



Meter iT - Optimize iT

A Chargeback Methodology for Cutting Costs & Increasing Asset Efficiency

Linda Cole

Director of Sales, Americas

Speaker

Eistein Fosli

Founder

Speaker

Today's Agenda

- *Industry trends and economic backdrop*
- *What is IT Chargeback*
- *Components of IT Chargeback Process*
- *IT chargeback Implementation Stages*
- *Benefits of IT chargeback*



Industry Trends and Economic Backdrop

61%

of organizations say that “**reducing costs**” is their top business priority for the next 12 months.

Source: Forrester’s Business Technographics Global Priorities and Journey Survey, 2014



Industry Trends and Economic Backdrop

Unmanaged IT cuts can have a negative impact on service performance, leading to more revenue lost than money saved.



Industry Trends and Economic Backdrop



What is IT Chargeback?

IT chargeback is a **more rational approach towards reducing IT costs**, while improving overall operational efficiency throughout the enterprise.



What is IT Chargeback?

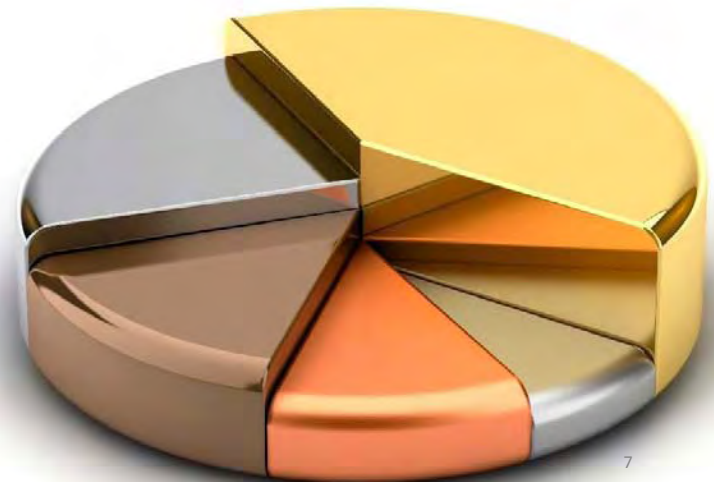
“It is about recovering the IT costs in an equitable way.”

“It is more about demonstrating IT improvements through lower unit charges year after year. “

“It is much more about influencing and guiding the IT customers to properly protect their applications while making good use of the corporate investment and optimizing infrastructure costs. “

“After all, it helps our IT customers be as efficient and effective as they expect us to be!”

Source: Denos Christofi, Managing Partner, Progressive Leadership, Inc.



Overall Goal

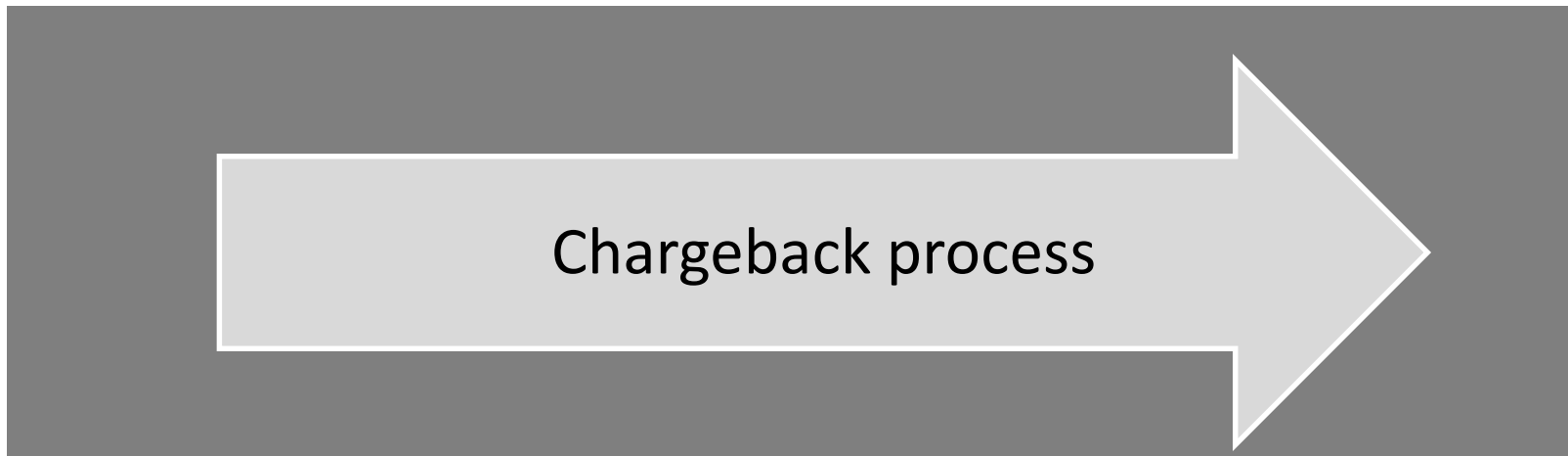
- Easy to **communicate** and easily **understood** by the business.
 - Simple and transparent
- Easy for IT to **manage, control, and verify**.
 - Should be an automated system
- Considered **fair** by most business users.
- Encourages **optimized** (IT) resource usage.

Components of IT Chargeback Process

- **Cost Generators** – assets that generate costs. i.e. Facilities, Servers, Network, Staff, Software
- **Processing data** – Processing data includes all data manipulation such as filtering, grouping, mapping, and other advanced algorithm to handle advanced calculations in chargeback (like Pay-Per-Use, concurrency, etc.).
- **Cost Centers** - groupings of users that will serve as internal customers of this process. i.e. Cost Centers, Departments, Location/Region, Projects



The Cost Centers



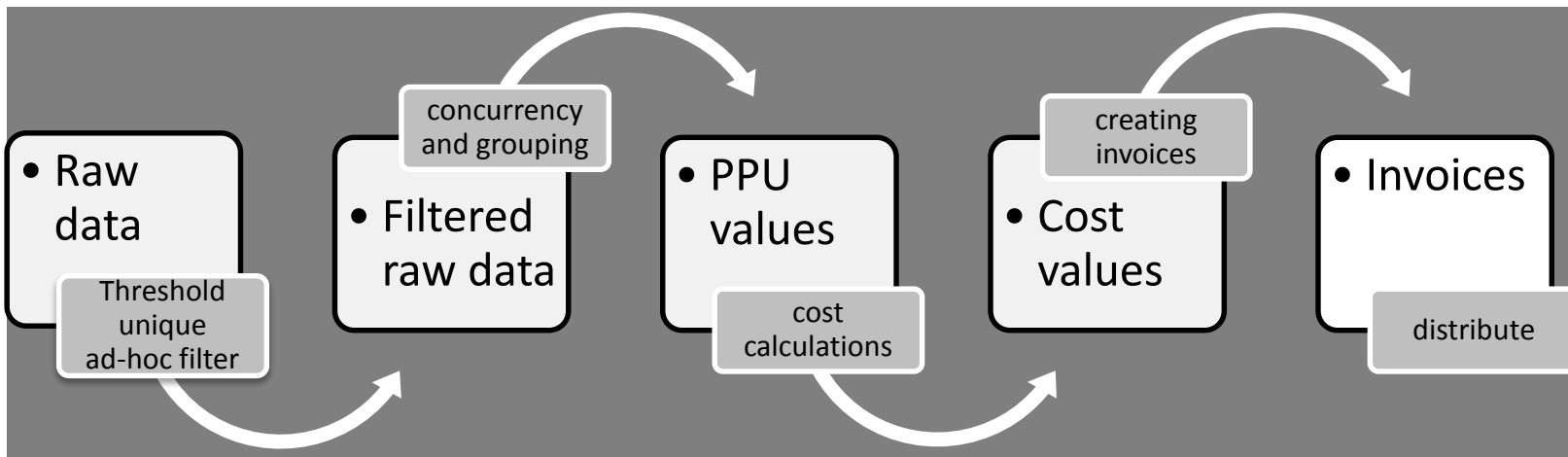
Cost Generators

- Facility
- Servers
- Network
- Staff
- Software

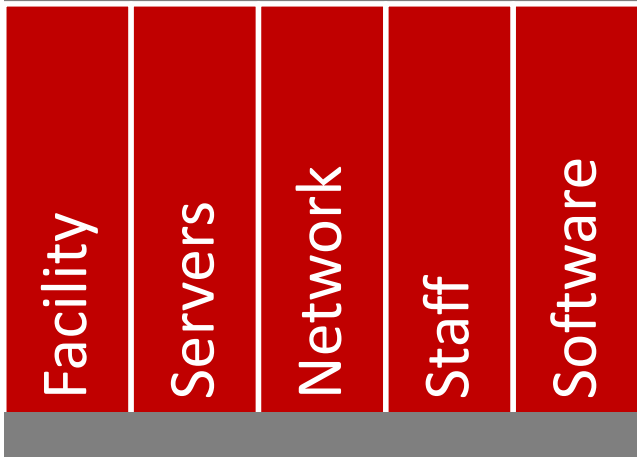
Cost Centers

- Departments
- Projects
- Companies/
Legal Ent

The Cost Centers



Cost Generators

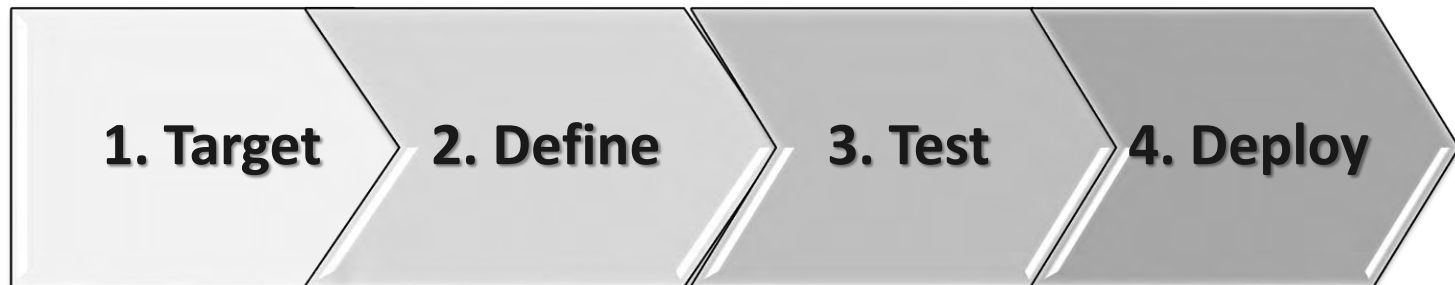


Cost Centers



IT Chargeback – Implementation Stages

IT Chargeback Process



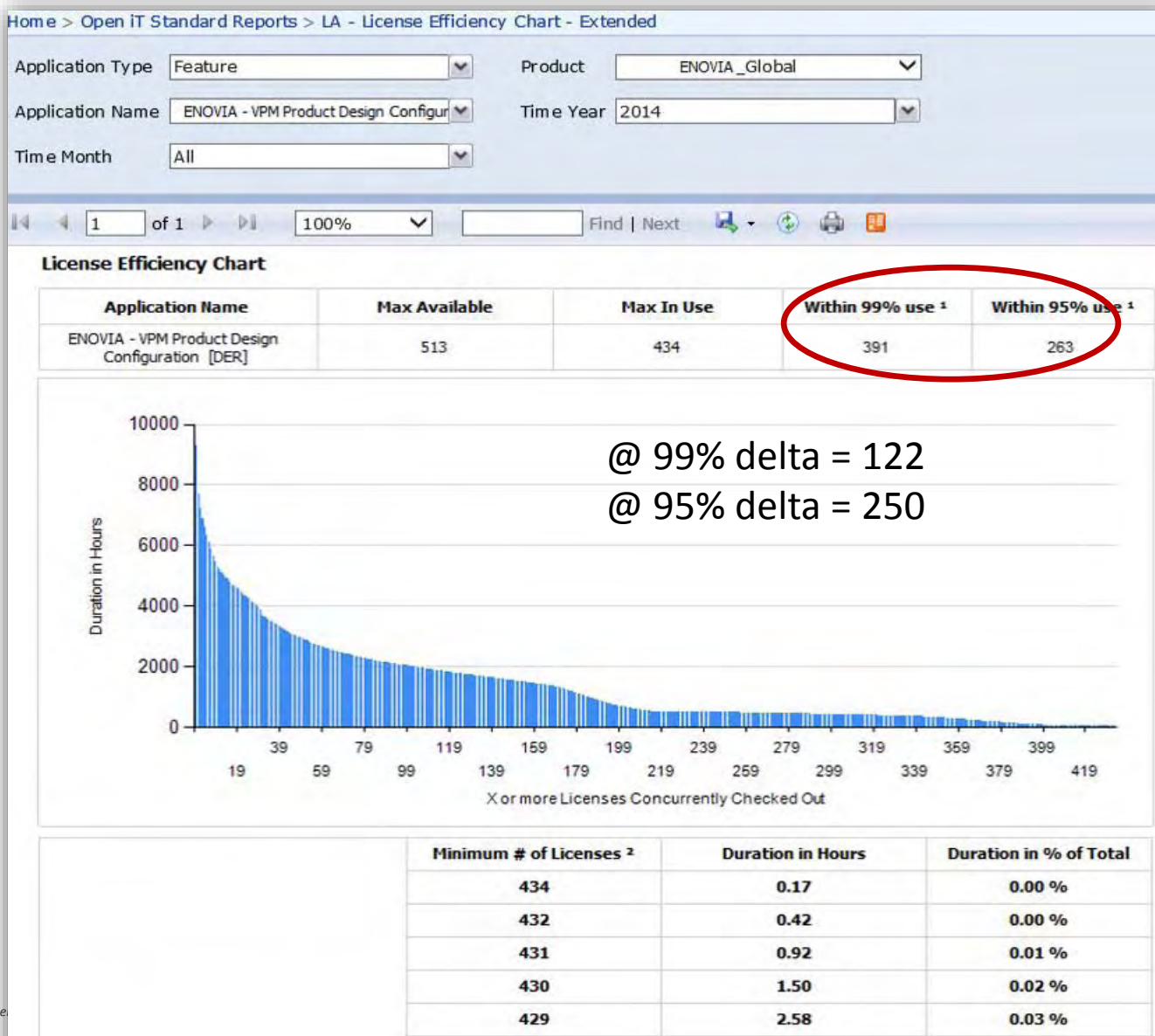
Corporate Policies and Procedures

GOAL: Transition from a cost center to a value center

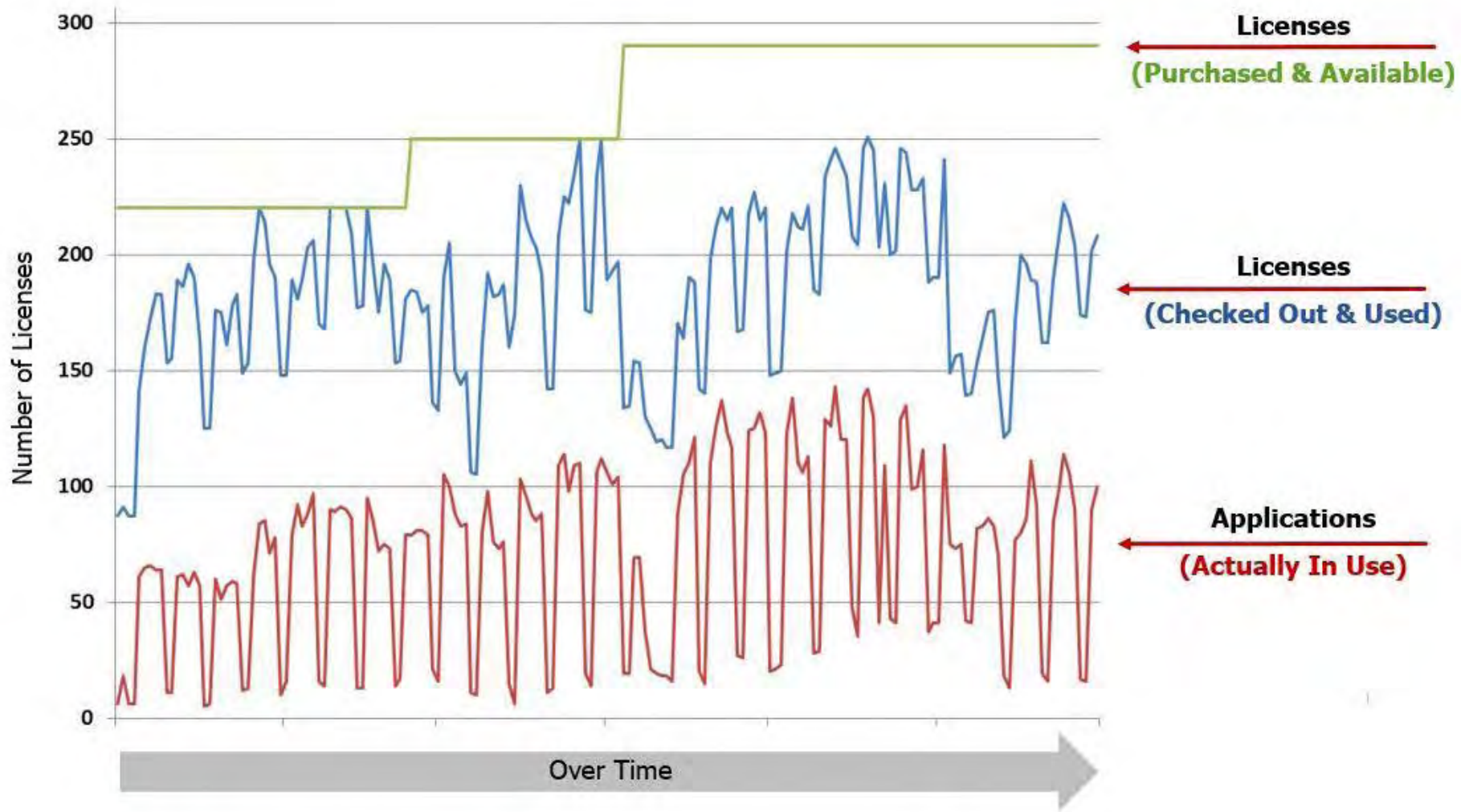
Increase Assets Efficiency

REDUCE WASTE OF SOFTWARE

Improve License Efficiency



What's Really Going on with my Licenses?



Cost Avoidance and Possible Savings

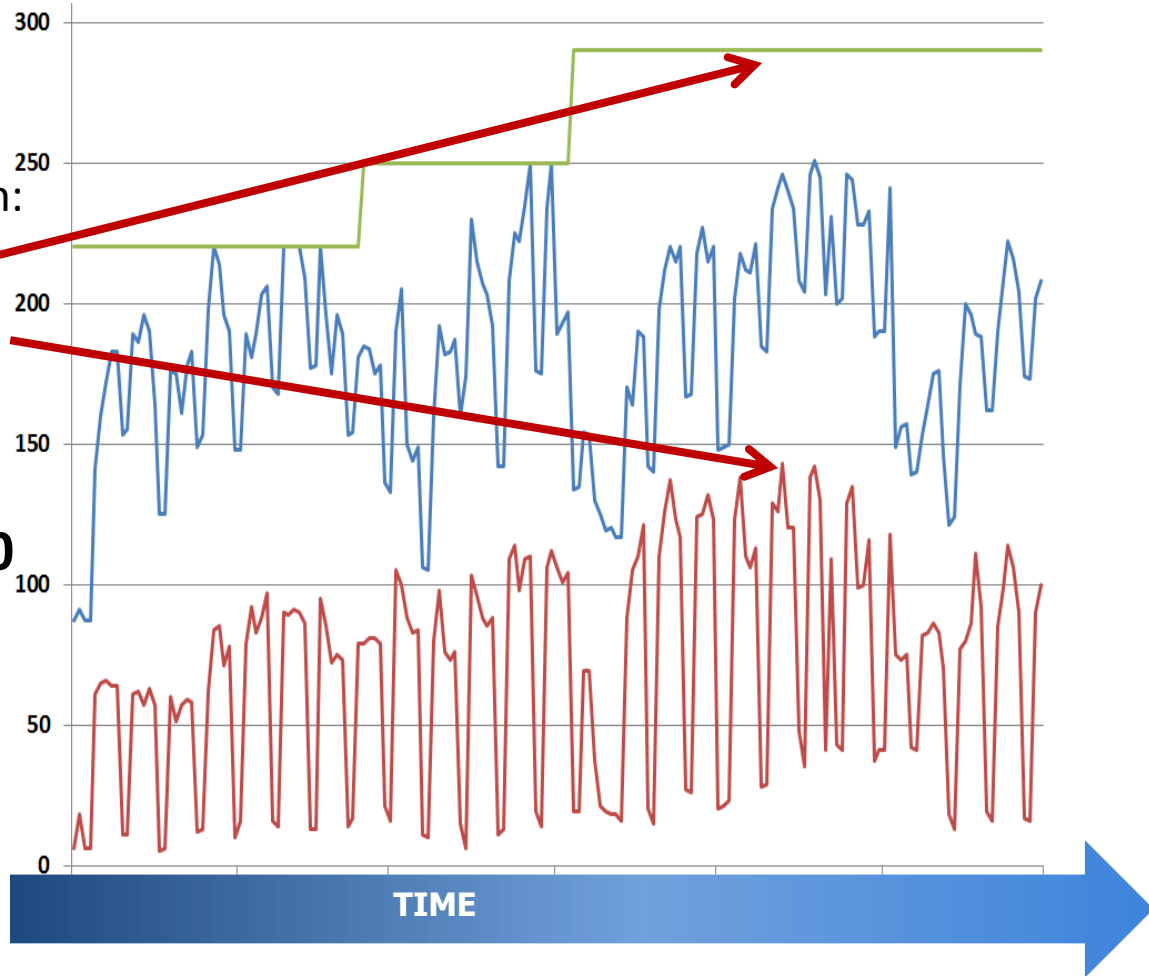
Concurrent license savings

Compare the difference between:

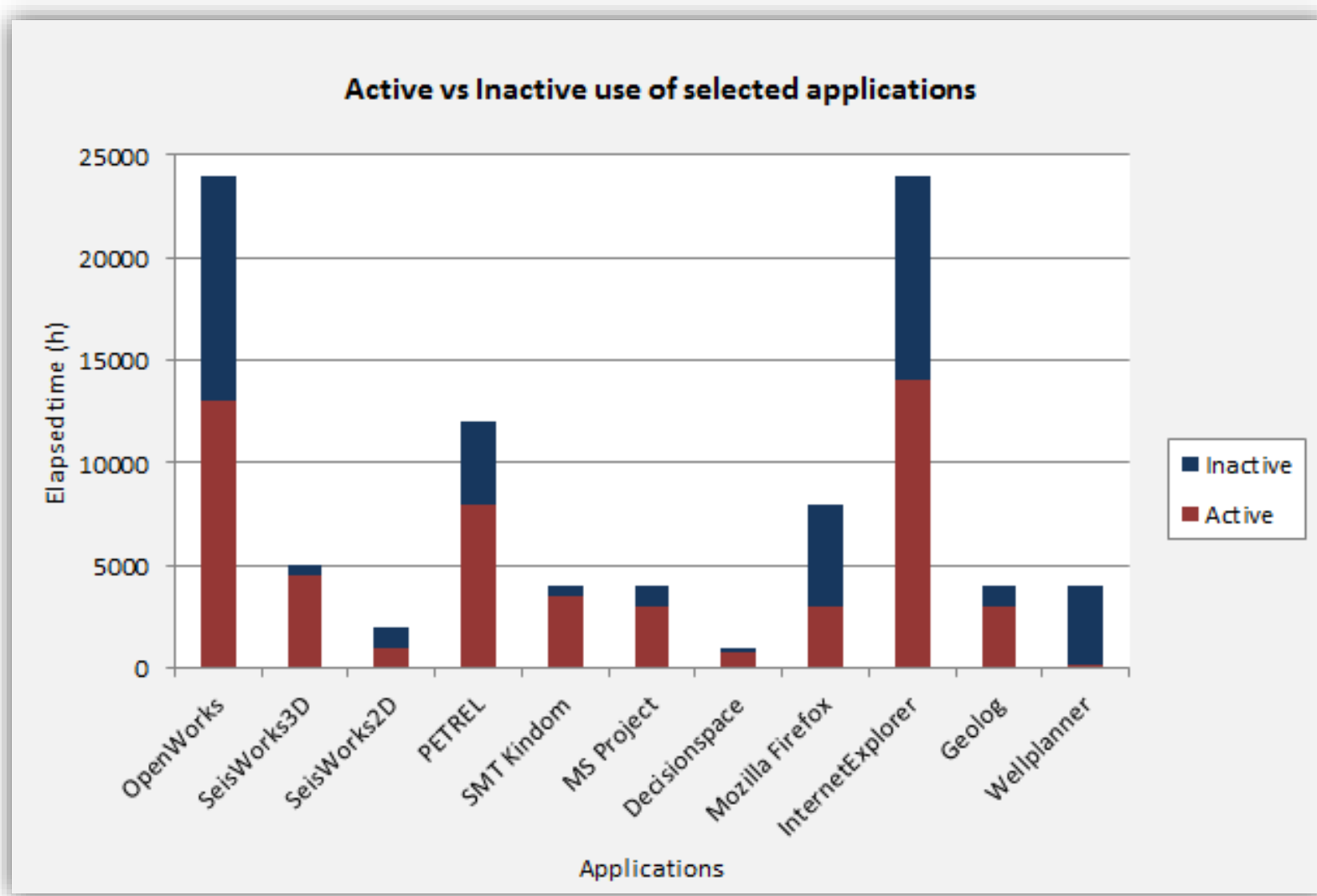
- max total concurrent (290)
- max active concurrent (140)

In this case, there is a difference of 150 licenses or

$$150 * \$10,000 = \mathbf{\$1,500,000}$$

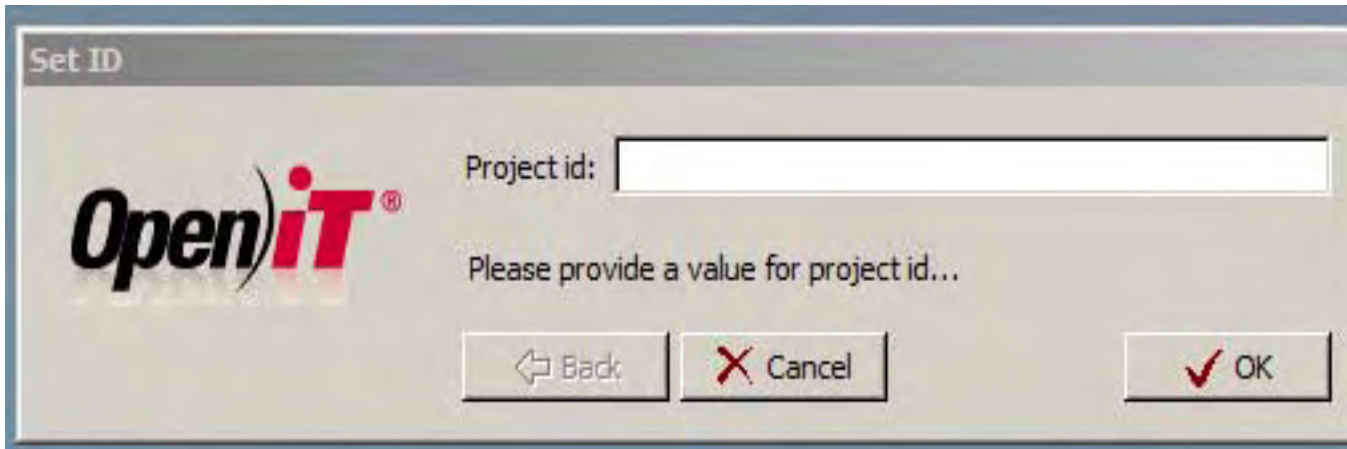


Perceived Use vs Actual Use



In-depth Data Collection

This requires more in-depth data collection to pin-point where the assets are really being used.



Set ID

Open)IT®

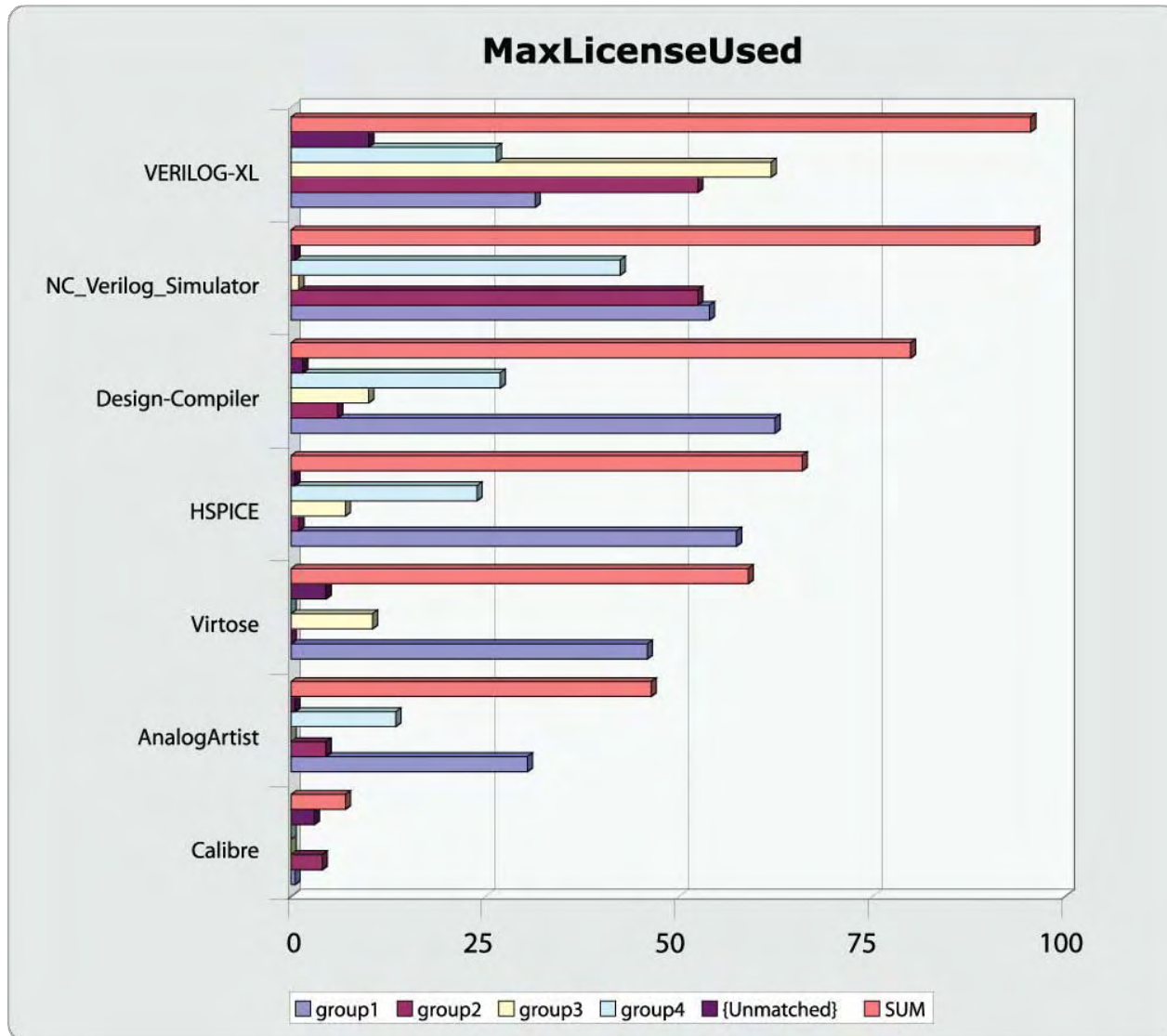
Project id:

Please provide a value for project id...

Back Cancel OK

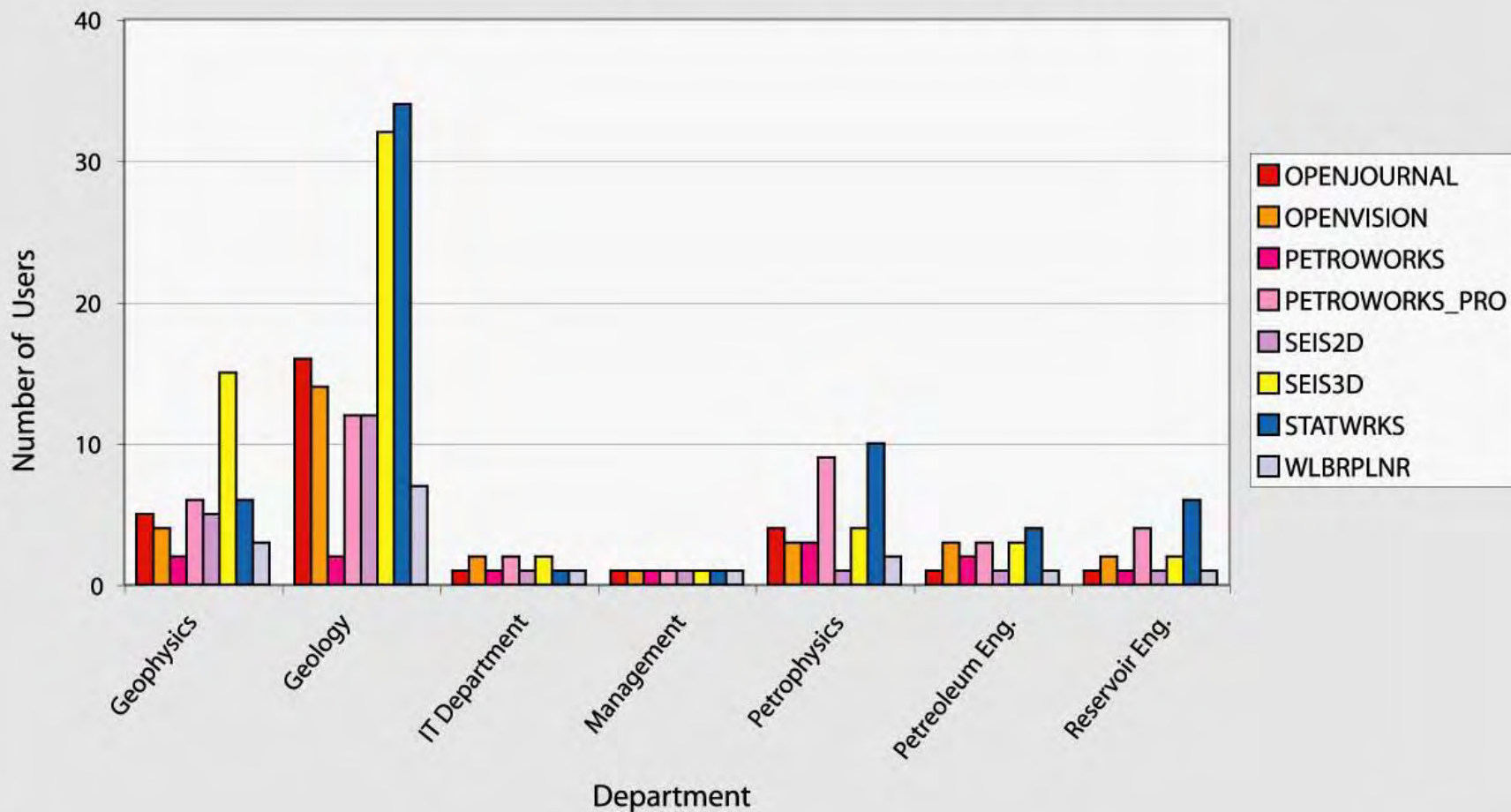
Figure 2 In-depth data collection for users working on multiple projects

Maximum Concurrent Features Use per Project/Group

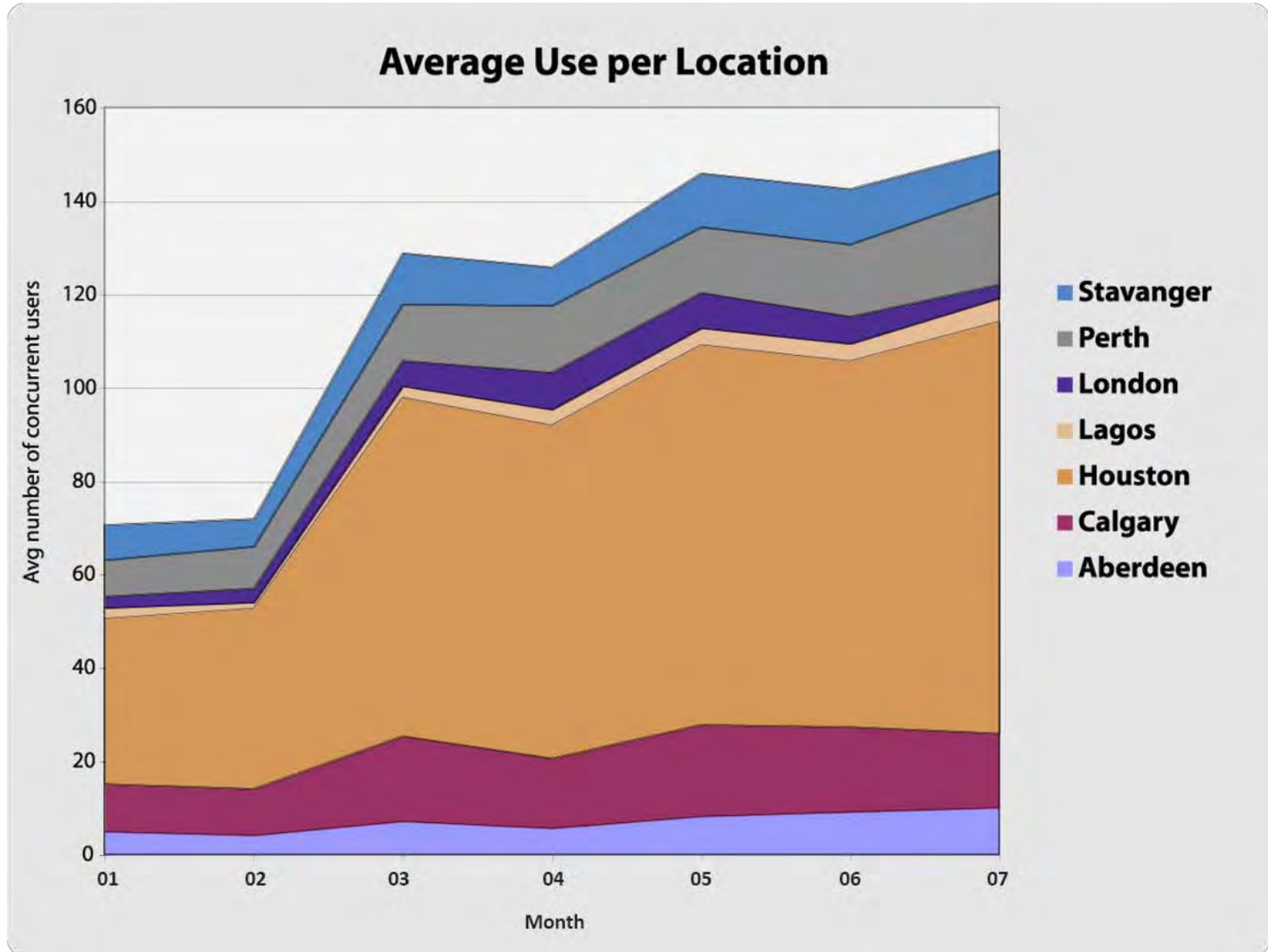


Split Usage on Departments

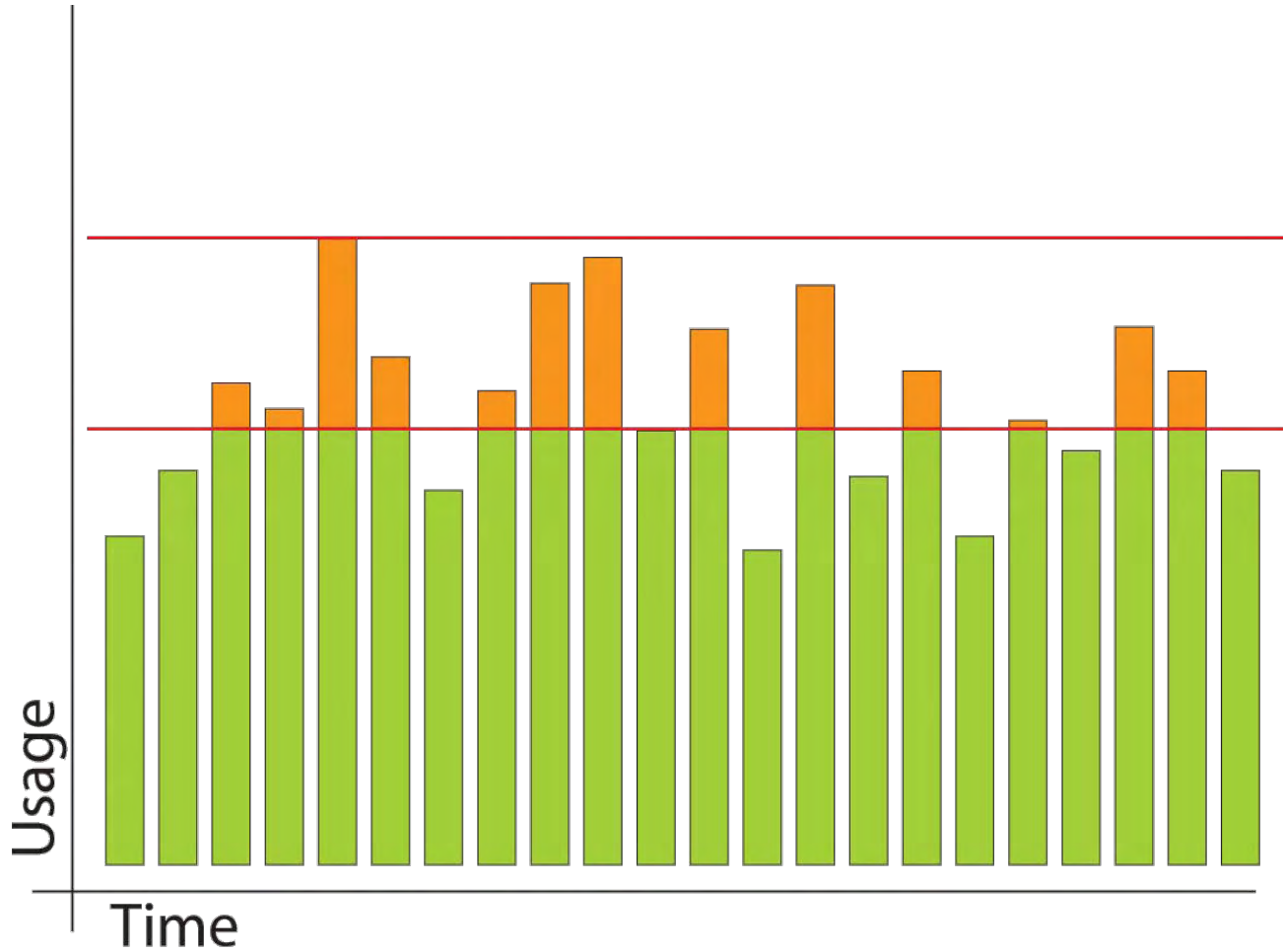
Distinct Users for OpenWorks Features by Department



Split Usage On Locations



Chargeback Model



Allocation Model Examples

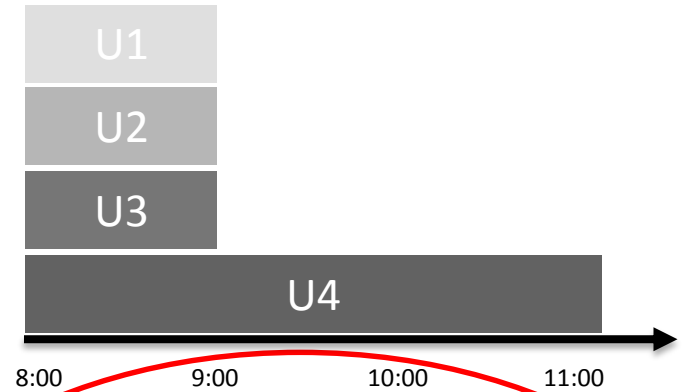
Code	Definitions
MC-UG	Maximum concurrent # users/ user group
DU	Distinct # users
ET	Sum of Elapsed Time
Intervals	Definitions
1H	Per hour
1D	Per day
1M	Per month
Filter	Definitions
5m	Exclude usage shorter than 5 min per instance
15m	Exclude usage shorter than 15 min per instance

Allocation Models – Intervals

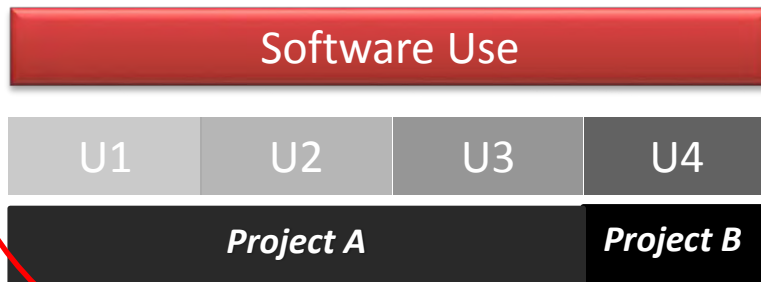
Example:

Project A = 3 users , each user using 1 hour

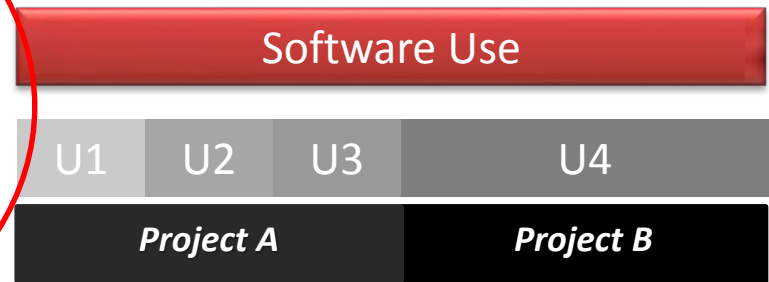
Project B = 1 user, uses for 3 hours



A. Distinct User per Day (DU 1D)



B. Distinct User per Hour (DU 1H)



Update Cost Catalog

Type	Item Code	Material Description	Filter	Principal Allocation Model	# units incl.	Fixed cost	Fcost - Interval width	Unit Cost	Ucost Interval width	Currency
Storage	ST-DQ0	Archive-tape		AVG-GB	0	0	0	\$0.02	1M	USD
Storage	ST-DQ1	Standard disk (SATA) min 5000 rpm		AVG-GB	0	0	0	\$0.10	1M	USD
Storage	ST-DQ2	Standard disk (SATA) min 7000 rpm		AVG-GB	0	0	0	\$0.12	1M	USD
Storage	ST-DQ3	Standard disk (SAS) min 10000 rpm		AVG-GB	0	0	0	\$0.22	1M	USD
Storage	ST-DQ4	DQ1 + mirrored		AVG-GB	0	0	0	\$0.16	1M	USD
Storage	ST-DQ5	DQ2 + mirrored		AVG-GB	0	0	0	\$0.20	1M	USD
Storage	ST-DQ6	DQ3 + mirrored		AVG-GB	0	0	0	\$0.37	1M	USD
Storage	ST-DQ7	Special need		AVG-GB	0	0	0	\$0.44	1M	USD
FeatureSet	P5KARIESDS	5K ARIES Decision Suite		ET	0	0	0	\$6.90	1H	USD
FeatureSet	P5KARIESECON	5K ARIES Economics		ET	0	0	0	\$24.40	1H	USD
FeatureSet	P5KARIESGRAPH	5K ARIES Graphics		ET	0	0	0	\$19.00	1H	USD
FeatureSet	P5KARIESRMS	5K ARIES RMS		ET	0	0	0	\$26.60	1H	USD
FeatureSet	P5KARIESSYS	5K ARIES System		ET	0	0	0	\$38.40	1H	USD
Feature	ASSETPLANNER	5K AssetPlanner Module		MC-UG	0	0	0	\$524.30	1D	USD
FeatureSet	P5KAVGOCADCON	5K AView GOCAD Connection		MC-UG	0	0	0	\$95.00	1D	USD
FeatureSet	P5KAVP	5K AVO, PC		MC-UG	0	0	0	\$47.40	1D	USD
FeatureSet	P5KCDARCHIVER	5K Corporate Data Archiver		DU	0	0	0	\$798.80	1D	USD
FeatureSet	P5KCDSDS	5K Corporate Data Store		DU	0	0	0	\$1,458.10	1D	USD
FeatureSet	P5KCEMENT	5K Cementing Opticem		MC-UG	0	0	0	\$106.40	1D	USD
FeatureSet	P5KCPUADD64	5K GeoProbe 2 CPU Add-On		MC-UG	0	0	0	\$256.90	1D	USD
FeatureSet	P5KCSF	5K smartSECTION/CrossSection ala carte		MC-UG	0	0	0	\$60.00	1D	USD
FeatureSet	P5KDAEDM	5K Data Analyzer for EDM		MC-UG	0	0	0	\$48.30	1D	USD
FeatureSet	P5KDATACHECK	5K Seismic Data Check		MC-UG	0	0	0	\$228.30	1D	USD
FeatureSet	P5KDESKPC004	5K Desktop Mini PC with 2 CPU 1 GB	15	MC-UG	0	0	0	\$1,999.00	1D	USD

Sample Automated Invoice Report

Account Information:

Name:
 Cost Center: Bill Group 1460
 Additional Info:

Invoice No.:
Invoice Date: YYYY-MM-DD

Billing Summary:

Period:
 Fixed Charges: **\$1,600.00**
 Usage Charges: **\$20,067.67**
 Total Amount: **\$21,667.67**

Charges Detail

Fixed Charges: \$1,600.00

Name	Type	Unit	Units Included	Amount
R03 OpenWorks without Orade	Feature_Set	ET 1H	500.00	\$500.00
R03 SeisWorks 3D	Feature_Set	MC-UG 1D	100.00	\$1,100.00

Usage Charges: \$20,067.67

Name	Type	Unit	Total Usage	Exceeding Usage	Unit Cost	Amount
GPFULL	Feature	ET 1H	37.67	37.67	\$79.00	\$2,975.67
OPENWORKS	Feature	MC-UG 1D	10.00	10.00	\$572.00	\$5,720.00
POSTSTACK	Feature	DU 1D	4.00	4.00	\$522.00	\$2,088.00
PVSEIS3	Feature	DU 1D	4.00	4.00	\$533.00	\$2,132.00
R03 OpenWorks without Orade	Feature_Set	ET 1H	93.50	0.00	\$298.00	\$0.00
R03 PostStack	Feature_Set	MC-UG 1D	4.00	4.00	\$750.00	\$3,000.00
R03 SeisWorks 3D	Feature_Set	MC-UG 1D	6.00	0.00	\$753.00	\$0.00
SEIS3D	Feature	MC-UG 1D	6.00	6.00	\$692.00	\$4,152.00

Year End Reconciliation

- Using fixed rates for the entire period, without knowing exact usage, may lead to profit or loss for a particular service. As most IT departments are prohibited from either accumulating a loss or a profit, this must be calculated, typically once a year, and paid back or charged extra to the business units.
- Instead of reconciling each service item, it is the total amount, or a group of service items, that needs to be reconciled. This is handled by using a Profit & Loss Statement, which is designed for this purpose.

Year End Reconciliation

WBS Code	Division	Cost Code	Support Sta	\$ Allocated	\$ Costs	
A4-811278-5A-0-0A-457	Browse	B5-D0000314	Bronze	\$ 76,402.87	\$ 50,252.90	
A4-811278-5A-0-0A-457	Browse	B5-D0000314	Bronze	\$ 137,783.48	\$ 50,252.90	
A4-811278-5A-0-0A-132	Browse	B5-D0000314	Silver	\$ 1,681.84	\$ 23,325.67	
A4-811278-5A-0-0A-282	Browse	B5-D0000314	Gold	\$ 36,893.02	\$ 100,170.77	
A4-811278-5A-0-0A-282	Browse	B5-D0000314	Gold	\$ 4,624.45	\$ 16,695.13	
A4-811278-5A-0-0A-282	Browse	B5-D0000314	Gold	\$ 213.70	\$ 8,347.56	
A4-811278-5A-0-0A-282	Browse	B5-D0000314	Gold	\$ 940.28	\$ 2,782.52	
A4-811278-5A-0-0A-154	Browse	B5-D0000314	Gold	\$ 307.73	\$ 22,260.17	
A4-811278-5A-0-0A-154	Browse	B5-D0000314	Gold	\$ 247.89	\$ 8,347.56	
A4-811278-5A-0-0A-111	Browse	B5-D0000314	Bronze	\$ 8,451.77	\$ 10,050.58	
A4-811278-5A-0-0A-062	Browse	B5-D0000314	Silver	\$ 3,099.86	\$ 5,831.42	
A4-811278-5A-0-0A-358	Browse	B5-D0000314	Gold	\$ 153.86	\$ 5,565.04	
A4-811278-5A-0-0A-358	Browse	B5-D0000314	Gold	\$ 76,153.84	\$ 50,085.39	
A4-811278-5A-0-0A-111	Browse	B5-D0000314	Bronze	\$ 38,299.71	\$ 50,252.90	
A4-811278-5A-0-0A-358	Browse	B5-D0000314	Gold	\$ 81,966.45	\$ 52,867.91	
A4-811278-5A-0-0A-358	Browse	B5-D0000314	Bronze	\$ 14.04	\$ 5,025.29	
A4-811278-5A-0-0A-347	Sunrise	B5-D0550001	Bronze	\$ 5,980.82	\$ 30,151.74	
A4-811278-5A-0-0A-437	Sunrise	B5-D0550005	Gold	\$ 410.30	\$ 5,565.04	
A4-811278-5A-0-0A-140	Sunrise	B5-D0550005	Gold	\$ 470,283.49	\$ 139,126.08	
A4-811278-5A-0-0A-282	Sunrise	B5-D0550005	Gold	\$ 159,727.31	\$ 130,778.51	
A4-811278-5A-0-0A-282	Sunrise	B5-D0550005	Gold	\$ 1,128.33	\$ 2,782.52	
A4-811278-5A-0-0A-282	Sunrise	B5-D0550005	Gold	\$ 179.51	\$ 5,565.04	
A4-811278-5A-0-0A-358	Sunrise	B5-D0550005	Gold	\$ 93,514.76	\$ 63,997.99	
A4-811278-5A-0-0A-436	Sunrise	B5-D0550005	Silver	\$ 65.95	\$ 5,831.42	
				\$ 14,920,305.17	\$ 15,025,616.12	
Difference Allocated - Actual Costs						-\$105,310.95
Correction:						-0.71%

Benefits of IT Chargeback thru Software Metering

Increased Awareness

- A way to put IT services in terms that business people understand.

Gain Transparency

- Understand which business decisions are creating expenses.

Increased Resource Flexibility

- Increase flexibility to add staff to meet business unit demand.

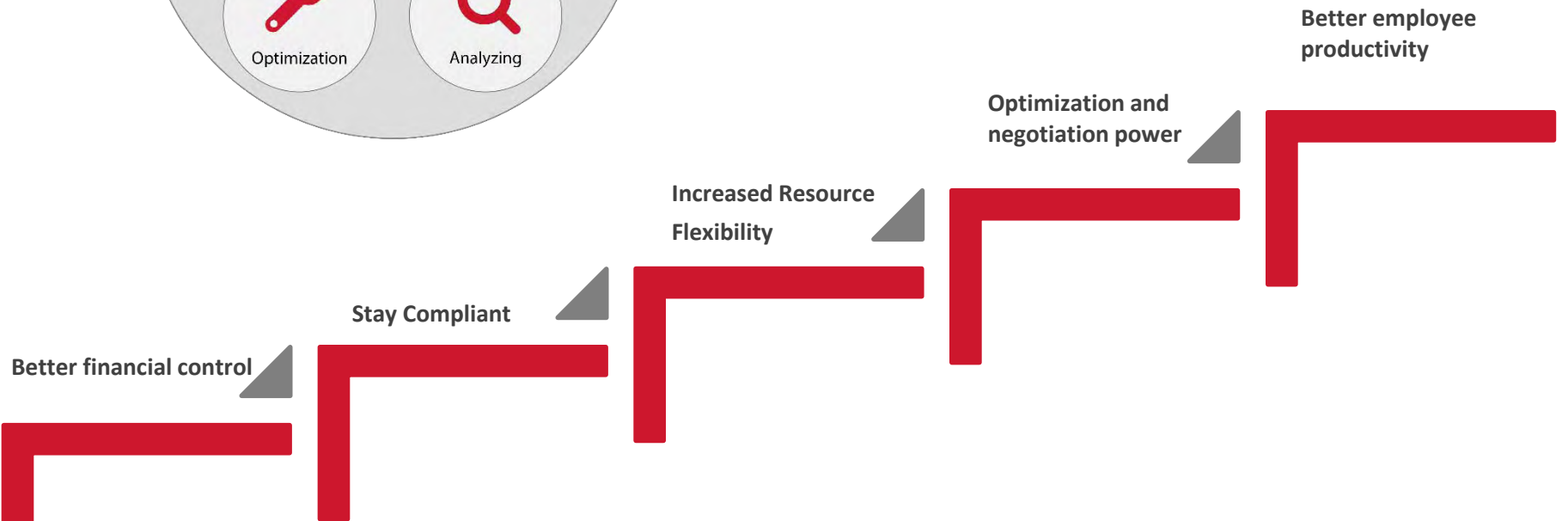
Improved Cost Strategy

- Provides accurate data for budgeting and forecasting.

Better Understanding of IT Costs

- Better understanding of the true total costs when requesting IT services.

IT Chargeback Takes You to a Higher Level



Eistein Fosli

Founder

fosli@openit.com

Linda Cole

Director of Sales, Americas

lcole@openit.com

For more information

visit our website:

www.openit.com



Q & A