



SONIC Drive-In

Accelerating audit-readiness with global lease accounting standards

Overview

The need

With the increasing complexity of new global lease accounting standards on the horizon, how could SONIC Drive-In support compliance without costs spiraling out of control?

The solution

SONIC Drive-In deployed an IBM lease accounting solution—IBM® TRIRIGA®—to simplify operational complexities associated with the new standard and enable highly accurate reporting on leases for its property portfolio.

The benefit

Today, SONIC Drive-In can manage and report on approximately 1,500 leases accurately and efficiently, enabling compliance with changes in FASB leasing accounting standards at a lower cost.

In the quick-service restaurant industry, a saturated marketplace and tight margins mean cost pressures are higher than ever.

With the increasing complexity of new global lease accounting standards on the horizon, compliance and audit-readiness are crucial—but for retailers with thousands of operating leases, delivering on the new reporting requirements can become a costly, time-consuming process. How can retail enterprises meet the new FASB requirements without eroding their profitability?

Taking a bite out of margins

SONIC Drive-In—one of the United States' leading quick-service restaurant chains—looked to solve this challenge.

Ronda Boles, Fixed Asset Manager at SONIC Drive-In, explains: “We manage approximately 1,500 leases across the business. Because of the scale of our operations, even small changes to our real estate spend can have a significant impact on our bottom line. Like many leading retailers, we realized that the new FASB regulations would apply to almost our entire lease portfolio—and we were keen to reduce the cost and complexity of complying with the new regulations.

“Working with eCIFM Solutions was an extremely positive experience,” recalls Ronda Boles, Fixed Asset Manager at SONIC Drive-In. “The team understood that we were working to important timelines and were happy to be on call whenever we needed them—even at 2:00 am on some occasions!”



Solution components

Software

- IBM® TRIRIGA®

IBM Business Partner

- eCIFM Solutions, Inc.
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“Our reporting systems are a vital method to deliver the information that we need to satisfy our regulators. Lease reporting is also a valuable service for the business, enabling our teams to make informed decisions about opening new stores and negotiating new leases.

“In the past, we relied on approximately 80 separate spreadsheets to manage our extensive portfolio of leases, and each month we had to perform manual updates to every sheet individually. In addition to being time-consuming, the manual approach raised the risk of human error in our regulatory reports for the auditors. Given the stringency of the new reporting requirements, this level of exposure was no longer acceptable.”

Boosting real estate management efficiency

To overcome the challenges created through the use of spreadsheets and legacy systems, SONIC Drive-In chose to update its lease accounting processes with IBM Premier Business Partner eCIFM’s Software as a Service solution for IBM® TRIRIGA®.

“What we liked most about the IBM solution was that it offers us best practices to meet the latest FASB reporting requirements almost straight out of the box,” says Ronda Boles. “At the beginning of our project, we were clear that we wanted a fully integrated way of working, and IBM TRIRIGA Real Estate Management software has delivered just that. Everything—including site selection, construction, lease negotiations and finance—can be managed with the IBM solution.”

To help build a comprehensive lease accounting and real estate management process and configure the IBM TRIRIGA solution to support new ways of working, SONIC Drive-In worked with eCIFM Solutions.

“Working with eCIFM Solutions has helped us to build a complete roadmap for our store lifecycle management,” adds Ronda Boles. “Today, we use our IBM TRIRIGA solution to manage every aspect of the store lifecycle, from inception to disposal. What’s more, because all of our real estate data is now in a single system, we have the ability to report on our whole portfolio at the touch of a button—something that just wasn’t possible before.”

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— Ronda Boles, Fixed Asset Manager at
SONIC Drive-In

Sonic Drive-In’s implementation of IBM® TRIRIGA® enables the company to be a retail industry leader. “Sonic demonstrated great business vision with its decision to be prepared for the upcoming FASB changes,” says Sanjiv Paul Singh, AIA, LEED AP, Vice President of eCIFM. “By having a system in place, Sonic avoided the increased demand for resources as the deadline for impending changes looms.”

Satisfying regulatory requirements

Thanks to its IBM lease accounting solution, SONIC Drive-In is achieving its goal of keeping costs lean, while complying with far-reaching regulatory changes.

“Before, our real estate management process involved adjusting more than 80 complex spreadsheets. Collating the data for reporting purposes was labor-intensive and error-prone,” says Ronda Boles. “By moving from manual spreadsheet-based processes to the automated IBM solution, we estimate that we have improved the efficiency of our real estate management processes by around 98 percent. We can facilitate compliance with the new FASB reporting requirements for capital and operating leases, and be completely confident that the figures in the reports are accurate.”

Minimizing costs, protecting margin

SONIC Drive-In can now serve business users with the deeper insights they need to make more informed decisions when negotiating new leases.

“One of the key drivers for cost-efficient real estate management is the ability to start lease negotiations and renegotiations in a timely manner—a considerable challenge for us in the past,” says Ronda Boles. “Today, we can offer our legal department personal dashboards that show at a glance all of the leases due for negotiation, a summary of essential actions, and the relevant contract documents. The result is that we can avoid costly delays, and ensure that we obtain the best possible value for all of our new and existing contracts.”

Serving up deeper insights

SONIC Drive-In has connected its IBM TRIRIGA system to its finance system, enabling a high level of automation for essential, repetitive tasks, such as payments processing and accounting journal entries.

Ronda Boles comments: “Our IBM solution is helping us to spend less of our time on transactional work and more time on analytics. The result is that we can now dig deeper into our real estate data and start answering more complex questions from the business.

“For example, we can look more closely at the rents that our competitors are paying in areas where we are negotiating or renegotiating a lease. This helps our teams make better-informed commercial decisions about how much we should be looking to pay.”

Ronda Boles concludes: “Thanks to IBM and eCIFM Solutions, we can manage an extensive real estate portfolio extremely cost-effectively—even as new FASB regulations come into force. Working with eCIFM Solutions has provided us with a complete roadmap for store lifecycle management, and we look forward to continuing to build on our strong partnership in the future.”

About SONIC Drive-In

Founded in 1953 and headquartered in Oklahoma City, Oklahoma, SONIC Drive-In is a drive-in quick-service restaurant chain. With more than 3,500 drive-in restaurants and 10,000 employees, the company generates annual revenues of approximately USD552 million.

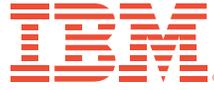
To learn more about SONIC Drive-In, please visit: sonicdrivein.com

About eCIFM Solutions, Inc.

For more information about eCIFM Solutions, Inc., visit ecifm.com

For more information

To learn more about how IBM analytics solutions can transform your business, contact your IBM representative or IBM Business Partner, or visit the following website: ibm.com/analytics



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