



TBM CONFERENCE 2014

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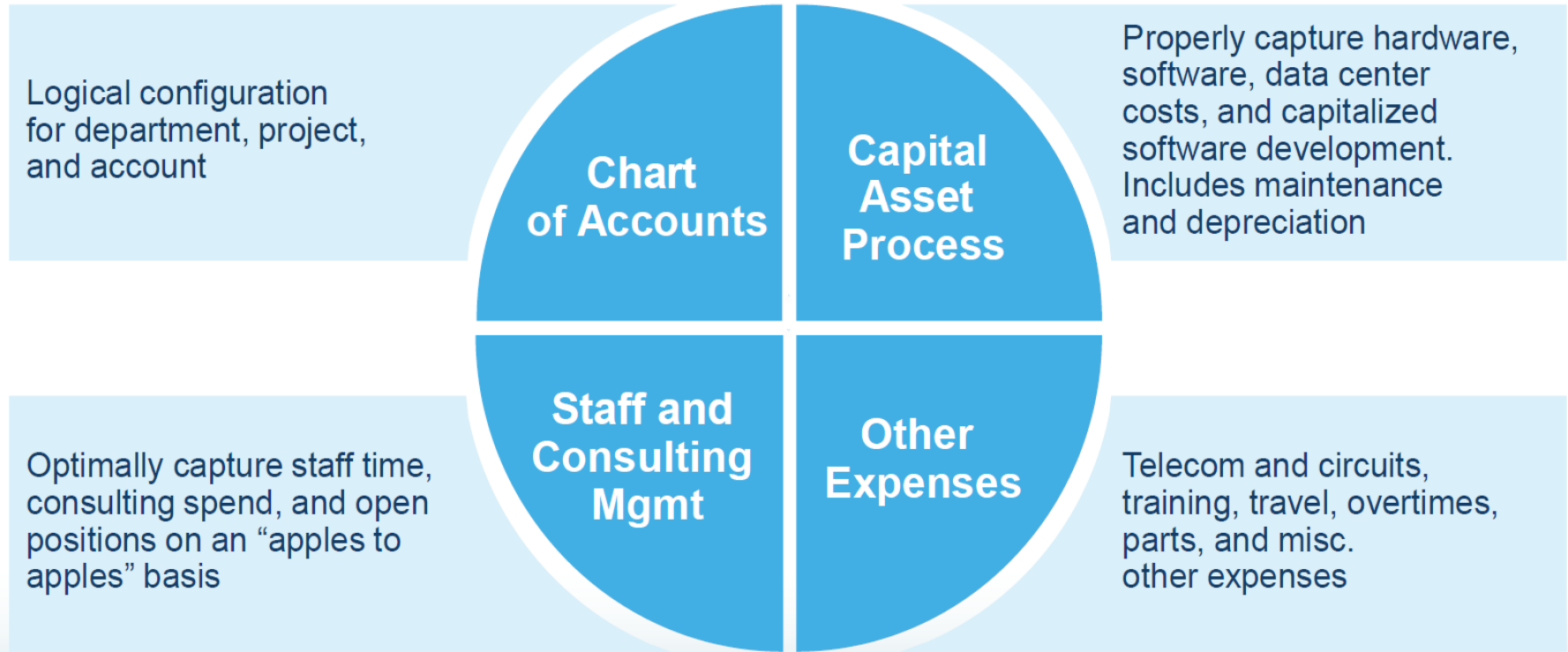
Carl Stumpf

CME GROUP

How To Build Service Costing and Transform Your Business In Six Minutes and 40 Seconds

Carl Stumpf

“The Building Blocks”



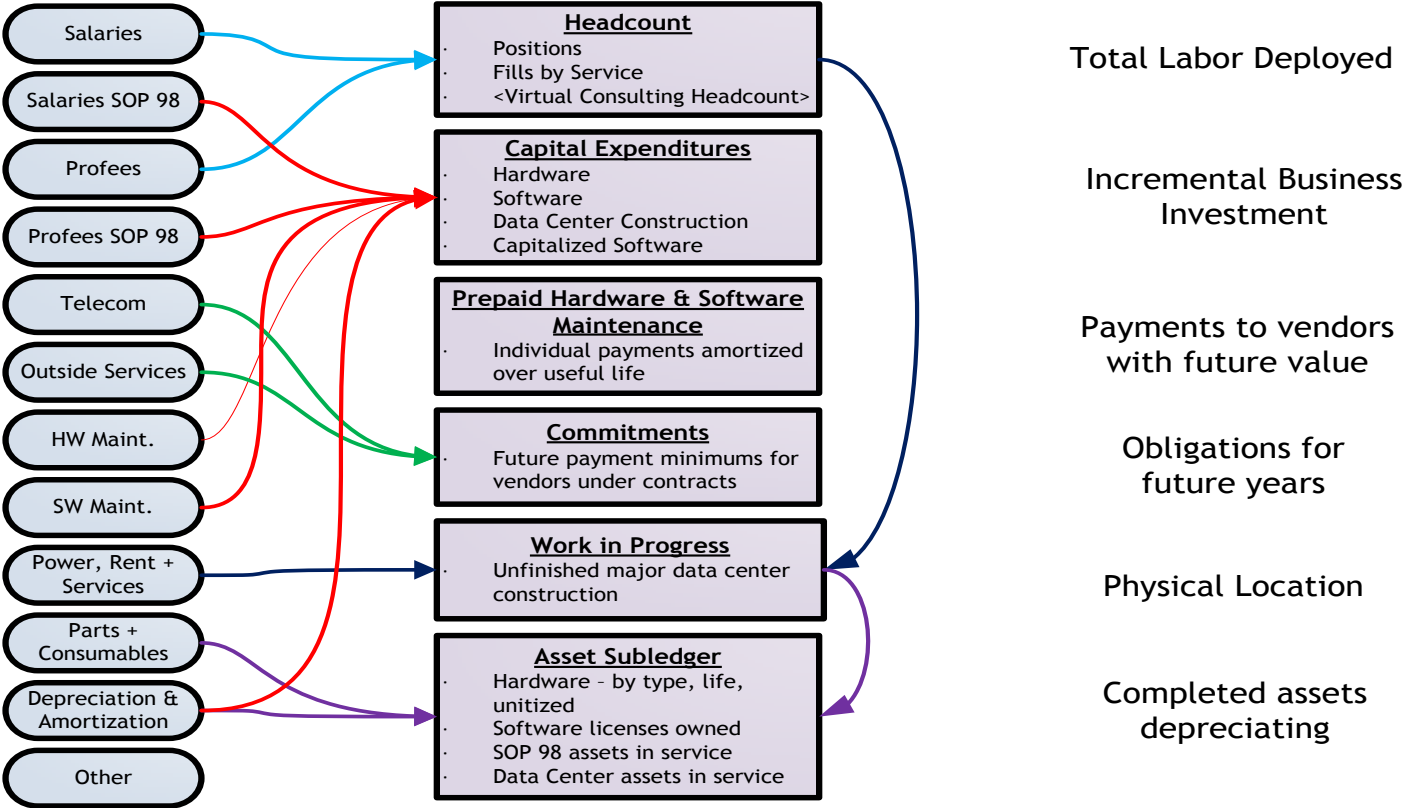
Code Organization

Organization of the financial DNA of the technology division:

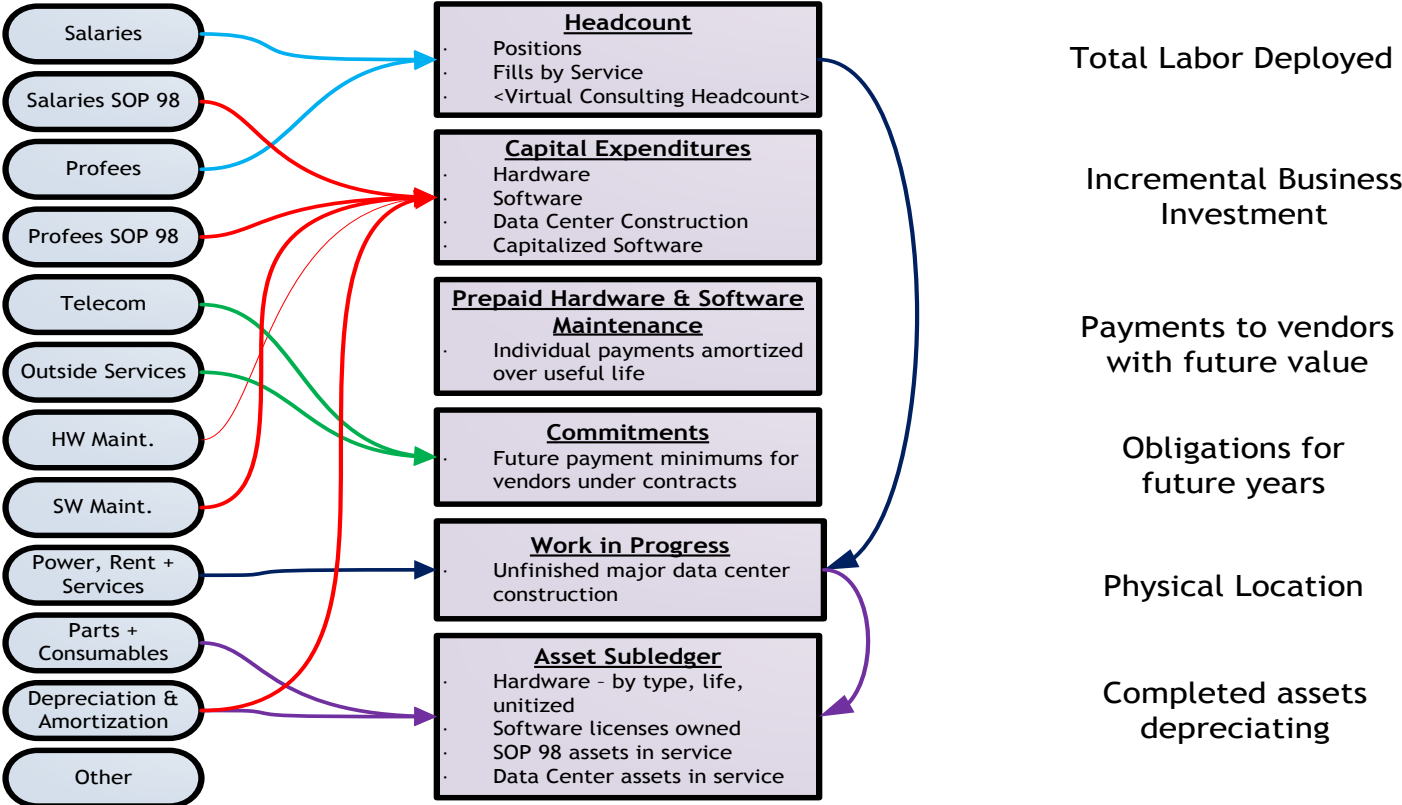
Department – Account – Project

- *Department: HR Ownership*
- *Account: Financial Categorization*
- *Project: Business functions and specific projects with start/stop dates*
- *Other potential codes – location and legal entity*

“Base” Income Statement and Critical Supporting Schedules

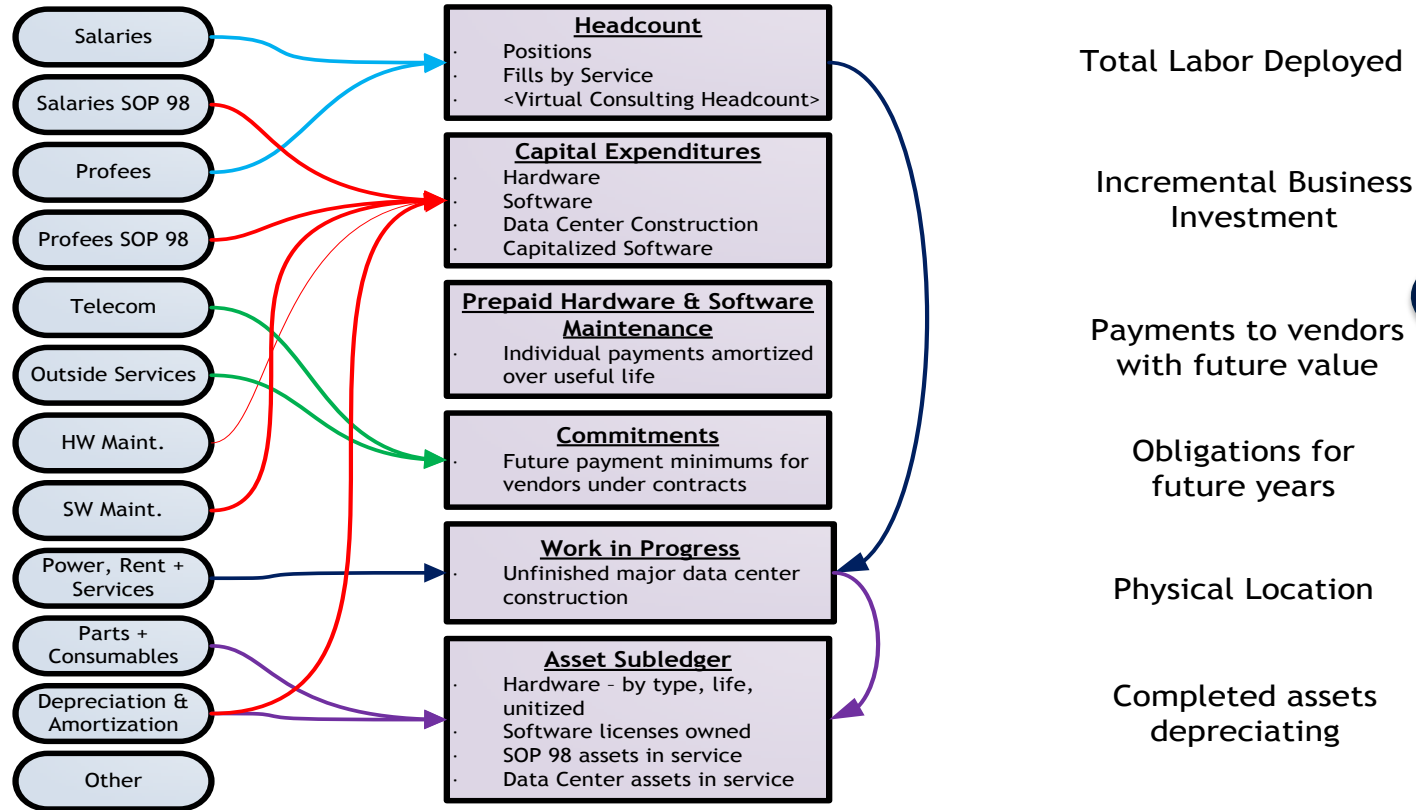


“Base” Income Statement and Critical Supporting Schedules

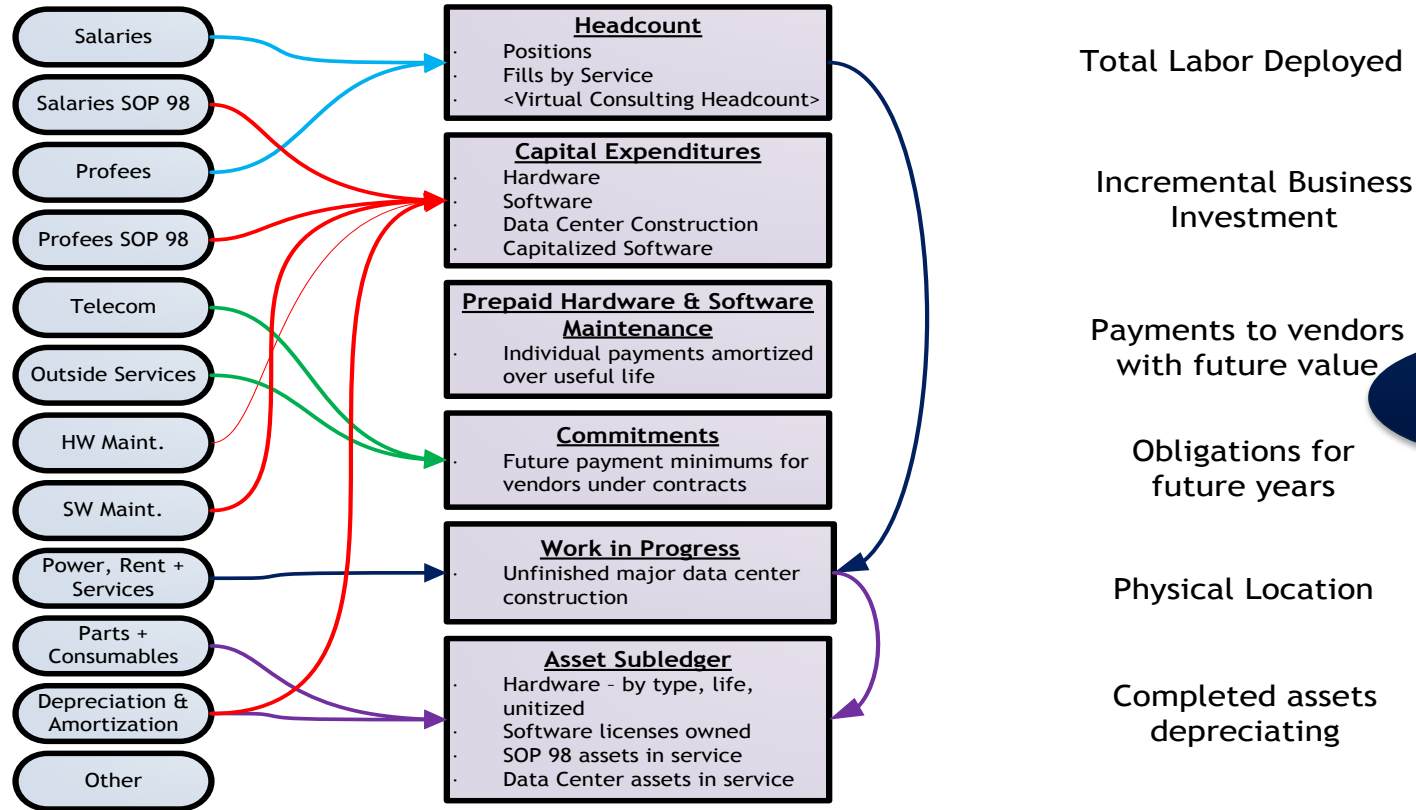


Capital

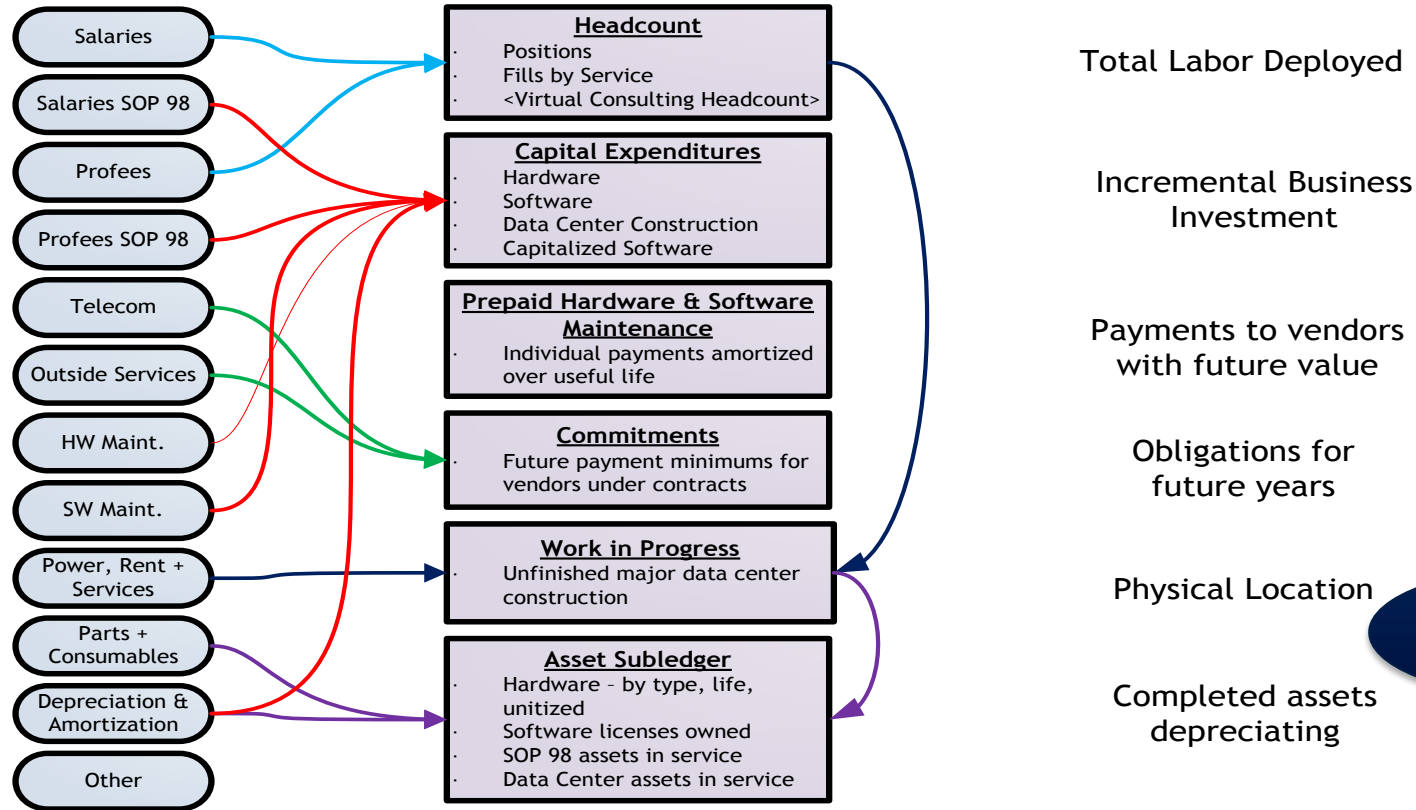
“Base” Income Statement and Critical Supporting Schedules



“Base” Income Statement and Critical Supporting Schedules



“Base” Income Statement and Critical Supporting Schedules



Services

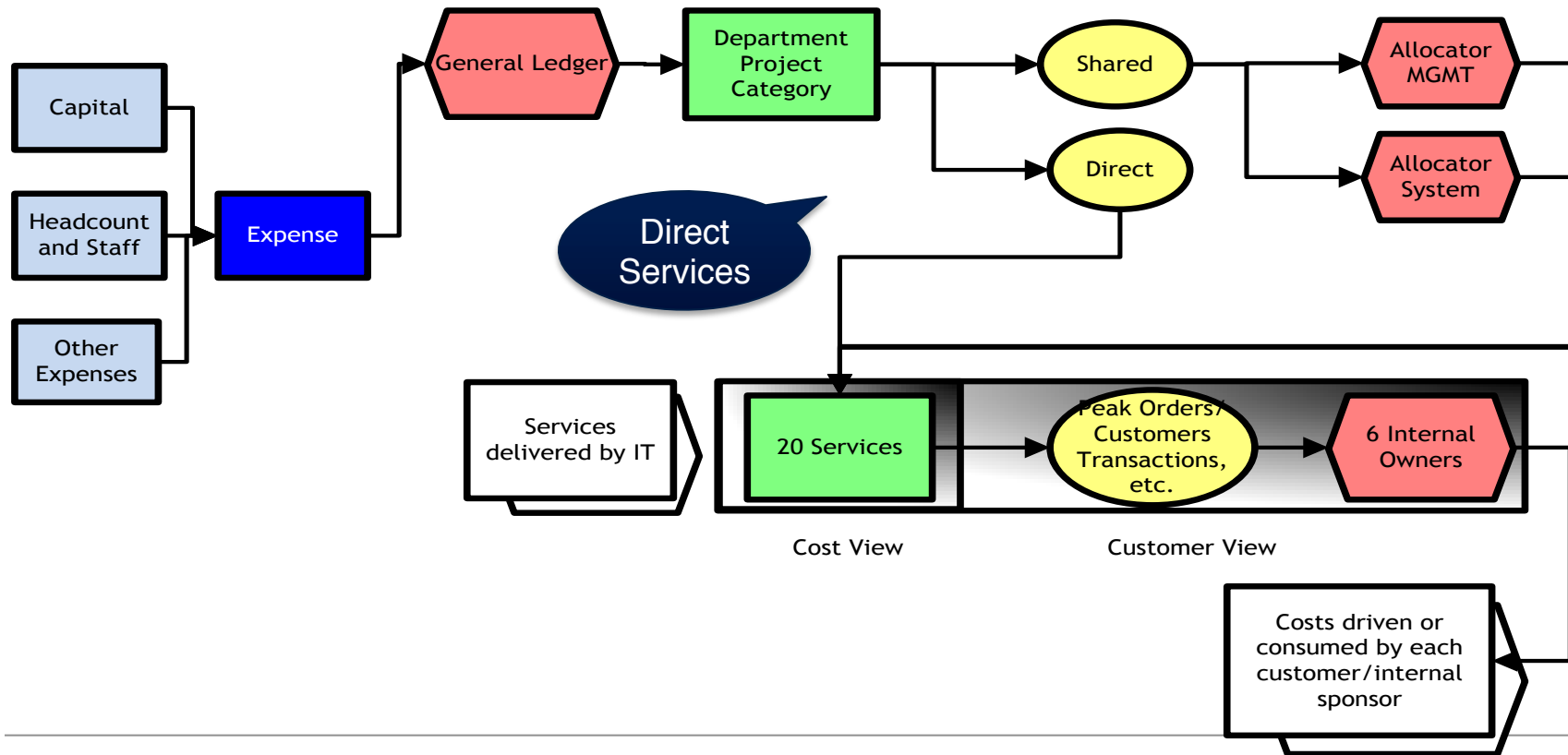
Applications and costs are categorized into *Services*

- This organization creates terms that make sense to the end user. Items such as “gigabytes of storage” or “data center sq. ft.” or “number of servers” are eliminated and replaced with “email services” or “trading services”
- These “services” are defined in a manner that they can be compared in an “apples to apples” manner with external options (i.e. if you outsource email services, what are the total costs in staff, consultants, software, services, data center, and telecom that would be affected by this migration? How do you determine the transition was valuable?)

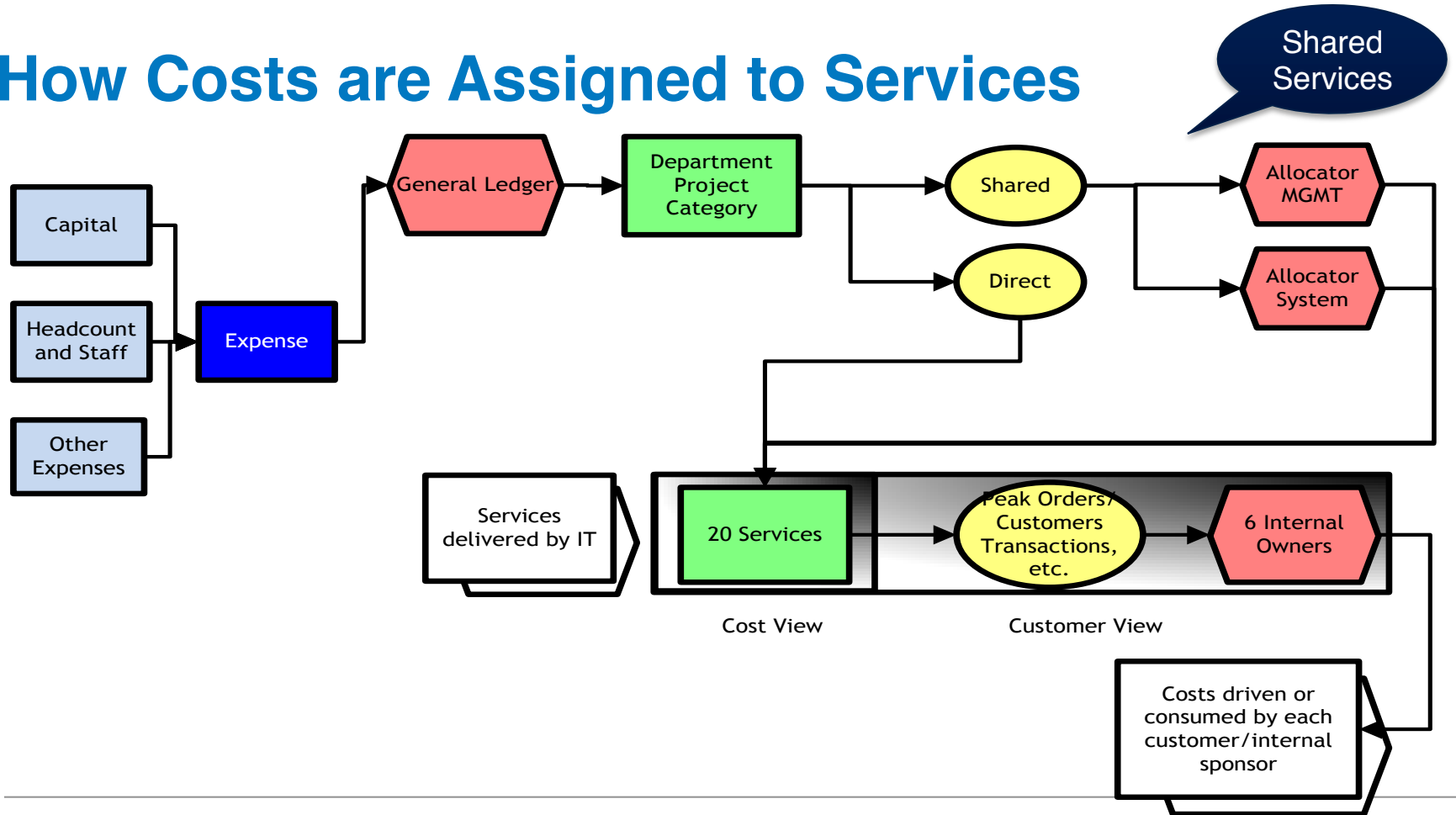
For us this is a multi step process consisting of:

- *Defining the services*
- *Putting the costs in the service*

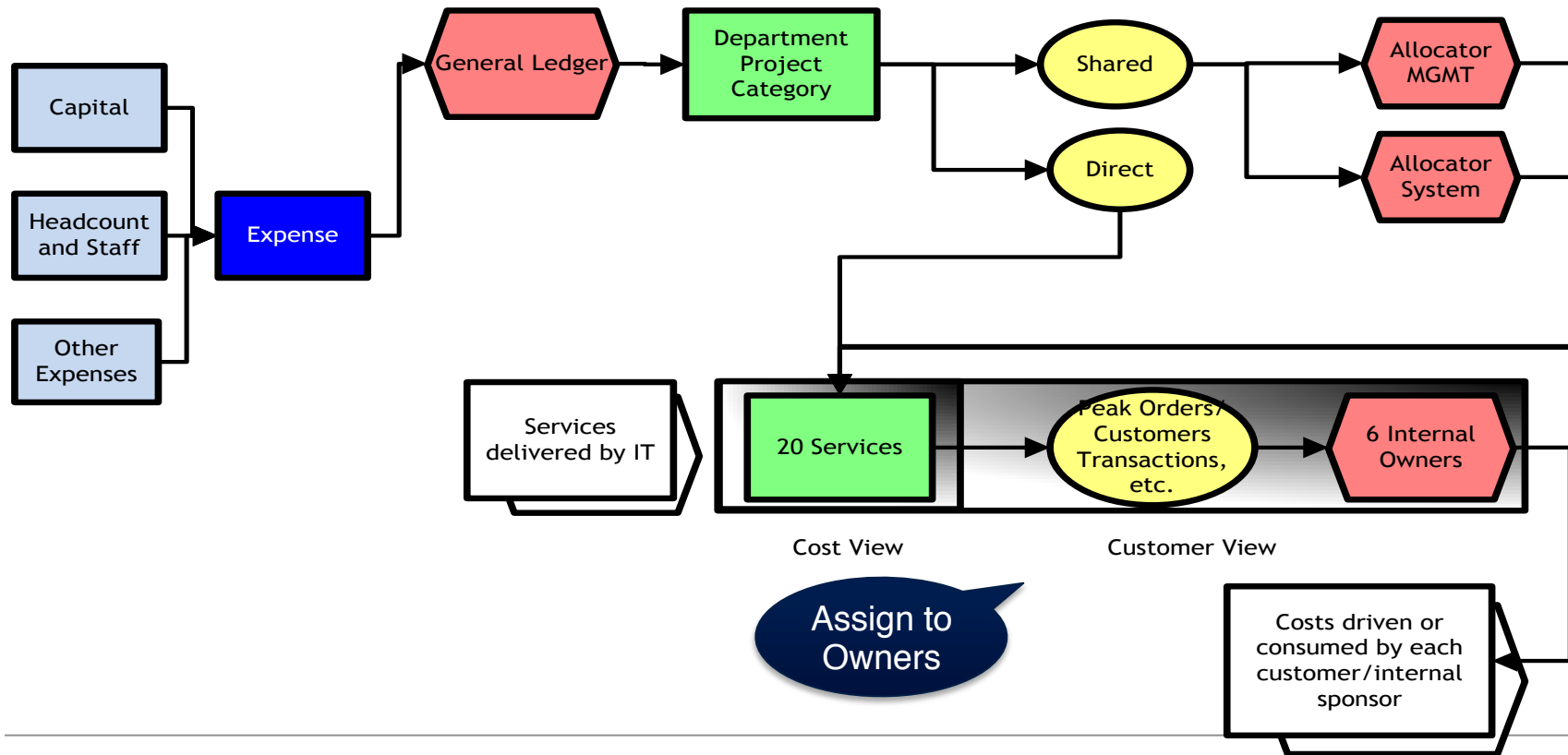
How Costs are Assigned to Services



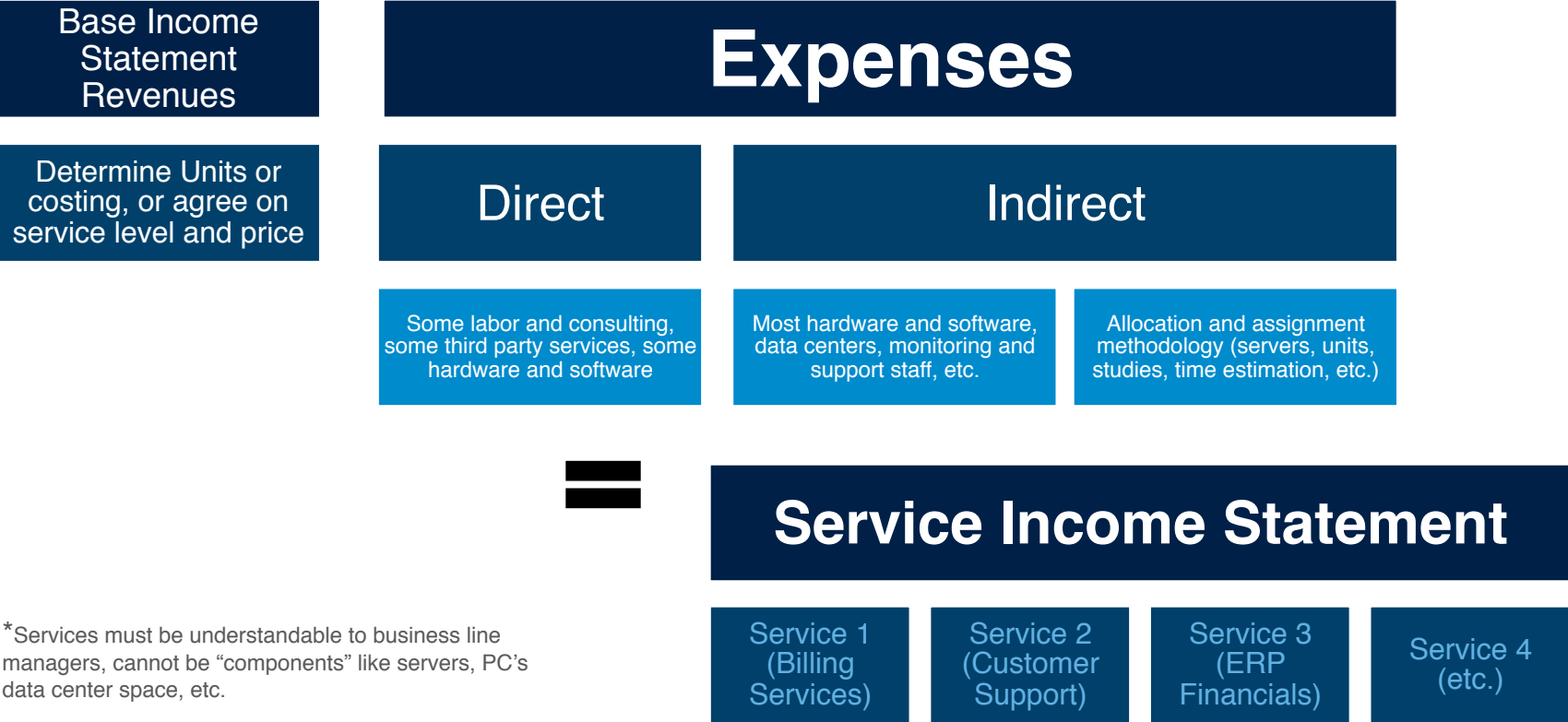
How Costs are Assigned to Services



How Costs are Assigned to Services



Service Income Statement



*Services must be understandable to business line managers, cannot be “components” like servers, PC’s data center space, etc.

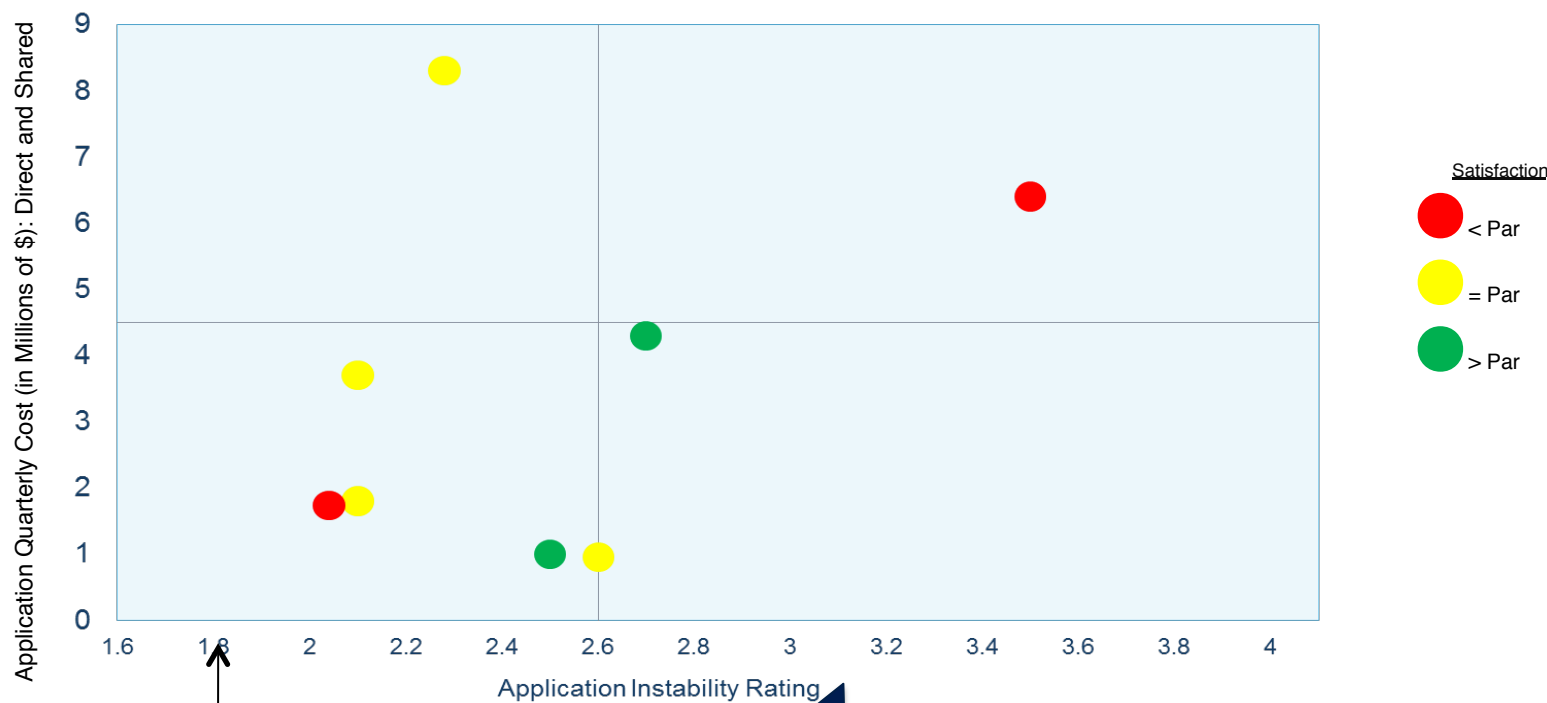
Cost/Satisfaction Graph



The goal is to be green and in this quadrant

*All data for Display Purposes Only

Cost/Satisfaction Graph

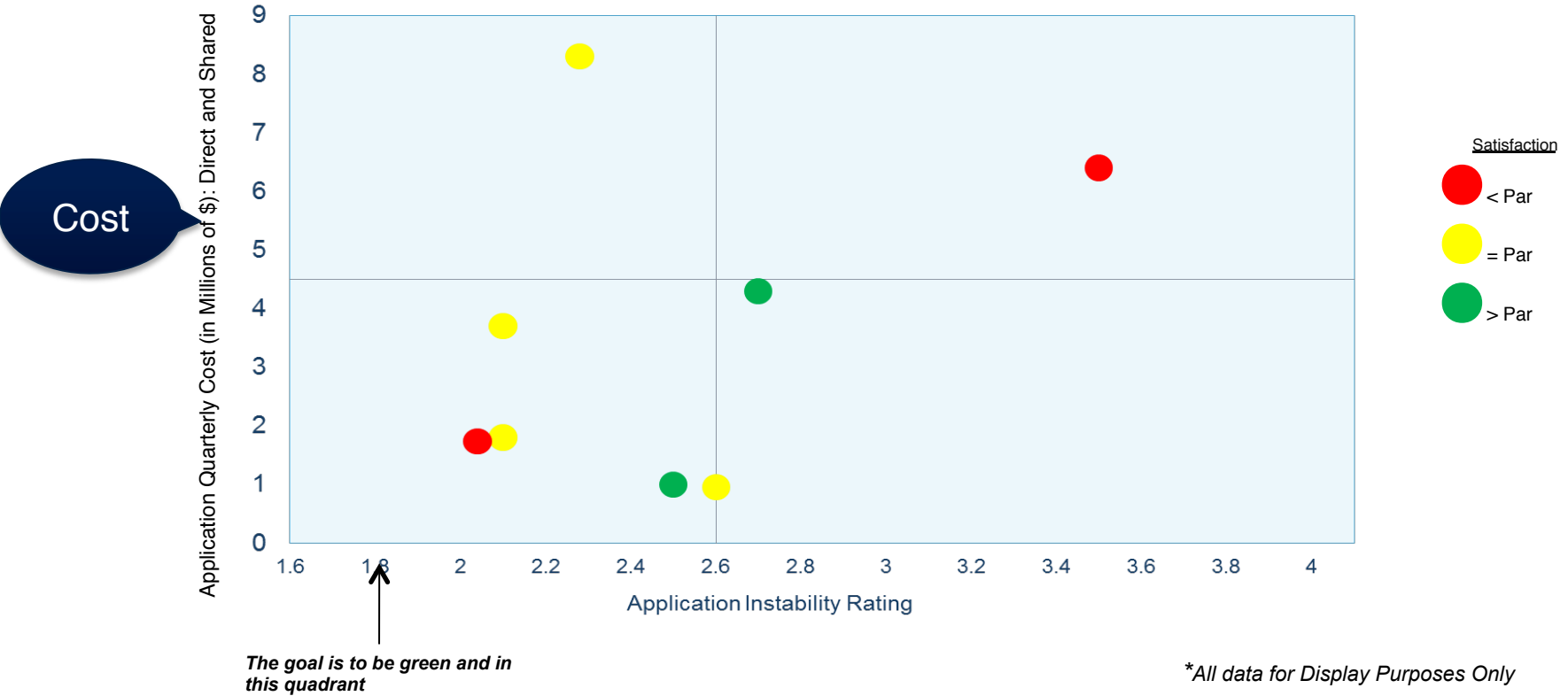


The goal is to be green and in this quadrant

Incidents

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Cost/Satisfaction Graph



Incorporating Non-Financial Metrics Into Decision Making

| Annual Cost to Run | System | Functionality | Cost to move to Green | Reliability and Scalability | Cost to move to Green | Efficiency Opportunity | One time Cost to Efficiency |
|--------------------|--|--|---|-----------------------------|--|------------------------|-----------------------------|
| \$75 M | Trading | | N/A | | \$3 M | \$10 M/Yr | \$15 M |
| \$40 M | Clearing | | \$5 M | | N/A | \$5 M/Yr | \$8 M |
| \$30 M | Customer Service | | \$10 M | | \$6 M | N/A | N/A |
| \$20 M | Settlements | | N/A | | \$4 M | \$2 M/Yr | \$1 M |
| \$165 M | Total “Base” Budget Includes “run” and in the pipeline “change” activities | \$15 M Functionality Opportunity “Give you what you want to quickly meet business needs” | \$13 M Reliability and Scalability Opportunity “Improve performance, reduce outages, and reduce systemic risk of failure” | | \$24 M Efficiency Opportunity “Spend money today to eliminate old systems and processes to reduce costs in future years” | | |

Service Cost

Questions:

- *What should the budget be?*
- *How can choices be made and tracked along this spectrum?*
- *What are the costs of external “apples to apples” products and would it be efficient to use them instead?*

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Functionality

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Reliability

Questions:

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Efficiency

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