

Financial Services Firm Finds \$400M in Potential Savings with Digital Fuel



Overview

To reduce overlap and redundancy across decentralized IT functions, this financial services firm implemented Digital Fuel to gain the transparency necessary for creating a business case for a consolidation strategy. By consolidating cost models and automating data flow, the firm was able to redirect 65% of IT finance resources from data collection to data analysis. This in turn gave the CIO the foundation to benchmark the IT organization and identify \$400 million in cost reduction opportunities.

Customer Profile

A multi-billion dollar financial services firm offering domestic property and casualty insurance as well as life insurance, asset management, strategic investing, and retirement plans.

Customer Challenges

To align with the diverse nature of the firm's product portfolio, each of three lines of business had a dedicated internal IT department. The CIO increasingly observed instances of overlap, redundancy, and wasted spending across the entire IT organization.

The CIO envisioned a more centralized, shared services structure, where IT would broker services to the various lines of business. This consolidated structure could potentially improve costs through reduced complexity, achieve better economies of scale, and transform IT into a business partner versus a cost center.

Before embarking on this consolidation, the CIO identified several challenges. Although the company had a fairly mature IT finance team and had devised a robust service catalog, cost modeling and cost calculations were still done manually with spreadsheets. This made it extremely difficult to understand and accurately track IT spending across all departments, as well as to identify which one's best practices should become the foundation of a consolidated environment. Finally, without consolidated insight, the CIO was unable to benchmark the firm's IT organization's cost competitiveness against other IT organizations.

By implementing a shared-services structure and developing accurate benchmarking information, the CIO believed it would be possible to better demonstrate IT's accomplishments and value within the company.

Key Highlights

Industry

Financial Services

Location

Northeastern U.S.

Key Challenges

- Gain a clear view of IT spend across decentralized departments
- Identify best practices in financial efficiency
- Benchmark IT against competitive IT organizations

Solution

With Digital Fuel's IT Financial Management capability, the firm established robust cost models and automated the flow and allocation of more than \$1 billion in IT costs.

Digital Fuel IT Benchmarking performed on the whole of the Insurer's IT spend to assess performance against industry and functional peers.

Business Benefits

- Eliminate manual cost-modeling and calculations
- Achieve better economies of scale
- Transform IT's role from cost center to business partner

The Solution

To address these challenges, the CIO deployed the IT Financial Management and IT Benchmarking capabilities of Digital Fuel. The IT Financial Management capability helped the IT organization establish robust cost models that aligned with the business services in its service catalog. The solution also automated the flow and allocation of more than \$1 billion in IT costs and other data through integrations with key systems like the General Ledger, configuration management database (CMDB), and ticketing engines. The cost models, coupled with the automated data flowing through them, provided unprecedented insights about the major drivers of IT costs. They also revealed information about demand for IT services across the various lines of business.

With solid cost models and data automation in place, the IT organization was able to generate a “bill of IT” for each line of business. This report outlined consumption and costs of IT services in terms the business could understand. Discussions about line items in the bill of IT such as “employee onboarding” and “claims processing” replaced conversations about server consumption, application use, and networking costs.

To assist the firm with its benchmarking, a Digital Fuel professional services partner deployed the Web-based Automated Analysis Engine function of the IT Benchmarking capability. The Engine automated the entire process of objectively analyzing the client’s data, selecting peers with a similar IT footprint as the client, and generating the benchmark results.

With the granularity in Digital Fuel’s Benchmarking Extract Reports, the IT organization was able to drill down to see where the greatest cost mismatches were between the IT organization and its peers as well as between the three IT departments. This helped identify areas for cost reduction and optimization opportunities. Without this actionable level of granularity, the firm would only have known the costs were higher in certain high level areas, but would not have had the visibility to understand specific areas of focus.

Business Benefits

By automating the flow of its cost models, a process that took just a few months, the firm was able to redirect 65% of IT finance resources from data collection and aggregation to data analysis. This helped the IT organization deliver insights about where it could drive more business value. Furthermore, the firm was able to achieve 100% chargeback of IT services.

In addition, using the enhanced benchmarking capabilities, the firm was able to determine that its overall IT costs were 28% higher than its functional peers. Conducting further analysis, the firm was able to identify \$400 million in cost reduction opportunities, primarily in staffing, application development and support.

By delivering clear results using business-specific terminology rather than IT terms, the CIO was able to take the first step in transforming IT from a cost center to a business partner, and increase IT’s credibility and value within the firm.

“By fully automating our data flow in a few short months, we were able to redirect 65% of IT finance resources from data collection and aggregation to data analysis. That helped us deliver insights and intelligence about where IT could drive more business value.”

— CIO, Leading Financial Services Firm

Learn More

To learn more about how Digital Fuel products can help your business manage the cost and value of IT, visit www.digitalfuel.com or contact:

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