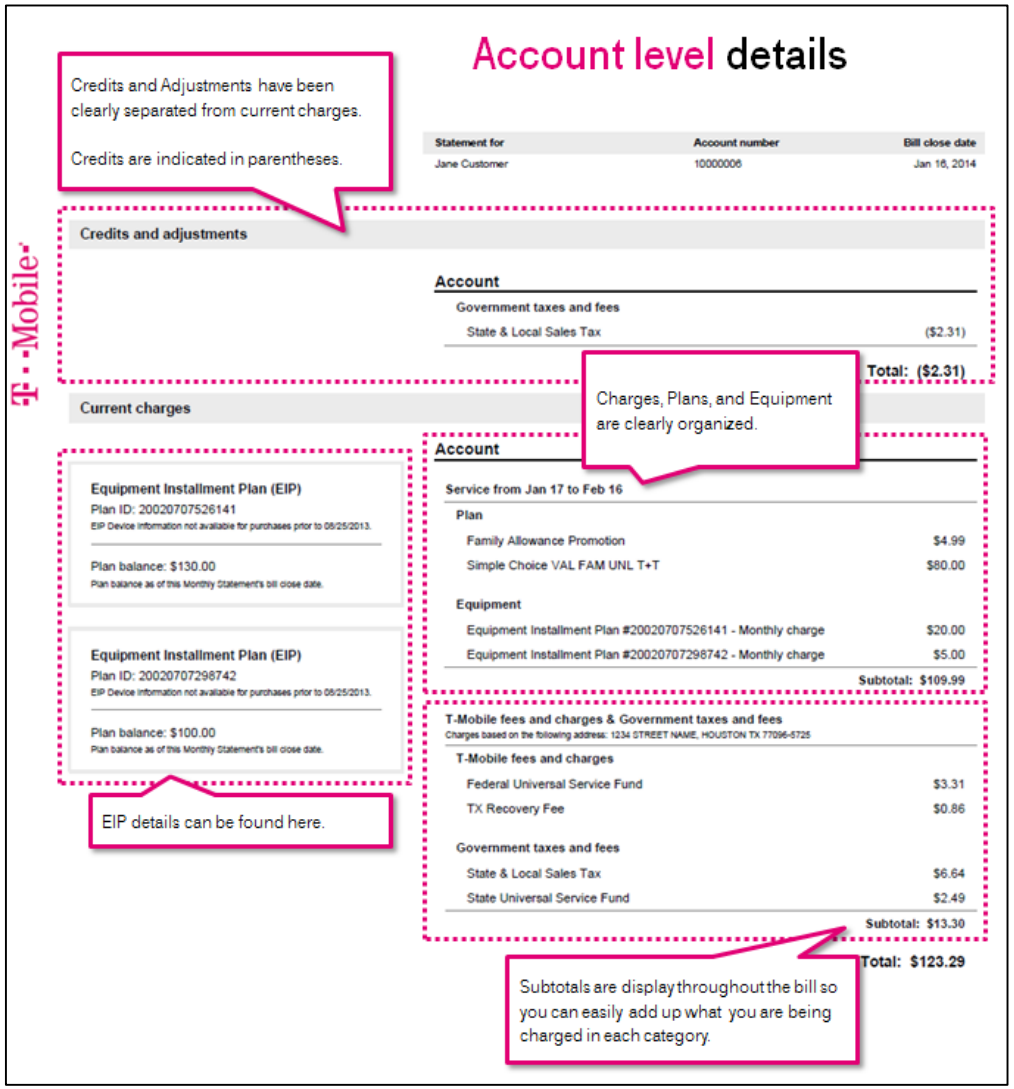
DAILY AVERAGES	SEP 2009	SEP 2010
Temperature	0°	0°
Gas Therms	000	000
Gas Cost	$00.00	$00.00

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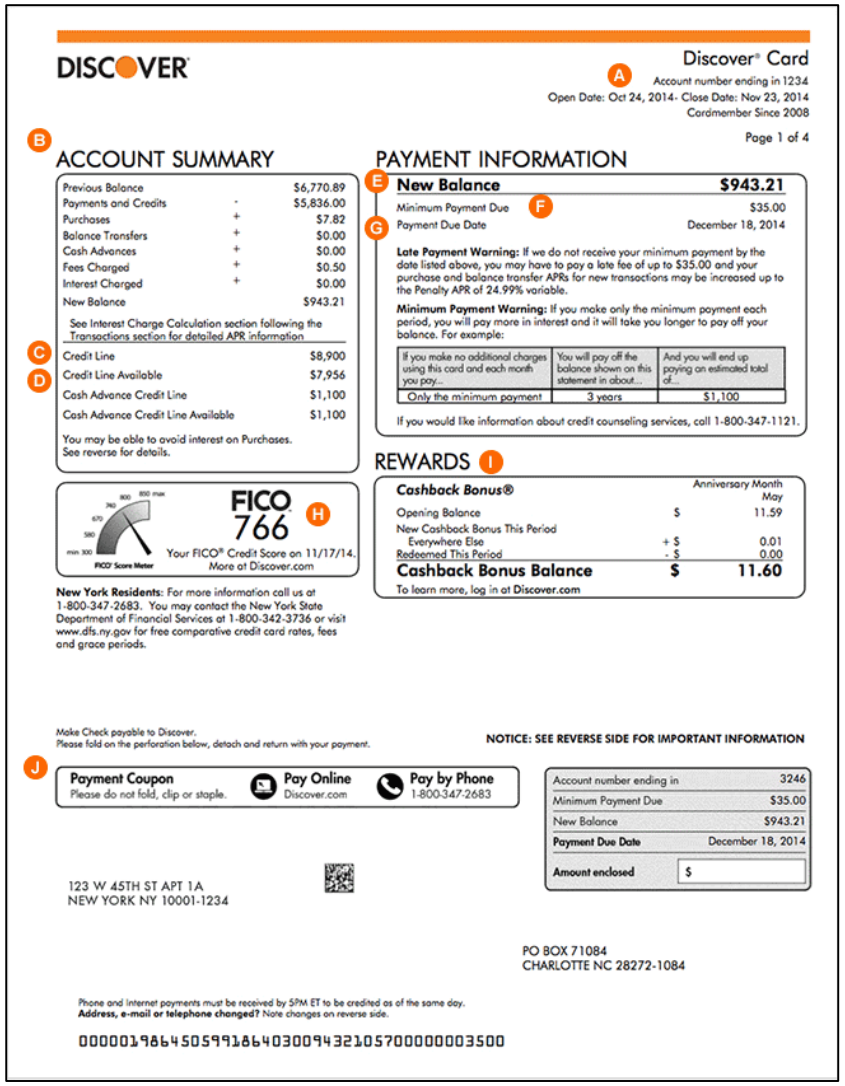
Sample Phone Bill





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Sample Credit Card Bill



DISCOVER

Discover® Card

A Account number ending in 1234
Open Date: Oct 24, 2014- Close Date: Nov 23, 2014
Cardmember Since 2008

Page 1 of 4

B **ACCOUNT SUMMARY**

Previous Balance		$6,770.89
Payments and Credits	-	$5,836.00
Purchases	+	$7.82
Balance Transfers	+	$0.00
Cash Advances	+	$0.00
Fees Charged	+	$0.50
Interest Charged	+	$0.00
New Balance		$943.21

See Interest Charge Calculation section following the Transactions section for detailed APR information

C Credit Line	$8,900
D Credit Line Available	$7,956
Cash Advance Credit Line	$1,100
Cash Advance Credit Line Available	$1,100

You may be able to avoid interest on Purchases. See reverse for details.

FICO® Score Meter (min 300, 580, 670, 740, 800, 850 max)

H FICO 766

Your FICO® Credit Score on 11/17/14.
More at Discover.com

New York Residents: For more information call us at 1-800-347-2683. You may contact the New York State Department of Financial Services at 1-800-342-3736 or visit www.dfs.ny.gov for free comparative credit card rates, fees and grace periods.

PAYMENT INFORMATION

E **New Balance** **$943.21**

F Minimum Payment Due $35.00

G Payment Due Date December 18, 2014

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a late fee of up to $35.00 and your purchase and balance transfer APRs for new transactions may be increased up to the Penalty APR of 24.99% variable.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	3 years	$1,100

If you would like information about credit counseling services, call 1-800-347-1121.

REWARDS I

Cashback Bonus®		Anniversary Month May
Opening Balance	$	11.59
New Cashback Bonus This Period		
Everywhere Else	+ $	0.01
Redeemed This Period	- $	0.00
Cashback Bonus Balance	**$**	**11.60**

To learn more, log in at Discover.com

Make Check payable to Discover.
Please fold on the perforation below, detach and return with your payment.

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION

J **Payment Coupon** Please do not fold, clip or staple. | Pay Online Discover.com | Pay by Phone 1-800-347-2683

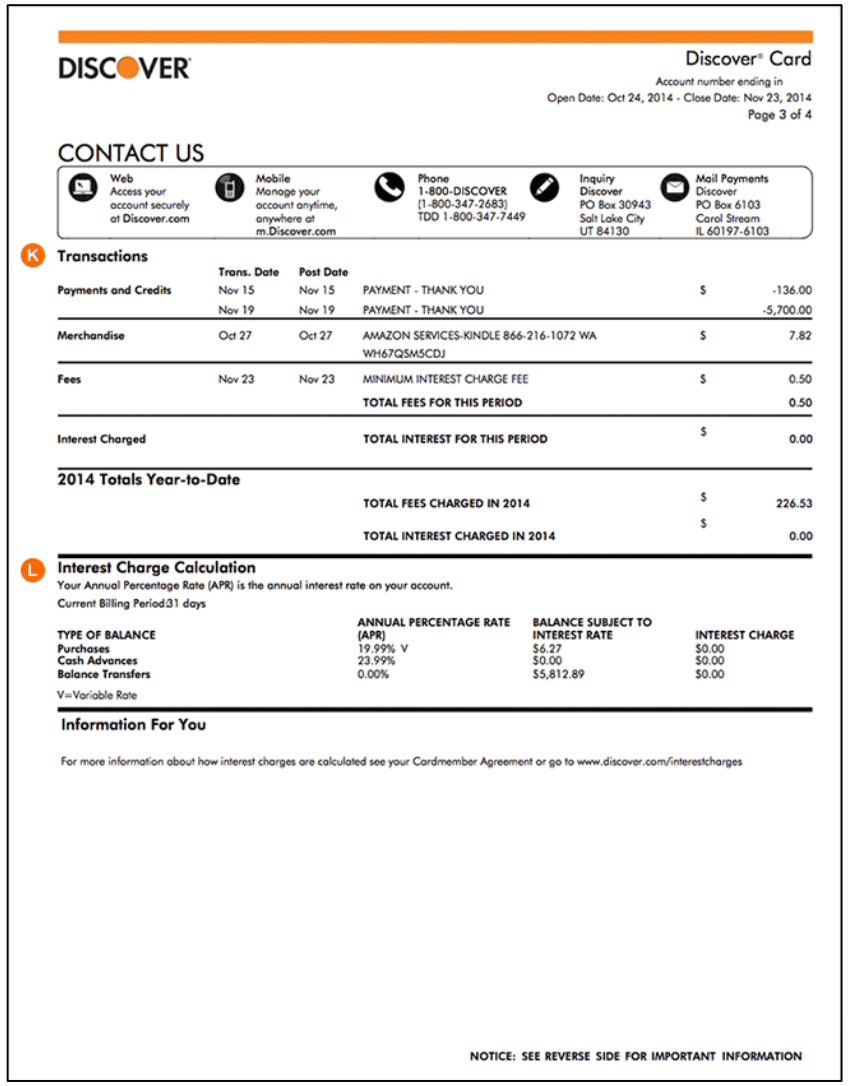
Account number ending in	3246
Minimum Payment Due	$35.00
New Balance	$943.21
Payment Due Date	December 18, 2014
Amount enclosed	$

123 W 45TH ST APT 1A
NEW YORK NY 10001-1234

PO BOX 71084
CHARLOTTE NC 28272-1084

Phone and Internet payments must be received by 5PM ET to be credited as of the same day.
Address, e-mail or telephone changed? Note changes on reverse side.

000001986450599186403009432105700000003500



DISCOVER

Discover® Card

Account number ending in
Open Date: Oct 24, 2014 - Close Date: Nov 23, 2014

Page 3 of 4

CONTACT US

Web	Mobile	Phone	Inquiry	Mail Payments
Access your account securely at Discover.com	Manage your account anytime, anywhere at m.Discover.com	1-800-DISCOVER (1-800-347-2683) TDD 1-800-347-7449	Discover PO Box 30943 Salt Lake City UT 84130	Discover PO Box 6103 Carol Stream IL 60197-6103

K **Transactions**

	Trans. Date	Post Date		
Payments and Credits	Nov 15	Nov 15	PAYMENT - THANK YOU	$ -136.00
	Nov 19	Nov 19	PAYMENT - THANK YOU	-5,700.00
Merchandise	Oct 27	Oct 27	AMAZON SERVICES-KINDLE 866-216-1072 WA WH67QSM5CDJ	$ 7.82
Fees	Nov 23	Nov 23	MINIMUM INTEREST CHARGE FEE	$ 0.50
			TOTAL FEES FOR THIS PERIOD	0.50
Interest Charged			**TOTAL INTEREST FOR THIS PERIOD**	$ 0.00

2014 Totals Year-to-Date

TOTAL FEES CHARGED IN 2014	$	226.53
TOTAL INTEREST CHARGED IN 2014	$	0.00

L **Interest Charge Calculation**

Your Annual Percentage Rate (APR) is the annual interest rate on your account.
Current Billing Period:31 days

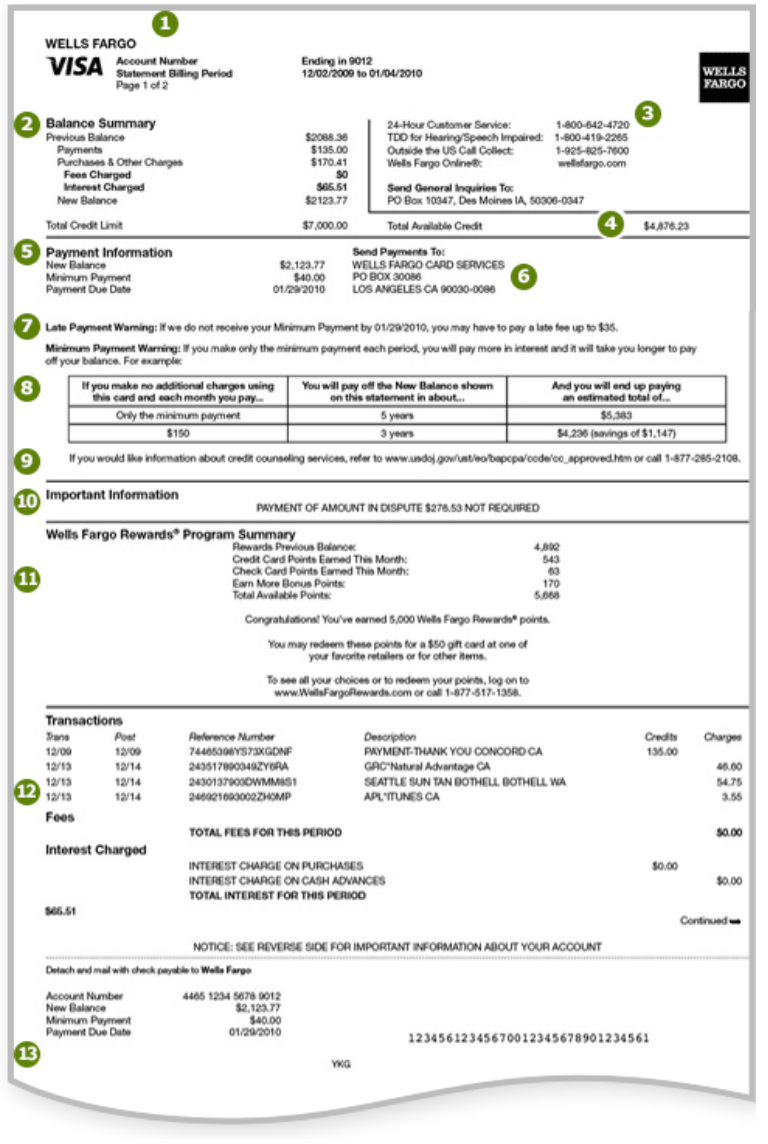
TYPE OF BALANCE	ANNUAL PERCENTAGE RATE (APR)	BALANCE SUBJECT TO INTEREST RATE	INTEREST CHARGE
Purchases	19.99% V	$6.27	$0.00
Cash Advances	23.99%	$0.00	$0.00
Balance Transfers	0.00%	$5,812.89	$0.00

V=Variable Rate

Information For You

For more information about how interest charges are calculated see your Cardmember Agreement or go to www.discover.com/interestcharges

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION



1 WELLS FARGO

VISA Account Number Ending in 9012
Statement Billing Period 12/02/2009 to 01/04/2010
Page 1 of 2

WELLS FARGO

2 **Balance Summary**

Previous Balance	$2088.36
Payments	$135.00
Purchases & Other Charges	$170.41
Fees Charged	**$0**
Interest Charged	**$65.51**
New Balance	$2123.77
Total Credit Limit	$7,000.00

3

24-Hour Customer Service:	1-800-642-4720
TDD for Hearing/Speech Impaired:	1-800-419-2265
Outside the US Call Collect:	1-925-825-7600
Wells Fargo Online®:	wellsfargo.com

Send General Inquiries To:
PO Box 10347, Des Moines IA, 50306-0347

4 Total Available Credit $4,876.23

5 **Payment Information**

New Balance	$2,123.77
Minimum Payment	$40.00
Payment Due Date	01/29/2010

Send Payments To:
WELLS FARGO CARD SERVICES
PO BOX 30086 6
LOS ANGELES CA 90030-0086

7 **Late Payment Warning:** If we do not receive your Minimum Payment by 01/29/2010, you may have to pay a late fee up to $35.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

8

If you make no additional charges using this card and each month you pay...	You will pay off the New Balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	5 years	$5,383
$150	3 years	$4,236 (savings of $1,147)

9 If you would like information about credit counseling services, refer to www.usdoj.gov/ust/eo/bapcpa/ccde/cc_approved.htm or call 1-877-285-2108.

10 **Important Information**

PAYMENT OF AMOUNT IN DISPUTE $276.53 NOT REQUIRED

Wells Fargo Rewards® Program Summary

11

Rewards Previous Balance:	4,892
Credit Card Points Earned This Month:	543
Check Card Points Earned This Month:	63
Earn More Bonus Points:	170
Total Available Points:	5,668

Congratulations! You've earned 5,000 Wells Fargo Rewards® points.

You may redeem these points for a $50 gift card at one of your favorite retailers or for other items.

To see all your choices or to redeem your points, log on to www.WellsFargoRewards.com or call 1-877-517-1358.

Transactions

12

Trans	Post	Reference Number	Description	Credits	Charges
12/09	12/09	74465398YS73XGDNF	PAYMENT-THANK YOU CONCORD CA	135.00	
12/13	12/14	24351789034ZY6RA	GRC*Natural Advantage CA		46.60
12/13	12/14	24301379030WMM8S1	SEATTLE SUN TAN BOTHELL BOTHELL WA		54.75
12/13	12/14	24692169300ZZH0MP	APL*ITUNES CA		3.55

Fees

TOTAL FEES FOR THIS PERIOD	**$0.00**

Interest Charged

INTEREST CHARGE ON PURCHASES	$0.00	
INTEREST CHARGE ON CASH ADVANCES		$0.00
TOTAL INTEREST FOR THIS PERIOD		

$65.51

Continued

NOTICE: SEE REVERSE SIDE FOR IMPORTANT INFORMATION ABOUT YOUR ACCOUNT

Detach and mail with check payable to **Wells Fargo**

Account Number	4465 1234 5678 9012
New Balance	$2,123.77
Minimum Payment	$40.00
Payment Due Date	01/29/2010

13 12345612345670012345678901234561

YKG

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IT Allocation Reporting – 2014

Category	Actual	Forecast
Projects	4,788,953	4,621,655
Applications & Operations Maintenance	2,613,427	2,637,938
Application Hosting	5,786,987	5,890,717
Technology Services	4,300,005	4,426,867
Communications	2,699,463	2,693,181
Other IS Services	881,594	876,965
Depreciation	4,399,922	4,395,869
IS Variance	1,617	0
TOTAL	25,471,968	25,543,193

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The Problem?

- IT costs are hard to understand
- IT is a Black Box
- IT costs too much

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Classic PC Cost Comparison Dilemma

- Why do our PCs cost so much?
  - It looks like you are charging $1000 per year for a PC
  - I went to the store and saw the same PC for $800
  - I bought a PC for home use…it only cost me $1000 and it is four years old
- Have you ever had this conversation?
- How did you answer the questions?
- Is it a fair comparison?



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Classic PC Cost Comparison Solved

INTERNAL COMPANY PC COST INCLUDES	
PC	????
OS	????
Productivity Suite	????
LAN Connection	????
Anti-virus	????
Cloud Storage	????
PC Support	????
Desktop Software	????
TOTAL	????

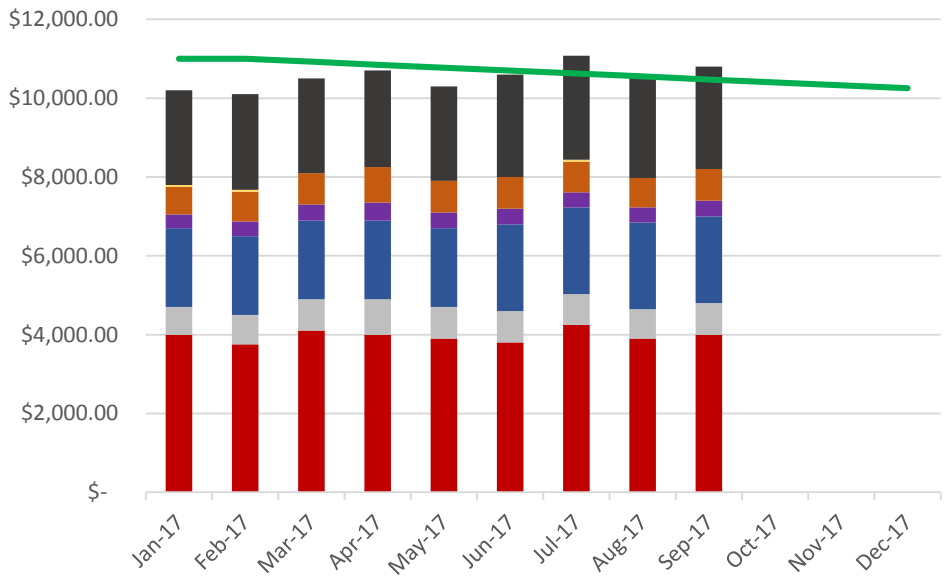
HOME USE PC COST INCLUDES	
PC (4 year use)	$250 / year
OS (1 upgrade per 4 years)	$30 / year
Productivity Suite	$70 / year
LAN Connection	$600 / year
Anti-virus	$45 / year
Cloud Storage	$120 / year
PC Support	$130 / year
Desktop Software	???
Home Network (4 year use)	$50 / year
TOTAL	$1295+

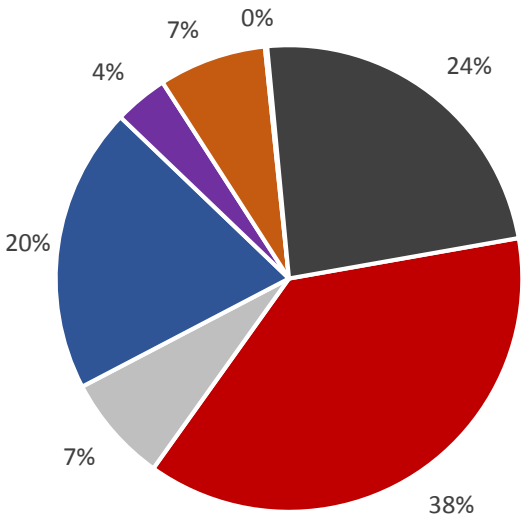
Welcome to Information Technology Financial Management (ITFM)

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Solution at a Glance

Implement ITFM to Connect the IT Dollars Spent to the Business Value Delivered





Cost Group	Cost	Previous Month	YTD Cost	YTD Avg Cost
Applications	$3,698.0K	$3,426.6K	$42,771.7K	$3,564.3K
Communication & Collaboration	$854.4K	$914.9K	$10,401.6K	$866.8K
Depreciation	$2,499.9K	$1,864.1K	$23,424.6K	$1,952.1K
End-User Computing	$612.4K	$584.8K	$7,305.4K	$608.8K
IT Services	$911.8K	$768.6K	$10,387.5K	$869.7K
IT Variances	$23.6K	$30.8K	$1,622.4K	$135.2K
Projects	$2,619.0K	$2,689.8K	$23,731.4K	$2,848.7K

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What is Information Technology Financial Management?

- ITFM is about recognizing the unique cost dimensions of IT
- ITFM is a method for determining the cost of IT
- It allows IT to map all costs to specific services provided, which are billed to the consumers of the services
- A process by which IT value can be assessed

Successful ITFM Optimizes IT Costs and Drives IT Value by Linking Business Decisions to IT Cost Drivers

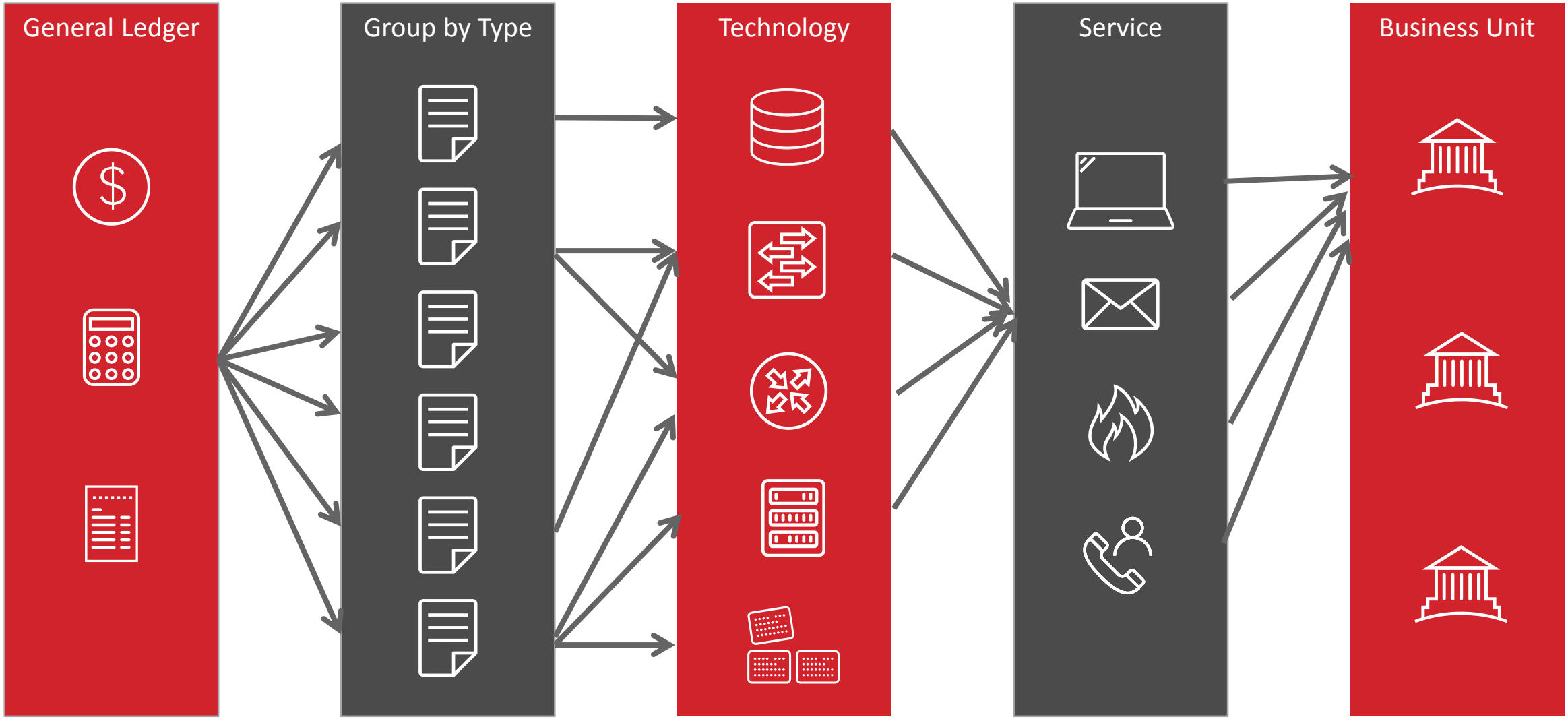
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Why Implement ITFM?

- Provide cost transparency
- Improve allocation accuracy
- Provide granular data for decision making & benchmarking
- Explain, quantify, and predict IT costs
- Create intelligent, metric-based strategies
- Leverage IT assets as efficiently as possible
- Reduce time spent calculating IT allocations

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Cost Mapping



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Key Decisions – Which Allocation Options to Use?

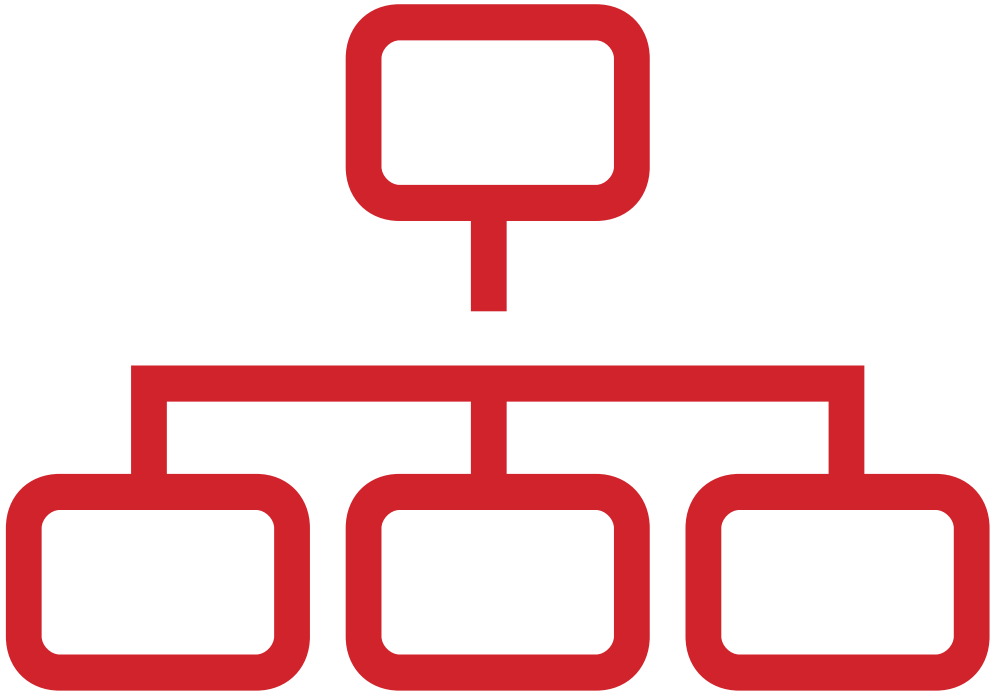
- Fixed Rate
- Tiered Rate
- Consumption Rate
- PC Count
- Employee Count
- Equal Distribution
- Flat Spread
- Weighted Spread



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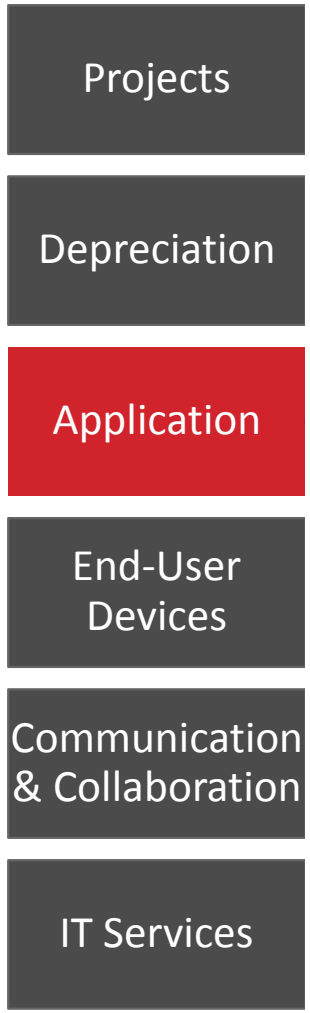
New Bill of IT Categories

- Projects
- Applications
- End-User Devices
- Communication & Collaboration Services
- IT Services
- Depreciation



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Category Hierarchy



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Hardware

Total Amount: **$2,833,695.25**

- **Depreciation and Amortization** — Total Amount: $2,833,695.25
- **Hardware Maintenance** — Total Amount: $0.00

I&O

Total Amount: **$237,699.35**

- **Data-Center** — Total Amount: $116,079.44
- **Infrastructure Operations** — Total Amount: $121,619.91

Labor

Total Amount: **$2,341,830.86**

- **Delivery** — Total Amount: $1,170,699.27
- **Infrastructure** — Total Amount: $229,589.18
- **IT Development** — Total Amount: $941,542.41

Network

Total Amount: **$536,842.13**

- **DC Connectivity LAN** — Total Amount: $181,541.70
- **User Connectivity LAN** — Total Amount: $77,737.76
- **WAN Fixed** — Total Amount: $71,147.56
- **WAN Variable** — Total Amount: $206,415.11

Other

Total Amount: **$3,923,622.76**

- **IT Variances** — Total Amount: ($1,131.34)
- **Projects** — Total Amount: $3,924,754.10

Servers

Total Amount: **$36,480.58**

- **Virtual Windows Server** — Total Amount: $18,240.29
- **Windows Server** — Total Amount: $18,240.29

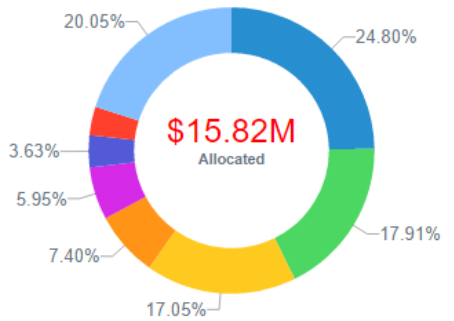
Preview | Advanced Conditions

Result

Categorized	$15,824,692.64	662
Uncategorized	$0.00	0
Total	**$15,824,692.64**	**662 Accounts**

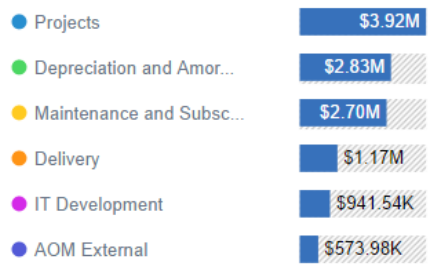
Run Bucketing

Total Amount Assigned

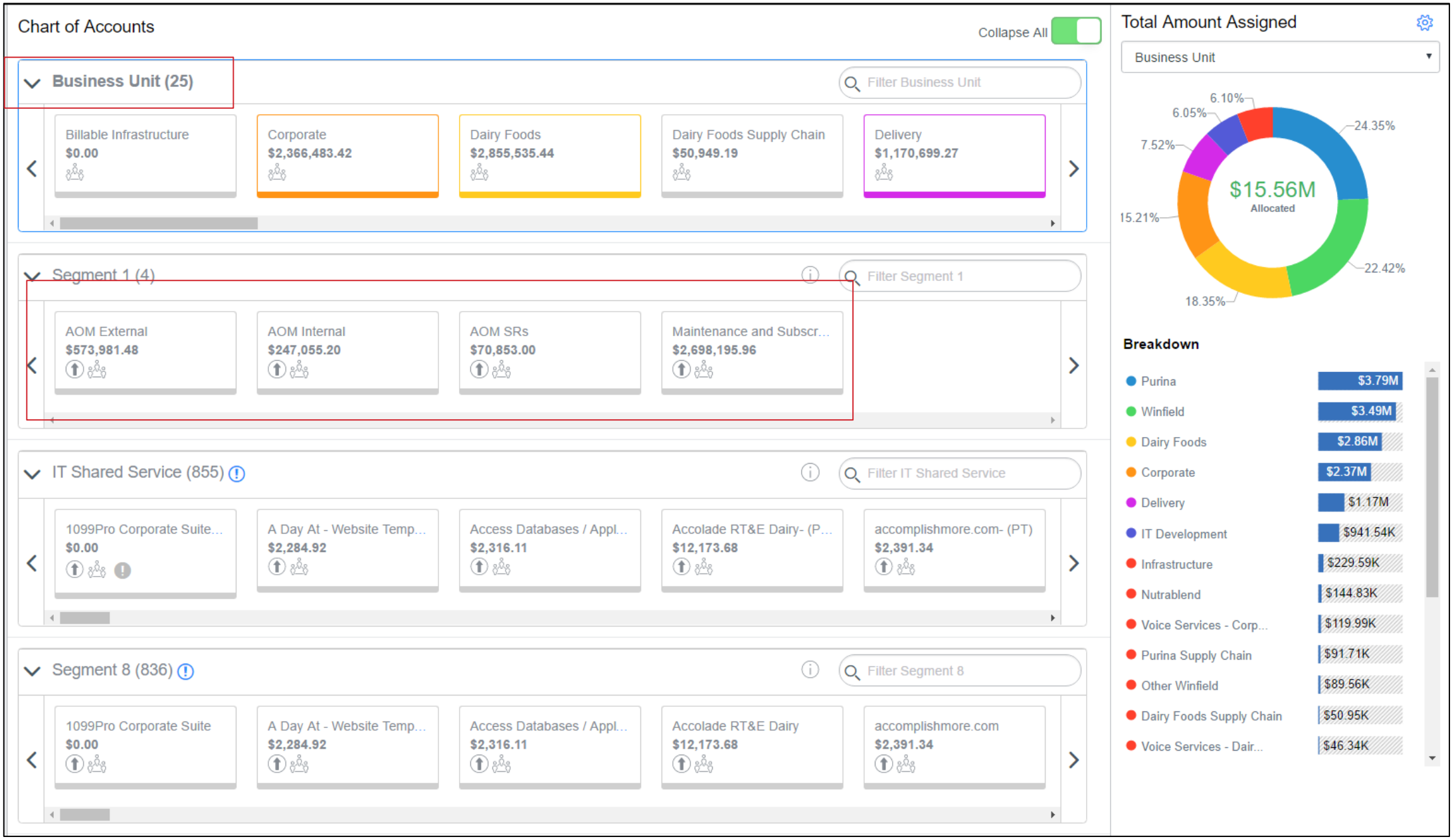


* Negative expenses do not appear as part of the donut chart, but are shown in the breakdown chart below.

Breakdown



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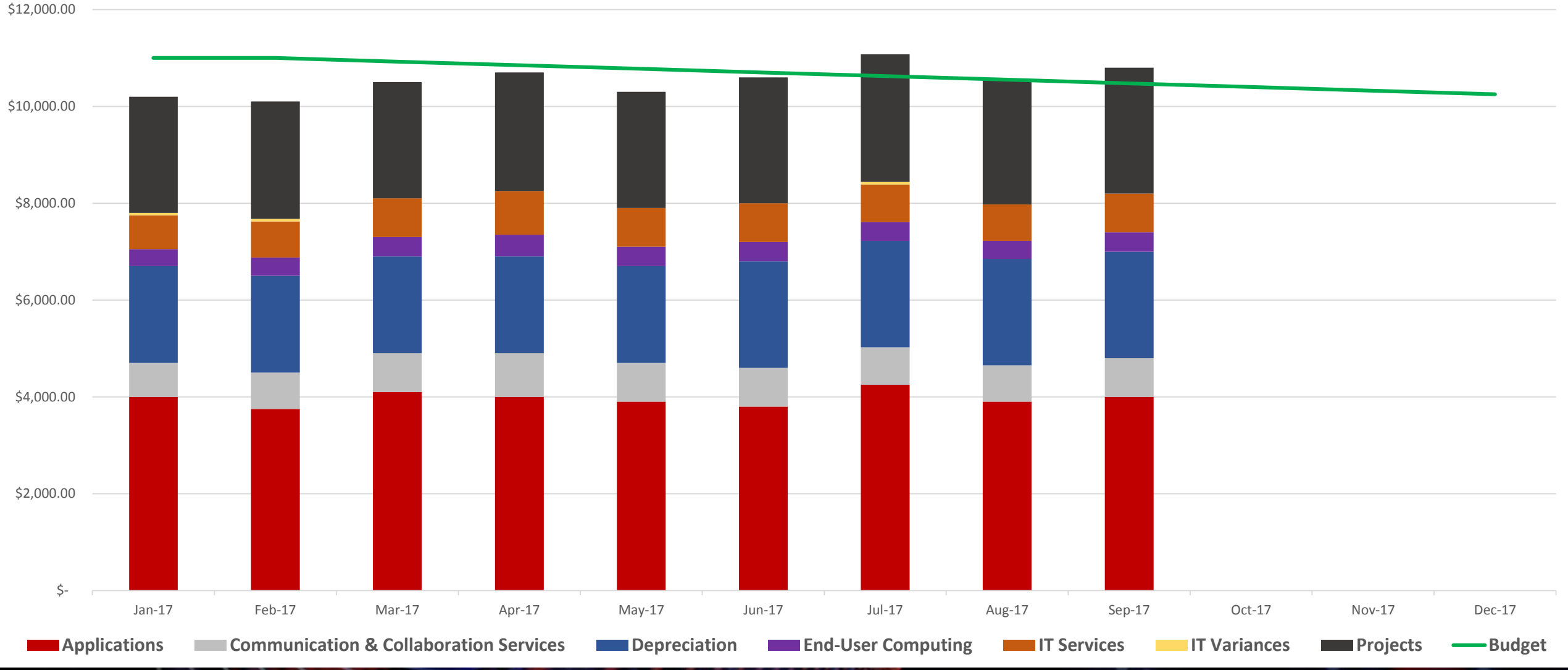
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New Bill of IT

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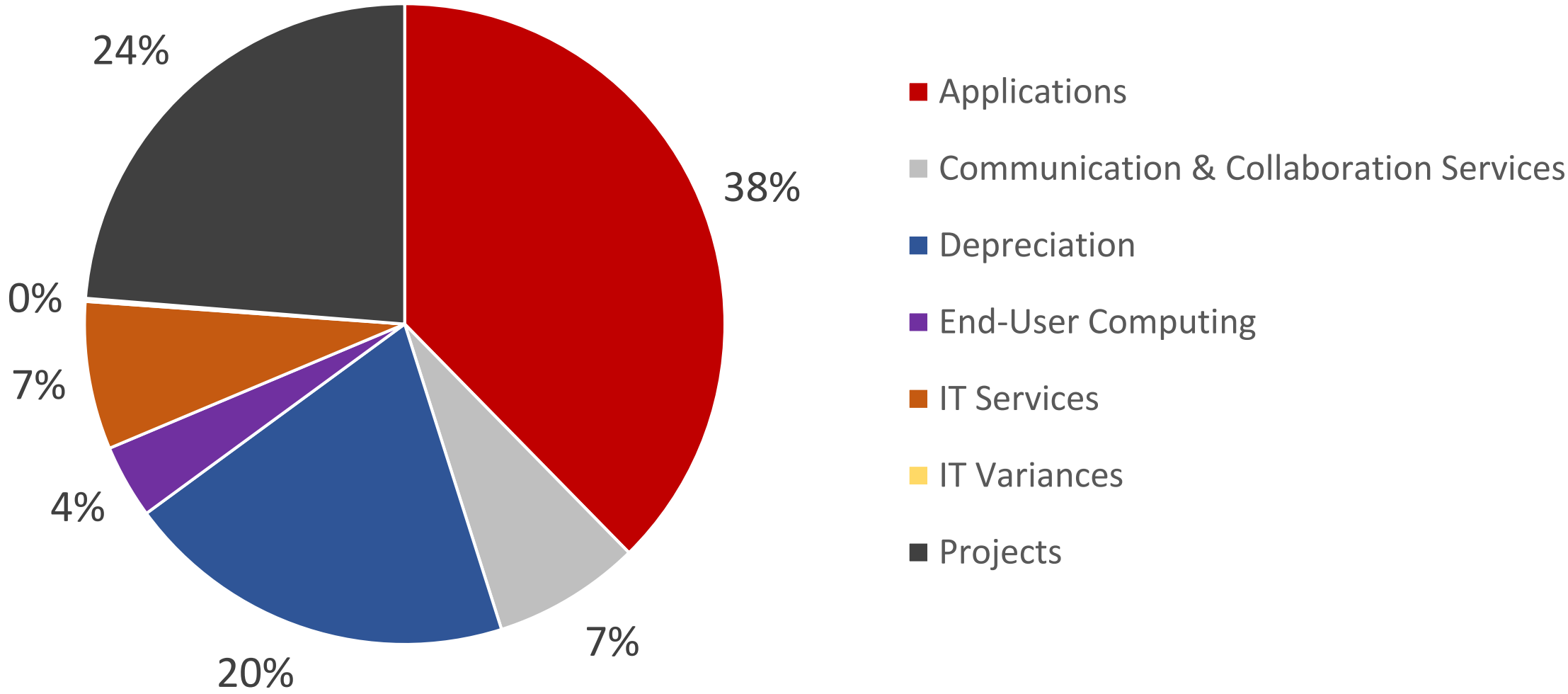
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Monthly Spend by Category



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YTD Allocation by Category



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Service Catalog with Cost

Cost Per Email 

Cost Per Incident 

Cost Per Database 

Cost Per Help Desk Call 

Cost Per Live Video 

Cost Per LAN Connection 

Cost Per Computer 

Cost Per Server 

Cost Per Password Reset 

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Data Driven Decisions

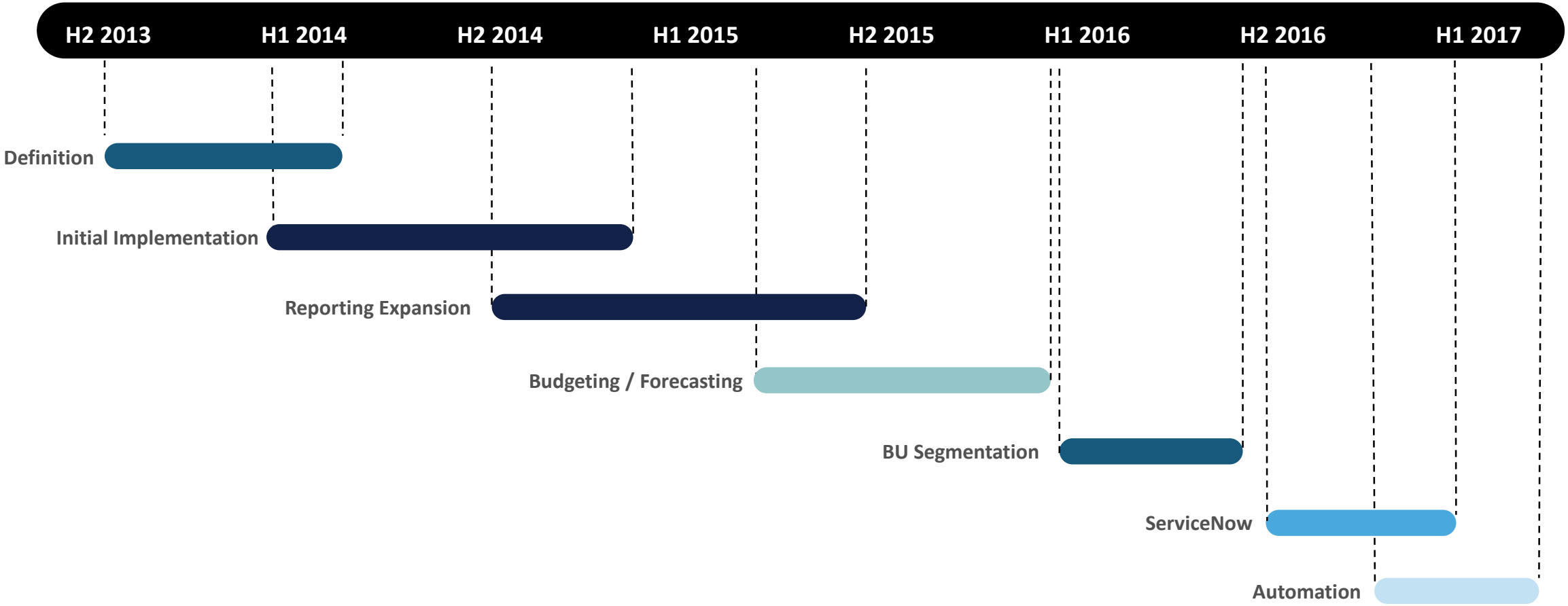
- Benchmark your costs vs. peers
- Compare your costs to alternatives
- Calculate true ROI & cost savings



- Should you buy server capacity or rent it?
- Are you providing “platinum” service when “bronze” will do?
- What costs can “go away” and which can’t?

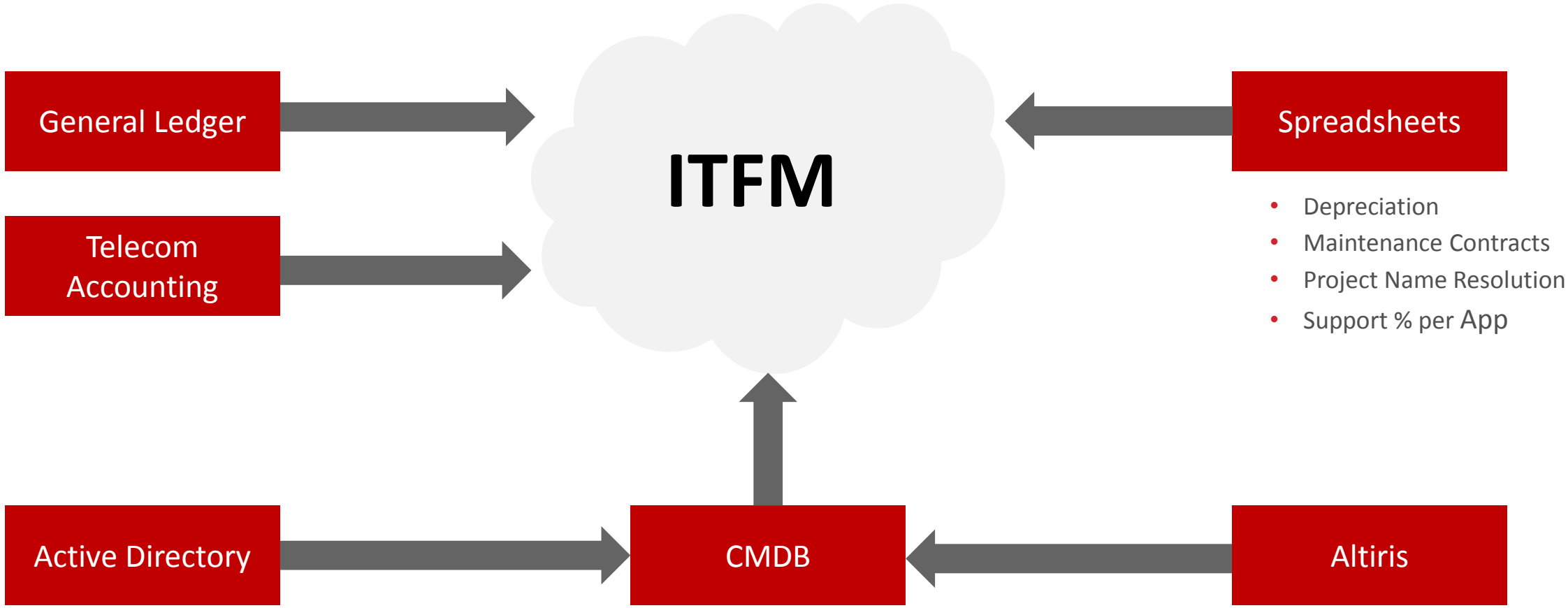
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Our ITFM Timeline



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Data Sources



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Lessons Learned

1. Move as much data as possible into your CMDB
2. Spend time up-front to design cost category hierarchy that works for your company
3. Empower your business customers
4. Must have partnership between Finance & IT
5. Start slow…keep it simple!



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Top Takeaways

1

Run IT like a business



2

Cost transparency creates trust between IT and the rest of the business



3

Make data-driven decisions based on your true IT costs



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Take the Survey

Please take a moment to complete a session survey in the Knowledge17 app.

Thank You

Derek Shaw
Senior Director, IT Operations
Land O'Lakes

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Q & A

DEREK SHAW
SENIOR DIRECTOR, IT OPERATIONS
Land O'Lakes

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