
EAST COAST

Overview

The need

With a budget model based on hundreds of linked spreadsheets, rail operator East Coast struggled to produce accurate, timely budgets and forecasts, and lacked the flexibility to test different assumptions.

The solution

Replacing the spreadsheet-based model with IBM® Cognos® TM1® has transformed East Coast's budgeting and forecasting capabilities – automating cost calculations, eliminating manual effort and ensuring greater accuracy.

The benefit

What-if analysis makes it easy to see how altering assumptions will affect budgets. Automating budget data uploads saves hundreds of hours. The annual budget process has been accelerated by several weeks.

East Coast

Modelling train mileages, automating cost calculations and accelerating budgeting processes

Rail operators in the UK need to co-ordinate a complex set of resources – personnel, trains, tracks, fuel, and so on – in order to operate an efficient and profitable business while delivering the best possible value to their customers. But without a clear view of how fluctuating costs affect their bottom line, how can they guarantee good financial performance?

East Coast has solved this problem by introducing a new business planning solution based on IBM Cognos TM1 software – replacing hundreds of linked spreadsheets with a single, reliable, highly automated process that will help the business gain deeper insight into its costs.

Setting the scene

East Coast runs fast, frequent passenger train services on the UK's East Coast Main Line railway, which runs from London through the East Midlands and Yorkshire to the North East of England and Scotland. The company employs 2,800 people and its 44 trains run 155 services per weekday, carrying approximately 19 million passengers per year.

Following a change of ownership in 2009, East Coast's finance department had to build a completely new process for planning and budgeting – and needed to do it quickly, with minimal tools. The result was a complex web of interconnected spreadsheets that allowed the company's 12 departments to plan their expenditure across hundreds of cost centres, and then manually upload the final figures to the central OpenAccounts financial system.

East Coast's new budgeting solution is transforming the way its finance team works. Bob Kelleher gives an example: "One of my colleagues used to be responsible for manually uploading the budget data into our finance system. Now that this process is automated, he acts more as the custodian of the system and focuses on maintaining data quality, which is a much more valuable role."



Solution components

Software

- IBM® Cognos® TM1®

IBM Business Partner

- Assimil8
-

Bob Kelleher, Finance Analysis Manager at East Coast, explains: “The system worked, but because of the way it had evolved, it became extremely complicated. The budget model was made up of hundreds of linked spreadsheets, which made it very easy to introduce errors. It was also quite inflexible: if we wanted to update an assumption in the budget, it might mean updating dozens of spreadsheets individually, then re-running the numbers, re-uploading the data into OpenAccounts, and generating new reports.

“Last year, for example, our budget went through seven iterations, which involved 11 people making 300 separate uploads to the finance system. Just one of those uploads might involve data from as many as 20 or more spreadsheets, and it could take hours to create the upload file. There had to be a better way.”

Building a strong business case

The finance team, with the Finance Director as executive sponsor, built a strong case for investing in an enterprise-class business planning solution, and gained approval from the company’s capital projects board. The business case was built on the idea that the ability to gain more timely and accurate management information would increase the time available for analysis and help the company make better decisions.

Working with Assimil8, an IBM Business Partner that specialises in analytics solutions, East Coast’s finance team began assessing which elements of its cost planning model should be migrated first to the solution it had selected: IBM Cognos TM1. The top priorities were staff salaries, variable track access fees (the fees that East Coast pays for using the track, which is owned and maintained by Network Rail), diesel and electricity costs, and ticketing commission payments.

Automating complex cost calculations

“We lease our trains and we don’t own the tracks, so staff salaries make up the biggest proportion of our controllable costs,” explains Bob Kelleher. “We have approximately 2,900 people working at hundreds of cost centres all over the country; there are at least twenty grades of staff, with as many as three levels within each grade. As a result, calculating the effects of a pay increase on the total budget used to be a very complex task – but with the Cognos solution, we can generate the figures almost instantly.”

Variable track access fees, diesel and electricity costs all depend on the total distance that East Coast’s trains need to travel. This in turn depends on the timetable of train services that the company decides to provide: more trains travelling to more destinations equates to more mileage, and therefore higher costs. Assimil8 helped East Coast build its timetable into the IBM Cognos TM1 model, which means that the mileage and the dependent costs can all be calculated automatically.

“We now have instant insight into the drivers behind our costs – we can see how changing one variable affects results across the entire budget.”

— Bob Kelleher, Finance Analysis Manager,
East Coast

Bob Kelleher comments: “If we decide to run an additional diesel train service between King’s Cross and Edinburgh, for example, we just enter it into the timetable and the changes automatically flow through the model, instantly showing us the effect on the fuel and track access costs. It’s an elegant solution, and since the data and calculations are built into the model, there is no chance of human error affecting the result.”

Ticket commission costs arise when tickets for East Coast services are sold by other train operators or third parties. The company has separate agreements with each of these companies, specifying different commission rates for different types of tickets. Again, all the complexity of calculating the total commission costs is handled by the new model automatically, with no need for manual intervention or spreadsheet-based processing.

Switching budgeting onto a smoother track

Bob Kelleher comments: “We’re at a relatively early stage, especially in terms of user adoption – but we are already seeing some significant benefits from the solution.

“First and foremost, we have eliminated the need to upload budget data into our finance system manually. For this year’s budget, instead of 300 separate uploads, we’ve done none at all. Over the next few years this will save us hundreds of hours.”

Taking a broader perspective, automation has generally streamlined and accelerated the whole budgeting process. “Last year’s budget took three months; this year we expect to complete it in five weeks,” comments Bob Kelleher. “This isn’t entirely due to the new solution, but we expect it to contribute at least a full week of time-savings during the process.”

On the longer term, as East Coast continues to develop reports and analyses that reveal new insights into its financial data, the most important benefit will be to create a culture of data-driven decision-making within the business.

Bob Kelleher concludes: “The what-if modelling and scenario analysis capabilities of IBM Cognos TM1 will be a big advantage as our decision-makers look for ways to optimise their business plans and anticipate problems and opportunities. Through our partnership with IBM and Assimil8, we are confident that we’ll find the right answers to the challenges that lie ahead.”

About Assimil8

Assimil8 is a market leader in business analytics, financial reporting, planning and forecasting, and data warehousing. Using world-class IBM Cognos software as a base, and following an ethos of client collaboration and empowerment, Assimil8 is driving forward innovative and ground-breaking techniques such as geo-spatial business analysis and cloud-based systems.

To learn more about products, services and solutions from Assimil8, visit: www.assimil8.com



About IBM Business Analytics

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Produced in the United Kingdom
March 2014

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