

Metcash outgrows the spreadsheet and achieves an instant win with IBM Cognos software

Overview

■ Challenge

Analyze financial data in 500 business units for timely budget planning and forecasting

■ Why IBM?

As well as the superior technology, IBM Cognos Professional Services had the Guardian Services model to deploy the solution and optimise results

■ Solution

An IBM Cognos TM1 solution that enables online access to company-wide data for quick and efficient financial performance management

■ Key Benefits

A total company view for automated financial performance management; two weeks of staff time saved during budget preparation; Web-based access to immediate, real-time figures; flow-through of budget changes for immediate impact



Grocery distribution in Australia is a competitive, tightly controlled market dominated by a very small number of players. It is a difficult market to break into yet over the past ten years one company – Metcash Limited – has managed to grow from its small independent status to become one of the nation’s leading marketing and distribution companies in the food and other fast moving consumer goods categories. At the same time it has become one of the best -performing stocks in Australia.

The company’s strategy for growth has been based on the development of three “business pillars” – IGA Distribution, Campbells Cash and Carry and Australian Liquor Marketers. One year ago, the undeniable success of this focused approach led to the establishment of a fourth pillar with IGA Fresh.

Challenges Faced

Throughout the early 2000's, Metcash managed the financial aspects of its business using a combination of Microsoft Excel spreadsheets and PeopleSoft enterprise resource planning software.

When budget planning time arrived the Finance Department typically prepared individual spreadsheet workbooks to send to each of its business units. As each unit completed its budget the workbooks were sent back to Finance for manual consolidation, eventually leading to a total budget figure for each business pillar.

When the company was young the process worked well but expansion meant there were now between 400 and 500 business units, making it an unwieldy, time-consuming process. If a single budget item within a single business unit needed to be revised it would require a flow of changes to literally hundreds of spreadsheets. The inability to invoke security with spreadsheets and the inevitable mistakes that were introduced as figures were cut and pasted from one spreadsheet to another compounded the difficulties.

Strategy Followed

With no slowdown in growth expected a new approach was essential so Metcash management began the search for a better way to budget, forecast and analyse its financial data. What the company wanted was a solution that would enable online access to figures and reporting; something that allowed Corporate to drill down into figures via the PeopleSoft GL; and which offered real time calculation so that numbers would immediately roll through from individual business units to create a total company view. With Finance determined to own and manage the system, it was also imperative that the software be low maintenance and easy for staff to operate.

After meeting with a number of software suppliers Metcash decided on IBM Cognos TM1 and Executive Viewer, a combination that offered financial performance management analytics with real-time Web-based access to data. Robert Laws, Systems Accounting Manager, Shared Services, Metcash, explains, "We sat down with other companies but IBM Cognos TM1 had the best performance. We wanted that speed plus they seemed to have the most knowledgeable people."

"People are very excited by the prospect of real time reporting because they can see the benefits. We estimate that it will save us a day's work every week. Once we get reporting up it will be an instant win for the business units and management,"

~ Robert Laws, Systems Accounting Manager, Shared Services, Metcash

Given the size of the organisation Metcash decided that a phased roll-out of software would be best. Each business pillar would be introduced to budgeting in the first year, followed by forecasting and then reporting in the following year.

To help with the deployment Metcash engaged IBM Cognos Professional Services to provide Guardian Services. "This was a team that came in and helped us to set up and optimise results," Laws says. The Guardian Services model enabled IBM Cognos Professional Services to observe and offer best practice guidance while Metcash staff took responsibility for designing the new system. "It means that we learnt through building the software and we are now equipped to maintain it. That could never have happened if someone had simply come in, developed it and then said 'See you later'. Now our only requirement from IT is that they own, configure and back up the server. Finance does everything else."

Benefits Realised

Even though Metcash is only using the software for budgeting at present, time savings are already evident. Laws says, "With Campbells Cash and Carry alone we are saving around two weeks of staff time during budget preparation. Every year we used to have to build hundreds of spreadsheets for the warehouses. Now we have copied those spreadsheets and put them into a cube so that the whole process is automated."

The change from manually prepared spreadsheet to the online environment has brought numerous other benefits, not the least of which is greater visibility of data. Rather than taking days to prepare and then input data, everything is now immediate. Calculations and base data are available for all authorised managers to view. Budgets no longer have to be prepared in isolation and errors or omissions are quickly spotted and corrected. Changes flow through and show impact instantly.

Although the first phase of roll-out is still under way, Laws and his team have already begun preparing for the introduction of forecasting and reporting. "At present, reporting is managed using nVision for PeopleSoft and that takes a little time – up to around ten minutes for each report. Each branch creates its report, dumps it into a spreadsheet, then edits, saves and emails the result," Laws notes. "The proof-of-concept that we've done with IBM Cognos TM1 takes about two seconds to load the data and then the reports are instantaneous."

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