



Industry

Financial Services

Business Issue

Allocate every single cost to exactly the activity and cost center that generates it

Solution

SAS® Activity-Based Management

Benefits

Cetrel can now identify costs precisely, simulate the effects of reorganization or product introduction and take strategic measures more quickly and effectively



"It was a consultant who showed us the path to activity-based costing. But the software has been at least as important to the success of the Cetrel ABC project. It had to be capable of realizing and maintaining that path. SAS® Activity-Based Management is that software for the Cetrel ABC project."

Gérald Briclot

Chief Financial Officer, Cetrel

The Power to Know.

Unveiling the present to shape the future

SAS® Activity-Based Management reveals the exact price of each business process

Cetrel wanted to evaluate the effect on their numbers of introducing a new product; even before developing it. To remain the Luxemburg leader in end-to-end solutions for electronic payments, Cetrel needed to know the impact of entering a new market beforehand. Among other things, they wanted to optimize their resource planning. Cetrel's decision to introduce SAS Activity-Based Management gave them the power to know. It was a decision that in the end made good numbers outstanding.

Leading the way in a rapidly evolving sector

Cetrel is the Luxemburg market leader with a comprehensive range of services in card payment, electronic transfer systems, and inter-bank clearing. They acquire, authorize, and process more than 50 million payment transactions every year. More than 8,000 Cetrel point-of-sale terminals are active in shops across the country as well as 387 ATMs. While these are impressive numbers, they are also driving Cetrel to improve them even further. "Our business is the communication and informatics technology of money transactions", explains Gérald Briclot, CFO at Cetrel. "These domains are evolving at a tremendous speed, which in turn is forcing the pace of new product introductions. The opening of the European market is another important driver. New competitors have entered our Luxemburg market, requiring us to rationalize our processes even further and make our costs more transparent. We have decided that in our case the best defense is a strong offense and have decided to go after markets abroad."

Knowing the exact cost of decisions

When is the best moment to attempt new markets? And how do you define a strategy to develop and introduce a new product? "We didn't have the necessary

information to make well-thought out decisions," recalls Briclot. "For instance, we didn't know the cost of business processes down to the last euro, or exactly how many man-hours were spent developing a particular product."

Cetrel did have traditional analytic accountancy, giving them a reasonably good indication of the cost per center. But analytic bookkeeping is not precise and dynamic enough for a company that wants to lead the way in a highly competitive market. Overhead costs for instance were divided proportionally over all of the cost centers, sometimes resulting in a skewed picture. Cetrel decided to rethink its accountancy methodology and realized that activity-based costing (ABC) was what they needed. "Activity-based costing allows us to allocate every single cost to exactly the activity and cost center that generates it," says Briclot. "That way, we know the precise price of activities, allowing us to set our market price as thin as possible. With ABC, we understand the root cause of a cost. Proportional dividing of un-allocated costs belongs to the past. ABC is leading us to increased efficiency and a stronger position against competitors."

SAS Activity-Based Management covers all requirements

Cetrel engaged a consultant to help them define their activities and underlying cost centers more clearly. Once the choice for accountancy methodology had been made and the cost centers defined, it was time to select the best-suited software package. The software needed to be capable of handling a huge amount of data. It also needed to allow the simulation of scenarios like the effects of launching a new product, or the increase in the number of transactions by a specific amount. "Along with that, we needed software that could accept data in various

formats, that was easy to install, and easy to use," says Briclot. Finally, but very importantly, it had to be powerful, so that Cetrel could have the results in hand within a very short time-frame. "After a thorough investigation and comparison of all available products, it was obvious that SAS Activity-Based Management (SAS ABM) was the only software on the market that met all of our requirements," declares Briclot.

Simulations improve insight into cost mechanisms

Its new accountancy methodology gives Cetrel the critical knowledge it needs to make sound strategic decisions. The company distinguishes between 200 cost centers, spread over 45 activities. Incoming invoices are booked in the appropriate cost center in the traditional bookkeeping software. Once every quarter, the accounting data is gathered as a batch file, and processed by the SAS ABM software. Briclot: "I get the results within a few minutes, allowing me to make plenty of simulations within a short period of time. I simply alter a parameter, and SAS ABM does the rest." One example of such a simulation is when Briclot enters the number of transactions that a big European competitor claims to have into the SAS software and then asks what would happen if Cetrel reached that level. "The software showed us the resulting evolution of cost and income. We get a clear insight into the impact of enlarging our market share on our cost structure. It even shows us where the impact will be felt most strongly."

Leverage for rationalization

The knowledge that SAS Activity Based Management gave Cetrel is a starting point to a bigger picture. "Now that we can identify costs more precisely, and can simulate the effects of reorganization or a product introduction, we can start taking strategic measures much more quickly and effectively," says Briclot. "For instance, we have assessed the capacity of our helpdesk." Cetrel used to have three separate helpdesks, each taking calls from a different group of customers: banks, cardholders, and shopkeeper. The staff that manned one helpdesk, didn't take the calls for the other two. As a result, if the entire staff of one helpdesk was occupied, no additional calls from that group of customers were answered. "After we identified this phenomenon, we used SAS ABM to evaluate the solution. We immediately saw that we needed to restructure the helpdesk." Staff was reorganized into a single team and properly trained, and new infrastructure added. Efficiency was increased, the result has been more satisfied customers and a reduction in cost per helpdesk call. Cetrel also analyzed and adapted the scheduling of technicians. Each technician can now handle seven instead of five interventions per day. An efficiency increase of 40%!

"In short, SAS Activity-Based Management gave us the insight we needed to optimize our organization. It introduced the culture of numbers and rates in our company. And as I said, the introduction of ABC was only the starting

point. It gave us the leverage to rationalize other aspects in our company as well. Management will become leaner and decisions will be taken based on knowledge and hard data, not conjecture."

Payback in less than a year

"We realized a substantial savings just by selecting SAS software and the right consultancy. It has already paid back in full in less than a year. We are now re-evaluating the ABC model and it looks like adding a few minor adaptations will result in even better results."

Briclot attributes the success of the Cetrel ABC project to two specific decisions that the company made. The first was the decision to take the advice of an external consultant. The second was to support the ABC model with SAS Activity-Based Management. He is enthusiastic: "I realize that having a good idea of where you want to go doesn't get you there. We had a consultant helping us draw up the path. But it is only thanks to the powerful and flexible SAS software that we have been able to follow the path to new heights."



SAS Institute
Kasteel de Robiano
Hertenbergstraat 6
3080 Tervuren
Belgium
Tel.: +32(2) 766 07 00
Fax: +32(2) 766 07 77
www.sas.com/belux

SAS Institute s.à.r.l.
204 route d'Arlon
L-8010 Strassen
Luxembourg
Tel.: +352 26 11 84
Fax: +352 26 31 11 84
www.sas.com/belux