



**Eric Campbell**, Manager, and **Sandra Denis**, Consultant, Financial Strategy and Planning at Standard Life

## Standard Life claims greater costing and profitability insight with SAS®

In the highly competitive financial services industry in Canada, having a more robust management expense assignment system is key. Any tool that can give insight not only into which product is most or least profitable, but also where more investment may be required over time, is considered crucial to doing business.

### ■ Industry

Insurance

### ■ Business Issue

The Standard Life Assurance Company of Canada required the ability to determine what retirement, investment and insurance products were profitable and which were not, to support investment decisions and track product costs and profitability over time.

### ■ Solution

SAS® Activity-Based Management

### ■ Benefits

Standard Life knows which products to focus on and direct investment toward and can calculate a product's efficiency and improvement over time.

"SAS® Activity-Based Management software gives us a sense of which products we should focus on and which ones we should focus less on," says Eric Campbell, Manager, Financial Strategy and Planning, The Standard Life Assurance Company of Canada. "Further, we can calculate a product's efficiency and improvement over time."

The movement to better match product pricing with actual costs began in the 1990s, when Standard Life moved from traditional cost accounting (TCA) methods to becoming what was widely considered a financial institution leader in activity-based costing (ABC). It was at the time considered a great advancement to the better understanding of its indirect costs (overhead).

As part of the process of its parent company becoming publicly listed in 2006, Standard Life needed to enhance the system it had been using. "We had to have software that was quicker and more robust. Given the size of our company, we wanted to ensure we minimized risk," says Campbell.

Standard Life opted for SAS Activity-Based Management, an analytic application that models business processes to determine cost, profitability and the drivers that help organizations make informed decisions that streamline operations, deliver revenue growth and reduce costs across the organization.

Specifically, Standard Life uses SAS at a product level in its three lines of businesses (group savings and retirement, group insurance and retail) to perform profitability analysis and to assign human resources, information technology (IT) and finance costs. Each of the costs is assigned to different products, from which a productivity ratio is calculated.

It's a complex process. A typical product at Standard Life has in excess of 100 activities that could influence its final cost, with activities defined as anything from direct costs, such as the labor involved in a contribution to a group pension plan from a participant, to indirect costs such as the executive team.

"Given that we know how much our products can support in terms of expenses, then we know which product is deemed too expensive at current volume levels and pricing," says Campbell. "Employees are the biggest part of your expenses, so it will highlight any product that is costing more than you expect and allow you to drill down and question why, and maybe move to areas that are more profitable."

According to Campbell, SAS Activity-Based Management has become an indispensable tool to assist its executives in other ways as well, such as calculating new business contribution. In the financial services industry, any new product starts as a project whereby money is put aside for a product launch. But for an executive team to decide what strategies to adopt and what

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Manager, Financial Strategy and Planning

products they want to further invest in, using just a general ledger is simply inadequate.

Using SAS, however, Standard Life can measure the evolution of a product as the years go by. “The productivity ratio will improve over time,” says Campbell. “When we launched our mutual funds, for example, we invested a lot of money in our sales effort and marketing campaigns, but our productivity ratio improved as sales volume increased.”

Another key requirement is the ability to report expenses by lines of business to regulators, as required by the Office of the Superintendent for Financial Institutions Canada. “When we changed over to SAS Activity-Based Management, we had a list of all the annual reporting requirements that we needed. Our system was built with that in mind,” says Sandra Denis, Consultant, Financial Strategy and Planning at Standard Life.

According to Denis, Standard Life had just purchased SAS, so the timing was good. The new reporting requirements took only six months to add, thanks also to the help provided by SAS Consulting® services. “Using SAS, we were able to build it in such a way that we meet all reporting requirements versus having to interface with other software,” says Denis. “That is why it’s so efficient.”



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