



Crown Limited

Crown Limited is one of Australia's largest entertainment groups, wholly owning and operating two of the nation's leading gaming and entertainment complexes—Crown Entertainment Complex in Melbourne and Burswood Entertainment Complex in Perth.



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Justine Henwood
Chief Financial Officer
Crown Melbourne Limited

Melbourne's Crown is one of the largest integrated entertainment complexes in the southern hemisphere with its casino, hotels, function rooms, restaurants, shopping and entertainment facilities. Burswood encompasses a casino, two international hotels, a state-of-the-art convention centre, the 21,000 seat Burswood Dome and award-winning food and beverage outlets. Crown has one of the strongest balance sheets of any gaming company in the world, and its two Australian casinos are among the best performing casinos locally and globally. For the year ended 2008, Crown Melbourne's revenue was \$1.4 billion and Burswood \$0.7 billion.

Combined, the two entertainment complexes employ some 8,500 full-time equivalent staff.

Business Challenge

With Crown's business units operating independently of each other, there was significant opportunity for the company to adopt a more strategic and centralised approach to its corporate spending.

Historically, the company's various business units have had responsibility for sourcing, negotiating, contracting and managing their own vendors, resulting in duplication of work effort.

A bird's eye view of their vendor agreements also showed contracts were in place across the company for the same products and services. Multiple cleaning contracts, for example, existed to service different divisions.

To Chief Financial Officer Justine Henwood, the opportunity to reduce duplication and achieve cost efficiencies was apparent. "There were significant advantages to be gained from consolidating our work effort and doing things just once," Henwood said.

To capitalise on these opportunities, it has also been necessary for Crown—with the help of Ariba—to bring all of its contract management and spend management negotiations to one central point.

Centralisation

Crown is part-way through a 12- to 18-month change management process to centralise the creation of its contracts and maintain one central contracts repository.

This policy change is critical for the business on several fronts. Firstly, it will use the expertise of Crown's core purchasing unit to negotiate. "What you typically find in organisations is that everyone thinks they know how to purchase and negotiate, but it's a skill," Henwood says.

Consequently, Crown is working towards separating the negotiation of contracts from their day-to-day management, with the company's core purchasing unit handling the authoring and negotiation of contracts and individual business units responsible for the ongoing management of vendors.

"We are implementing what will be a well understood and thorough process for the procurement of contracts over \$100k. Our goals are also to ensure transparency and reduce the time it takes to procure and implement contracts," said Henwood.

Crown is also striving to maintain far fewer low-value contracts, consolidating them into single larger ones. "It's about reducing duplication of work effort and therefore it becomes a far more planned process than a reactive one," Henwood says.

Crown's new spend management approach is highly strategic and forms part of the company's broader continuous improvement program, 'Building for Growth', giving it a significant degree of internal visibility.

Ariba Solutions

In February 2009, Ariba conducted an Opportunity Assessment of Spend for Crown, providing the business with a simple matrix of what it was buying.

The sourcing and contracts data was classified into different categories, with Ariba identifying opportunities within each category where there was regular spend and the product or service was available for contracting.

Among the contracts of hundreds of vendors, from champagne and fruit juice providers to cleaning services and broadband suppliers, duplications were apparent and potential cost savings were identified.

"We discovered there were five different suppliers used to relocate items around our Crown Melbourne complex. Centralisation is eliminating this duplication, and substantial savings are being achieved because we're aware of the different needs of different departments," said Henwood.

Ariba's global benchmarking expertise also enabled Crown to enrich its own spending data with market intelligence, providing an insight into how its spending compares with market pricing.

With the groundwork complete, Crown and Ariba were ready to take its first contract to market in April 2009—just a few months after the business relationship began.

The goal of reducing duplication, reducing the cost of its contracts and achieving better outcomes from them was underway.

On Demand

To support its spend management strategy, Crown is using Ariba's On-Demand sourcing and contract management suite. The solutions enable Crown to access best-in-class sourcing and negotiation technology, combined with the use of Ariba's strategy and category expertise. For Crown, it allows them to adopt a more strategic approach to sourcing from identifying cost saving opportunities to defining and executing a supplier selection process and creating contracts that help to realise these savings.

On the contracts front, Ariba's contract management technology is allowing Crown to create and maintain a centralised contracts repository. An added feature is

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the ability to search all company contracts and related information.

The sophisticated systems are progressively improving workflow and automating paper-based internal processes, allowing Crown employees to focus on the more tactical rather than transactional components of their role.

The On-Demand web-based solutions also mean Crown doesn't have to concern itself with any infrastructure and the software can be used at multiple locations—critical for a business which operates on both sides of the country and for employees working offsite. Alternatively one site can use for the benefit of many locations. It also presents a significant cost saving to owning and maintaining the software itself.

Ariba Benefits

For Crown and Burswood, the key benefits are speed, usability and affordability. The speed to market was impressive for Crown, with Ariba turning around the business' first vendor auction in a matter of weeks. "This speed generated some internal excitement of the possibilities, which is important when you're trying to implement change," Henwood said.

Henwood says the business is impressed with Ariba's solutions, which are powerful and easy to use, flexible and easy to grasp. The company was also attracted to Ariba's multiple modules they could grow into over-time. What's more, Crown and Burswood found Ariba's solutions to be affordable.

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it on our own. And we didn't have the worldwide category pricing knowledge that Ariba has either. Our purchasing team has already seen the benefit from Ariba's global benchmarking," she said.

Ariba's resources and experience in online auctioning were also appealing to Crown, which lacked the skills to undertake this component of contracting on its own.

For Crown, the use of an external party was vital. "It is very hard to change the imbedded culture internally. Having an external party such as Ariba to assist gives it a burst of energy. The concentrated focus from Ariba has been a great kick start and also reduces the 'wheel spinning' that can happen internally," Henwood said.

Self-funding

In a first for Ariba Australia, the company has structured its partnership with Crown on a self-funded basis.

With its remuneration linked to Crown's cost savings, Ariba shared in some of the risk and rewards. And for Crown, it lowered their risk and made the partnership even more appealing.

The project's preliminary phase involved both parties identifying the cost saving opportunities and agreeing savings targets.

Financial Gains and the Future

Overall, Crown's savings target is 10 percent of its total contracted spend (excluding major capital projects). Nevertheless, it is also witnessing gains even higher than this among some of its categories of spend. The business, for example, has already experienced very pleasing savings in the area of technology.

For Crown and Burswood, the spend management roadmap is early days, with Crown currently focussed on centralising its contracts, reducing the number of them, sourcing goods and services more effectively and educating its supplier base about new technologies and communication processes.

The business plans to share its experiences with its relevant partnerships and joint ventures. "We are tackling our change management process in bite-sized chunks, which is essential to be successful and get runs on the board," Henwood said.

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About Crown

Crown is one of Australia's largest entertainment groups. The group's core businesses and investments are in the gaming and entertainment sector. Crown wholly owns and operates two of Australia's leading gaming and entertainment complexes, Crown Entertainment Complex in Melbourne and Burswood Entertainment Complex in Perth. In addition, Crown owns a portfolio of gaming investments that have been accumulated to complement Crown's existing core businesses and to provide for future growth.

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About Ariba, Inc.

Ariba, Inc. is the leading provider of on-demand spend management solutions. Our mission is to transform the way companies of all sizes, across all industries, and geographies operate by delivering software, service, and network solutions that enable them to holistically source, contract, procure, pay, manage, and analyze their spend and supplier relationships. Delivered on demand, our enterprise-class offerings empower companies to achieve greater control of their spend and drive continuous improvements in financial and supply chain performance. More than 1,000 companies, including more than half of the companies on the Fortune 100, use Ariba solutions to manage their spend from sourcing and orders through invoicing and payment. For more information, visit www.ariba.com.