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**Dear Readers,**

Change is the only constant, as the old saying goes, and you may have noticed that we're making a few changes to our newsletter. We've shortened the name a bit, to *SAS Business Report*, and we're also embellishing our subject lines. We want to give you a sneak peek at what's inside ... and entice you to peruse the newsletter. After all, what good does it do sitting unopened in your inbox?

We're always looking for enhancements and innovative solutions for our customers, so stay tuned. And if there are subjects you'd like this newsletter to address, please drop me a line.

Happy reading!

A handwritten signature in black ink that reads 'Anne-Lindsay Beall'.

Anne-Lindsay Beall  
Editor, *SAS Business Report*

## **SAS No. 2 in BI Market Worldwide**

For the fourth year in a row, analyst firm IDC lists SAS as one of the top three leading business intelligence vendors by revenue.

IDC's recently released "Worldwide Business Intelligence Tools 2005 Vendor Shares" report shows SAS is the No. 2 BI vendor worldwide, surpassing Cognos, which held the No. 2 position in 2004. SAS also demonstrated the highest growth rate among the top BI vendors. According to the IDC report, SAS "saw strong performance from its Enterprise BI Server product suite, which resulted in a 26 percent growth in its query, reporting and analysis revenue" in 2005. IDC also said it expects SAS "to continue to experience above market growth rates for query, reporting and analysis."

The IDC report also shows that SAS dominates in advanced analytics. With 28.2 percent market share in advanced analytics, SAS far surpasses the next closest competitor, SPSS, which has 12.5 percent market share. As the report stated, "IDC does not see any serious challenge to SAS' dominance of the advanced analytics market."

### **SAS takes you beyond BI**

IDC noted that "interest in advanced analytics for forecasting, optimization and other decision support techniques is growing as organizations look to move beyond using BI tools only for query and reporting." The report explained that "it's not enough to have dashboards that simply report on what happened. This information is valuable but of limited use. Dashboards should also show context around the information and provide guidance for action."

And this is precisely where SAS sets itself apart from the rest of the pack. While many BI software vendors provide basic reporting on what happened, SAS<sup>®</sup> Enterprise BI Server and advanced analytic solutions allow enterprises to go beyond simple reporting to understand what will happen and what's the best that can happen so that they can make better decisions faster.

## Technology Strategy for Enterprise Risk Management

*by Peyman Mestchian*

The term “enterprise risk management” (ERM) gained prominence in the 1990s but remained ill-defined.

The corporate world, in the wake of high-profile financial scandals at BCCI, Long-Term Capital Management and Barings, was trying to understand these events and prevent a recurrence. The focus of ERM was primarily on what needed to be done, as opposed to how to do it.

High-profile catastrophes at Enron, American Investment Bank and Equitable Life followed, leading to more definition and standardization of risk management practices. There is a clear realization that the isolated treatment of uncertainties does not provide an adequate basis for analyzing the risk implications of business decisions. And finally, new regulations and international standards have resulted in corporate actions to implement ERM processes and systems.

It has taken more than a decade, but we are finally moving from the “what” to the “how.” At the heart of this shift is the advancement in risk technology and the realization that ERM requires intensive data management and data analysis capabilities. A proliferation of risk technology solutions has created many additional questions about technology strategies. I have set out below what I believe to be the key ERM technology challenges and how SAS, as a leading provider, is experiencing success in this evolving marketplace.

### **Current state of risk technology**

Many financial services firms have adopted risk management systems to comply with new accounting standards and banking regulations – such as Basel II, Sarbanes-Oxley, and anti-money laundering legislation – as well as internal governance requirements. Consequently, many organizations have piecemeal risk implementations and integration projects running in parallel.

Risk managers generally believe that there is a software package that can handle every regulatory compliance issue. The best-of-breed approach is a classic example of the perfect being the enemy of the good. Everyone pursues what they regard as the perfect solution from their limited perspective, adding up the ticks on the features checklist. For the enterprise as a whole, the inevitable result is a hemorrhaging of time and money on a succession of projects, which produces no resolution.

To deliver an enterprise view of risk that meets all stakeholders’ requirements, you have to start with what various parties have in common, not what divides them: information. That means lifting data out of organizational and technological silos, cleaning it up and integrating it.

Recent studies by independent analysts and market observers have assessed the challenges and success factors of implementing risk management systems for various compliance projects. One such study is the Gartner Basel II Risk Management Application Software Magic Quadrant<sup>1</sup> report.

According to the report, “leaders” are vendors that have a proven track record in Basel II vision

and business investment, which indicates they are well positioned for the future. Leaders do not necessarily offer the best products for every customer project, but they do provide solutions that offer relatively low failure risk. Leaders in this market have paired advanced technology with broad offerings or have specific, rich functionality.

An earlier study by consultants Cap Gemini Ernst & Young<sup>2</sup>, focusing on credit risk systems for Basel II, assessed leading risk technology vendors in terms of breadth of solution and ease of implementation. Another study on operational risk management systems by Chartis Research<sup>3</sup> assessed vendors in terms of market-share potential and completeness of offering.

In all three reports, SAS is described as a leader in risk management.

### **Why is SAS a leader?**

As validated by industry experts and numerous success stories with leading financial institutions, SAS' success in the Basel II technology space is due to its superior execution ability.

SAS has had a head start on most other risk technology vendors. The company's focus on business intelligence (BI) technology has allowed it to quickly develop capabilities that capitalize on the significant market opportunity in risk-based compliance for the financial services industry. Three decades of investment in and development of people, technology and intellectual property related to financial services, analytics and data management has established the foundations for success. To understand this further we need to consider the link between business intelligence and risk intelligence.

Effective business intelligence requires an integrated platform that spans the enterprise to deliver accurate, consolidated business information at the right time, to the right people, in the format they can best use. This needs to be supported by integrated functions and technologies that bring together data from multiple sources, including operational and transactional systems and multiple databases in different formats. The BI platform needs to provide appropriate interfaces and tools for users with profoundly different needs at all levels of the organization. It also needs advanced analytics offering predictive capabilities, such as forecasting, scenario-based simulations and data mining. SAS' strength in meeting these BI requirements is at the heart of its success in risk intelligence.

### **The future**

Of course, it is possible to build an enterprise risk management system and infrastructure using applications from several risk technology, ERP and storage vendors specializing in specific areas. However, the costs of integration and associated change management and project risk make such initiatives unattractive. The business case for ERM withstands the "cost-benefit" test only if an organization can implement a fully integrated risk intelligence platform, drawing from existing data sources and working with complex and heterogeneous IT environments. The platform needs to cover the full spectrum of risks, bringing them together under a single governance umbrella.

The business benefits of an integrated risk technology platform are clear and compelling:

**Removal of disputes about whose information is "correct"** – resulting in full transparency and auditability of risk and finance data.

**Reduced integration and maintenance costs**, lowering total cost of ownership while increasing data quality.

**Scalability to meet changing needs**, irrespective of underlying technology, making it “future-proof.”

A vision means nothing without execution, and SAS’ experience of delivering and implementing BI software has positioned it as the dominant player in the risk technology marketplace.

**Footnotes:**

<sup>1</sup> Gartner Research, Magic Quadrant for Basel II Risk Management Application Software, 2005, by David Furlonger and Douglas McKibben, September 16, 2005. The Magic Quadrant is copyrighted September 2005 by Gartner, Inc. and is reused with permission. The Magic Quadrant is a graphical representation of a marketplace at and for a specific time period. It depicts Gartner’s analysis of how certain vendors measure against criteria for that marketplace, as defined by Gartner. Gartner does not endorse any vendor, product or service depicted in the Magic Quadrant, and does not advise technology users to select only those vendors placed in the “Leaders” quadrant. The Magic Quadrant is intended solely as a research tool, and is not meant to be a specific guide to action. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

<sup>2</sup> Cap Gemini Ernst & Young, Base 2 Systems Survey, February 2004.

<sup>3</sup> Chartis Research, Operation Risk Management Systems 2005, [www.chartis-research.com](http://www.chartis-research.com).

## Mark's Work Wearhouse Selects SAS

Mark's Work Wearhouse, the leading Canadian retailer of high-quality casual, business and work apparel and footwear, has chosen SAS<sup>®</sup> Merchandise Intelligence solutions to support its advanced integrated planning needs. Mark's chose SAS to support the redesign of its merchandising processes and systems and to help sustain its continued product line expansion and unparalleled growth in the Canadian retail market. The retailer is implementing SAS' integrated merchandise intelligence suite, which includes:

- Marketmax<sup>®</sup> Financial Planning.
- Marketmax In-Season Management.
- Marketmax Assortment Planning.
- Marketmax Allocation.

"This decision is about making the most of SAS' world-class products and services to support Mark's merchandising goals," says Dale Trybuch, General Manager Merchandise Planning for Mark's. "SAS will help us ensure that all our stores have the assortment of products our customers need. It also will help us gain clearer insights into our product and category dynamics as we continue to expand and drive our growth. With SAS, we'll be able to maximize profitability while continuing our tradition of giving customers a reason to come back to Mark's again and again."

### Maintaining momentum

In the past few years, Mark's experienced double-digit same-store sales growth due to an entrepreneurial spirit and a clear focus on satisfying its customers' preferences. Satisfying core customers for its clothing and footwear while expanding its product offerings and categories created significant opportunities. With a keen customer focus and a dedication to executing its strategic plan, Mark's has enjoyed considerable growth and success. To maintain momentum, Mark's committed to continued investment in business processes and systems and chose SAS as its partner in this important transition.

"The companies that effectively transform and optimize their merchandise planning process and focus on customer demand and preferences will be the ones that lead the retail space in Canada," says Carl Farrell, President of SAS Canada. "Mark's Work Wearhouse is out of the gate early and will accelerate its growth by combining its strategic business prowess with SAS' leading retail intelligence solutions and industry knowledge. The deep breadth of domain expertise our partnership brings to the table will help fortify Mark's leadership position in Canada."

"We've rarely seen a tighter, more organized selection process than what we experienced with Mark's," says Lori Schafer, Vice President of SAS' Global Retail Practice. "They knew exactly what they wanted, and they were extremely thorough in their technology search. I'm confident that selecting SAS as its partner will serve Mark's very well in both its ongoing customer satisfaction and aggressive top-line growth goals."

## Successful Anti-Money Laundering Requires the Right Staff and Tools for the Job

Ricardo Bustamante, CIO of Banco de Crédito del Perú, attended the 11<sup>th</sup> Annual International Money Laundering Conference & Exhibition in March. While there, he spoke with SAS e-newsletter Editor Shelley Sessoms about AML and its implications for the banking industry.

**Shelley Sessoms:** Tell me a little bit about what you've done over the past couple of years and your involvement in anti-money laundering and compliance.

**Ricardo Bustamante:** Over the last two to three years, we had been trying to find a tool to help us in the process of trying to correlate variables and data that can lead you to track suspicious activities. Once I started getting involved, I found it on one hand fascinating because of the technical challenge in terms of acquiring information, processing it and such. On the other hand, I found out the importance it has for an institution like us nowadays.

**SS:** Why is such importance being placed on anti-money laundering now?

**RB:** I would say there are two reasons for that. The main one is that it's the right thing to do. If you want to be a respected organization, you have to have things in place that are respectable. The other reason for importance is coming from the regulators. They have emphasized the importance of this topic in general recently.

**SS:** Tell me what makes for a strong compliance organization.

**RB:** For an organization to be strong in compliance, I would say that you have to lay down an agenda. Regulators are here to stay. By that, I mean the domestic regulators for Perú and, as we are listed on the New York Stock Exchange, we also have to comply with Sarbanes-Oxley. You have to be a secure organization, in that you have to provide the means for avoiding fraudsters and hackers and others. Second, you have to keep in mind that this regulation is here to stay.

**SS:** To compete in the anti-money laundering field, what must an organization do?

**RB:** I would say, besides having a very skilled staff and having an agenda, you also have to keep looking into best practices and attend conferences and keep updated in whatever is the latest in this regard. For that, you also have to be very informed on the tools that are out there, because there are many tools that claim – and to a certain extent they can do it – to track anti-money laundering activities or suspicious activities. However, your tools have to be consistent with your size. It's conceivable that you can track anti-money laundering activities with an Excel spreadsheet if you are a very small organization or if you are only tracking one export for your organization. But if you are a retail bank – as in our case where we have 200 branches and operations overseas, a branch in New York and the Cayman Islands and also in Panama – you operate in an area where your activities are more exposed. You have to have all the tools for the processes and the training for the people in order to be competitive. This also has a lot to do with the level of awareness that the whole organization needs to have in order to diminish the risk of falling into one of these types of activities.

**SS:** You mentioned systems and best practices. How do automated systems allow a company to be more effective and efficient at tracking money laundering?

**RB:** There are good packages out on the market. When you purchase the right package, with that comes all the knowledge that the company has put into it. The intelligence of the company that developed the package is put into the rules of the system, and you take the benefit of that pretty much right out of the box. For that, you have to look for a good package. These days, I cannot imagine how I would deal with the enormous number of transactions – counted in the millions each day – going through the system without any specialized tools to perform these activities. So in terms of effectiveness, you have to have a tool; otherwise, you have to have a huge staff of people working on all the alerts. In order to be efficient, you have to have an adequate staff, which can manage an organization like this. That's where an automated system allows the company to perform.

**SS:** What if a bank was targeted for money laundering? What's at stake? What happens when that goes on?

**RB:** I would answer this in two parts. What's at stake for the bank, the way the chairman of the board sees it or the CEO of the bank sees it, is the bank itself. We cannot afford to be exposed to involvement in these kinds of cases because this could, in terms of our reputation, harm us seriously. That is our reputation at risk. But other the real risk is, if we fail to report our suspicious activity or fail to comply with regulations surrounding this activity, even our license to operate in certain markets can be withdrawn. So we take this very seriously. What is at stake is the bank itself.

**SS:** Let's talk about keeping pace with the regulations and changes that are going on. How can a bank do that? What's your process for keeping up with everything that's going on right now?

**RB:** This is one of the main concerns I have, because our regulators don't regulate based on the capacity of the banks to implement their regulations. I have to be honest. We tried to talk to our local regulators and tell them that if they can issue quarterly all the things they are going to do, we probably can plan better to fulfill their requirements in a timely manner. In our case, here in Perú, our regulators talk with the banks, but they have their own point of view. That poses a huge challenge for us. What we have to do is our best, and if we are not meeting the specified deadline then we try to go back and talk with our regulators where we can. There are cases where we cannot talk with the regulators, and we try to do our best. I wish I could have said that we are completely managing this aspect, but the regulators are pretty much overflowing our work capacities. Foreign regulators are even worse. Our holding company also has to fulfill the Sarbanes-Oxley regulations that also have a specific agenda. I probably have a staff of 40 to 60 people in different areas dedicated to the work of the regulators: auditing, systems, operations and risk carriers. So I wish regulators wouldn't regulate at the pace they do, but that's life. We do our best.

**SS:** Well, it sounds like you're going strong, and it sounds like you already have some best practices in place. Can you share? You touched on some of them, but can you share those with me that other banks could benefit from?

**RB:** I would say that the first thing you have to do is realize the regulation is here to stay. And also, you have to staff the organization that is going to be in charge of compliance – that regulates the regulations – with the right people. Also, you have to get somebody from a very

high position in the bank, in our case it's the CFO, to be the one who prioritizes what activities to do first, because we cannot do everything all together. And though we have, as I mentioned, a large staff in this regard, the work requires prioritization. Another thing that is very important is, once you have set something in place in terms of process or tools to perform certain activities, you have to keep it updated. The risk of putting something together and forgetting this is in production is very hard. You tend to forget the update that this requires.

**SS:** Is there anything I haven't asked about or haven't touched on that you want to tell the readers of our financial services newsletter about anti-money laundering?

**RB:** I would state two factors: You have to keep your organization – all the layers of the organization – informed as to what you are doing. Second, you have to keep the organization trained on all the cases. We have to inform the organization – and inform the regulators – on steps that we are taking, and also keep the organization trained in this regard and appraise all activities that are being performed. Also, see if the activities that are in place are now good enough, because these activities involve different staff. Once you have a different scenario, maybe that scenario is not good anymore because they found another way to do things.

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**Bio:** Ricardo Bustamante is the Chief Information Officer at Banco de Crédito del Perú. He is an Economist with a Master of Information Technology Project Management degree from George Washington University. Between 1981 and 1992, Bustamante held several positions at Banco del Sur del Perú and Grupo Inca (textile and pharmaceutical industry group). He has also worked for Elke Corp. in Minnesota, Global Insurance Organization in Sydney, Australia and Norberto Odebretch in Brazil.

## Change Presents Opportunities at BB&T

SAS<sup>®</sup> automates sales leads, identifies cross-sell opportunities

With a history of expansion that dates back to 1872, BB&T is one of the fastest-growing financial holding companies in the United States. Indeed, the profitable company has acquired 58 community banks, 70 insurance agencies and 23 non-bank financial services companies in the last 15 years alone.

As BB&T continues to aim for growth, however, it needs a more powerful way to generate sales leads and cross-sell opportunities for its growing list of customers. With SAS/IntrNet software, analysts in the company's marketing division are meeting that need with an online reporting solution that tailors customer intelligence for each of BB&T's 1,400 branch offices.

"We've been using the intranet for a long time," explains Ronnie Rowton, senior analyst at BB&T, "but not like this." Before Rowton spearheaded the SAS solution at BB&T, sales coordinators could download Excel spreadsheets containing regional customer data and also make ad hoc requests to Rowton and his colleagues for additional data. Now, everything – from customer lead lists and household win/loss reports to executive dashboards and administrative reports – is available from the same Web interface. The system receives more than 1,000 daily hits and produces an average of 600 unique reports every day.

"It's interactive and dynamic," says Rowton, "and the information that we've made available with SAS is vast." Indeed, just as BB&T's customers enjoy one-stop shopping for all of their financial needs, BB&T's sales force – nearly 14,000 strong – now receives its customer intelligence on demand from a single application.

Product managers, corporate executives and regional sales coordinators use the same interface for executive-level decision making. The user-friendly application allows employees to access information on everything from revolving credit to household-level retention rates and the network structure of the bank.

### Quality, branch-level sales leads

Each month, SAS analyzes a combination of household data and product ownership variables, and then supplies every branch with a list of customers most likely to show an interest in BB&T's cross-sell opportunities. Customers who have a direct-deposit account and a credit card through BB&T might receive debit card promotions, for example, and loyal customers with both a BB&T checking account and mortgage are likely to be offered a home equity line of credit.

After consulting with the company's regional sales coordinators, BB&T's senior analysts developed dynamic, interactive lead lists for the 12 products most often sold at the branch level, including deposit-related products, business loans and equity loans. Designed to fulfill 80 percent of all information requests from the branch sales teams, these reports – which BB&T analysts call the Suite of 12 – replace thousands of monthly ad hoc requests.

"SAS provides us with a fast and efficient method of creating the Suite of 12 reports in real time," explains Bill McCoy, senior analyst and lead developer on the project. In the past, this useful information was available only at the regional level. Today, powerful analysis from SAS makes it easy to generate lead lists for each branch.

"We couldn't do this without SAS," says Dwight Mouton, manager of Client Analytics at BB&T. "We would have to manually create 12 unique lead reports for 1,400 individual branches. You just can't do that without the power and automation of SAS."

According to Rowton, the time savings that SAS provides on this project alone will total more than 140 days every year. "We were spending more than two weeks every month on these reports," he says, "and now we spend less than one day a month. That's a big time savings and true opportunity gained."

### **Automating household-level sales leads saves millions**

Another valuable project that SAS has automated for BB&T is a series of household profile sheets, which inventory all sales leads for each of BB&T's existing customers at the household level.

"The profile sheets are a combination of leads that come from all the product areas, all put together into one report for each household," explains Steve Hubbard, BB&T's manager of reporting and lead management. "When we have three product areas that have offers for the same household, we put them all into one report and distribute them out to the branch sales network, so they can approach that household with one phone call instead of three."

Traditionally, these reports were delivered to each branch in paper format three times a year – a monumental effort that produced more than 15 boxes of reports. "Now we're using SAS to deliver these reports electronically," says Hubbard. "Employees at each branch can go to the intranet, enter their center number, and SAS brings up their leads electronically."

Automating this project with SAS offers huge savings for BB&T. "We simply did not have the resources to do this before," says Hubbard, "so we were using vendors to generate the profile sheets and mail them out. Now that we can automate that entire process, we'll be saving about \$1 million a year."

### **Versatile, executive-level business intelligence**

In addition to the many sales-related reports now available online, BB&T's analysts are providing high-level intelligence that executives can explore at many levels. Popular executive reports include sales penetration rates, detailed deposit reporting and response models that describe results for various sales and marketing campaigns. Regional bank officers can access this information from an executive dashboard that presents relevant and up-to-date information about their region in scorecard format.

According to Hubbard, SAS not only automates reporting, it also provides more versatility and accuracy than other analytic products. "With SAS, I can write a program that does anything I need it to do, and everything is automated, totaled and arranged the way I need it to be. Within minutes, the end user can pull out information in hundreds of different ways. We never would have been able to do any of this without SAS."

## Events:

### [Webcast: Bringing It All Together](#)

**Aug. 31, 1 p.m. ET**

Tune in and learn how to implement a comprehensive business intelligence strategy at your organization.

### [Webcast: Customer Lifetime Value](#)

**Sept. 13, 1 p.m. ET**

How can you balance improving customer retention and customer satisfaction with cost control? Tune in to find out.

### [SAS Education: New Analytics Lecture Series](#)

**Live Web, July – October**

Don't miss this 13-week analytics lecture series featuring thought leaders exploring the latest trends and issues in the industry.

### [M2006 Data Mining Technology Conference](#)

**Las Vegas, Oct. 23-24**

Join your colleagues and the most sought-after experts in data mining at M2006. Register online now!