



## Service Costing

As IT organizations become world class service providers, they increasingly need visibility into the fully burdened cost of delivering IT services in the same way manufacturing organizations manage the cost of goods sold. Transparency into the TCO of the IT service portfolio is a key enabler to many IT initiatives including application rationalization, platform standardization, service level optimization across the portfolio, and evaluating cloud services and providers.

### APPTIO IT SERVICE COSTING SOLUTION

Apptio's IT Service Costing solution enables IT to get deep visibility into the fully loaded cost of their client services, infrastructure services, applications and the total IT services portfolio to quantify the financial impact (ROI) of business decisions targeted at lowering costs or adding new capability. Robust activity based costing is designed to arrive at highly precise total costs. The solution also supports calculation of unit rates and provides integrated reporting to allow users to easily track and trend costs over time.

This allows customers to answer key questions like:

- **Client Services:** What is the TCO of a laptop vs. a desktop? Which hardware brands are most cost effective? What is the TCO of extending upgrade cycles weighing support and maintenance vs. capital spend?
- **Shared Services:** Which OS/hardware combinations have the lowest TCO in the data center? What is the financial impact of moving Tier 1 support to a low cost geography? What is the TCO of Tier 1 vs. Tier 2 vs. Tier 3 storage? What cost saving can be obtained by moving archived storage to Amazon?



Manage the TCO of Your IT Service Portfolio

- **Business Services:** Which applications are the most expensive? Which applications have application support as the top cost driver? Do we have the right service level cost investment per application? What are the cost savings of moving email to the cloud?
- **Portfolio:** What is the total capex to opex ratio? What is the fixed to variable ratio of IT spend? What is my proportion of investment in run the business vs. change the business?

### MODEL IT SERVICES AND COST DRIVERS

Service costing begins with creating a visual cost model of the IT service and its core cost drivers. For example, a server may have datacenter costs (real estate, power cooling and hosting costs), hardware and software (including depreciation and maintenance) and support as its key cost drivers.



## ACTIVITY BASED COST ALLOCATION

Apptio's activity-based costing enables IT to assign cost precisely so the results are quickly meaningful and actionable to drive decisions. For example, application support is assigned to applications as an even spread. With Apptio, these costs can be allocated by the number of tickets worked on a given application or the number of man hours spent on application support. As each aspect of the application cost model becomes more precise, the inherent actionability of the results rises exponentially.

## COMBINE GRANULAR WITH ASSUMPTIVE DATA

Once a model has been designed, the next step is to import key financial and IT operational data. The data can combine granular data sources from the GL or systems management systems with assumptive data or rate cards like labor pools.

## PATENT-PENDING DATA INFERENCE

As data is imported, Apptio's patent-pending data inference engine detects relationships between the islands of data and develops a visual map of those links. For example, as end user VOIP or collaboration consumption data is loaded into the system, new allocation strategies will appear in the visual model allowing client services telecomm cost to be allocated by minutes consumed per business unit or number of webex sessions per business unit. Inference is at the base of increasing the precision and actionability of the cost model.

## WHAT IF

Apptio Service Costing provides powerful "What If" analysis to identify cost reduction opportunities, quantify the impact of new investment decisions and make better decisions that can improve the overall effectiveness of IT. These scenarios can be combined with modeling of actual costs and performance metrics in Apptio so users can measure the actual impact of IT decisions over time.



Visibility into IT Service Costs and Drivers

## ACCELERATE VALUE WITH TRANSPARENCY TEMPLATES

In addition to an easy to use visual modeler, Apptio Service costing provides out of the box transparency templates for core IT domains. These templates capture the data sources, modeling, reporting and analytical best practices associated with a specific IT domain. For example, a template that covers the server includes best practices on what cost elements to include in the model, key data required, suggestions on allocation methods, and key reports and analytical views.

## SERVICE COSTING BENEFITS

- Visibility into fully loaded costs and levers
- Rapid and actionable analytics to make better decisions and quantify ROI
- Accurate allocations
- Automate the capture of data and organizational knowledge across IT and Finance