Serving up higher performance at Quiznos

Every day, restaurants ring up $1.5 billion in sales at nearly one million locations worldwide. With $558 billion in revenues projected for this year and solid growth expected to continue, the industry is anything but static.

What's top of mind for chain executives in this dynamic environment? The key challenges: developing a unified mission statement, managing unit-level economics, and meeting expansion goals. Responding to market changes and consumer trends, and optimizing the dining experience are also critical issues.

To stay ahead, smart restaurant chains monitor their operations and depend on a dynamic, integrated planning process to guide their decisions. So they can grow the business, and quickly adapt and evolve as needs and chal-

lenges arise. With this in mind, Quiznos chose Cognos, an IBM company, to power its planning and performance.

Quiznos is a fast-growing restaurant chain with over 5,000 outlets in the US and worldwide. The company provides fresh sandwiches and other items, using chef-inspired recipes and premium quality ingredients.

The company was selected by Nation's Restaurant News as the top growing chain for five years in a row. Recently, the management group was also cited by QSR magazine as the best new management team in the industry.

This case study will focus on how Quiznos leveraged Cognos to help:

- Integrate its general ledgers and create standardized financial reporting across the business.

- Reduce monthly close by automating the consolidation process.

- Shorten planning cycles to support monthly forecasts for operations.

- Initiate driver-based planning to improve forecast accuracy.

- Measure sales, costs, and margin performance against plans.

The result: The annual planning cycle is much faster, reduced from several months to three weeks. What's more, the company's 35 separate reporting entities now use the same set of assumptions for their individual plans, resulting in greater consistency and fewer errors.

"Because of the reduced cycles in terms of consolidation and planning, it takes a lot less time away from everyone in the organization," says Davis Shepherd, Financial Reporting Manager at Quiznos. "Just in terms of the time saved and increased productivity alone, the product has paid for itself."

Business background and the case for change

Quiznos was experiencing rapid growth of its business. And it needed its planning and financial systems and process to keep pace.

The challenge was to find a solution that would help the company standardize, integrate, consolidate, and simplify the financial reporting and planning process across all of its business units.

A critical issue? The company was using spreadsheets for budgeting, financial reporting, and forecasts. As a result, business units created their own plans, and there was a serious problem with lack of consistency across the organization.

"We really didn't have much integration between reporting actuals versus our plan," says Shepherd. "We had a manual process where we could report variances between actual and plan, but describing what those variances meant became a real issue for us. And we were experiencing a very long cycle time for consolidating our financial results, generating reports, measuring actuals, and rolling up our annual plan."

Another complicating factor was the company's complex business structure: 35 separate legal entities ranged across five business segments. How to reduce the amount of detail around these entities, yet still maintain accurate plans and financial statements?

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Finding the right vendor

The first step was to find a financial reporting tool that would integrate the company's general ledgers and automate the consolidation process. Support for standardized reporting across the business was also a requirement.

That led to an initial deployment of IBM Cognos Finance. "With Cognos, we could consolidate the entire company and provide financial statements in about an hour, which was a huge step forward for us," says Shepherd. "That took two days off our monthly close cycle."

On the planning side, the company wanted to integrate all the business units to the same set of assumptions and drivers. This would help improve version control and keep everyone tied to the same set of numbers. It would also create a more meaningful relationship between actuals and budgets.

With executive support, the Quiznos team created a business case to outline requirements. They then asked for bids from Cognos as well as two other leading business intelligence and planning vendors.

"We did our homework both on the product and consulting side," explains Shepherd. "Cognos came back with the best response, and we felt comfortable awarding them our business. And shortly after the decision to go with Cognos, JCB Partners came on board. The combination of industry knowledge and Cognos expertise made them a great partner for Quiznos."

The implementation

The planning system deployment was a three-month project. The company worked closely with JCB to plan out the scope of the implementation and what it would look like. In the end, the project came in on time and budget.

"In almost every organization, you can expect IT projects to go over budget and you can expect them to go over their allotted timeframe," says Shepherd. "The biggest surprise I got with Cognos was that we actually came in on target, both in terms of budget and in terms of timeframe. We were very happy with the results."

Further work was done to link up IBM Cognos Finance and IBM Cognos Planning, to allow data flow between the two systems, as well as integrate with the company's HR system.

"One of our biggest drivers when it comes to general administrative expenses is headcount-related costs, so we integrated with the HRIS system to pull in our payroll data," notes Shepherd.

"So those were the major integration points that we had: our general ledgers and both of our finance systems talking with each other and with human resources."

The business impact

Cognos has helped solve many of the company's financial and planning issues and led to a much more streamlined process. Consolidations are now completed in a matter of hours instead of days, and the annual budget takes weeks instead of months to prepare.

Less complexity, better workflow

Further, the business structure was simplified by building the planning process around the five business segments instead of the more detailed entities: franchise operations, food distribution, equipment, advertising, and corporate function.

"We had to determine what level of detail we wanted to plan to. In the past, all 35 of our entities used to prepare standalone financial statements," explains Shepherd. "By simplifying and automating the process in Cognos Finance, it takes an entire step out of the monthly workflow. It's much simpler and it takes less time for people to do their budget."

"Not only can we see our variances. Because we're using drivers to create our budget, we can actually begin to understand what these variances are telling us about the business."

All the business units use the same financial reports and the same data source for reporting actuals, and there is GAAP compliance across the board. "They can open up the tool and create standalone financial statements that are the same. It lets everyone talk the same language company-wide."

On the planning side, everyone uses a consistent set of assumptions, and actuals and budget are more closely aligned.

"All of our business units use the same assumptions and the same drivers when building their budgets and their plans," says Shepherd. "We have also improved version control on our budgets and forecasts. And we have a tighter relationship between actuals and budget, so we can do more meaningful analysis in this area."

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Data flow with payroll

Linking the planning and financial systems to HRIS has also reduced time and effort in the HR department.

"HR has to provide me with a lot of employee-level detail: things like raise percentage, bonus percentage, hire date," says Shepherd. "Staff used spreadsheets for this before and had to build it into their weekly workflow.

"Going forward, it's going to save them a lot of time to integrate with the planning system. I need this information either way. They can provide it to me manually, or they can use this new seamless process that's a lot easier for them."

Effective compliance

Shepherd also notes that cutting out spreadsheets has made company auditors much happier in terms of regulatory compliance. There are fewer reporting errors. And the Cognos platform allows for much tighter security and controls around different versions of the budget – management can determine who sees which versions, and who can make adjustments.

All of these aspects allow finance to ensure the reliability and integrity of the plan as well as company financial statements.

"When you use an Excel-based process, there's a lot of room for error," says Shepherd. "With the internal controls we now have in place as part of the Cognos systems for planning and finance, we have significantly increased accuracy. Everyone is very confident that when they run a report out of Cognos, they know exactly what they're going to get. And they know it will be accurate."

The move to driver-based planning

More critically, Cognos supports a new focus on driver-based planning. In this case, Quiznos uses a key set of business metrics to drive its financial plans. "We came up with a key set of drivers that really were the core of what drove our business, and related those to how they play out in our financial statements," explains Shepherd.

"We've tied our entire P&L down to gross margin so that all of our revenue and all of our cost of goods sold are linked to these key drivers: things like number of stores we plan to open, same-store sales, and franchises sold. Now by making one change, we can change our entire P&L and report against those drivers."

A further advantage: it creates a much more manageable set of objectives and goals for operations and people in the field.

"It gives people a smaller set of variables to focus on. So it's a lot cleaner for them. On a day-to-day basis, they know the key goals they need to strive for. And if they hit those goals, then Quiznos as a company will achieve its goals."

Best practices

Looking back, Shepherd says a number of factors contributed to the success of the Cognos implementation.

For one, getting the support of management from the outset was critical. "You absolutely have to have buy-in on these types of projects. In our case, management was onboard from the beginning.

"Once they saw what we wanted to do, they gave us support throughout and have recognized our group in front of the company. In fact, the planning process we did for this year's budget was the best one the organization has ever seen. So developing the business case and making recommendations to management is essential."

Another key strategy? Consider company culture and the steps needed to help people adapt to new technology and processes.

"Getting people on board with a new system is a challenge. One of the things we did to mitigate the issue was provide an individual training program. We went out and visited each user and spent as much time as they needed to get comfortable with the product. Once they knew how to use it, the transition from doing things the old way to the new way became a lot easier.

"Another strategy was to bring users into the project early on to get their input on what they wanted the system to do. It helped them feel empowered and really brought them into the process."

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More recently, the company converted the entire organization to a single chart of accounts. This way, all the operating units use a common language and structure – and people are less bogged down in time-consuming details. Accounting is simpler, and it's helped to streamline the consolidation process even further.

Going forward, Quiznos will revisit its forecasting process, which is currently updated on a monthly basis.

"We really want to look at what we can do to improve the forecasting process," says Shepherd. "Is monthly forecasting the direction we want to go? Do we want to do it on a quarterly basis? Do we have the right level of detail? Do we have the right level of frequency? So that's a key area we're going to focus on this year."

About JCB Partners

To assist with their implementations, smart companies like Quiznos leverage the services of Cognos associates such as JCB Partners.

JCB is a business consulting firm that specializes in helping businesses leverage the data that drives their business through reporting and planning. The company is also a Cognos Platinum Partner.

JCB's breadth of operational, technical and industry expertise is unmatched. Consultants combine Cognos product knowledge with industry and business process expertise, so customers can better understand the data that drives their business.

For more information, visit: www.jcbpartners.com

About Cognos, an IBM company

Cognos is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in January 2008. For more information, visit www.cognos.com.

Cognos, an IBM company, is a recognized leader in delivering performance management software for the retail industry. In fact, hundreds of restaurant and retail chains around the world use Cognos to optimize their business.

For more Information

For more information on Cognos solutions for retail companies, please visit www.cognos.com/retail

Request a Call

To request a call or ask a question, go to www.cognos.com/contactme. A Cognos representative will respond to your enquiry within two business days.