



Business Impact

“The value of analyzing customer behavior to understand the real needs of customers is twofold: On the one hand it helps us meet our customers’ needs. On the other hand, it reduces costs by redesigning operating processes.”

Chung Ming-Ling
Assistant Vice President of Planning
Fubon Financial Holdings

Challenges

- **Incomplete picture of customer value.** Problems measuring the cost to serve each customer often prevent banks from gaining a complete view of customer value.
- **Limited analytic software.** Existing analytic software can’t handle the intensive calculations required for customer-level profitability measurements.
- **No view of cost per sale.** Without understanding the cost of each sale, it is difficult to plan future activities.
- **Inaccurate measures of product profitability.** There is often no aggregated view of profitability for each product line.

How can we measure the profitability of every customer?

YOUR GOAL: Grow revenue by developing long-term relationships with the most profitable customers

The marketplace is becoming more competitive, and customers are more likely than ever to shop around for banking services. As a result, banks must strive to understand not just the revenue that each customer generates, but also the overall cost of selling products to that customer. Accurate customer value calculations are difficult to produce, however, because it can be hard to accurately measure cost per sale.

If you don’t know how much it costs to sell a mortgage or credit card to one customer over another – and how much it costs to sustain that relationship – you can end up marketing to the wrong segments, losing valuable customers or even losing money on customers who may seem profitable but really aren’t. Quantifying the value of each customer is critical if you want to focus on capturing, retaining and developing relationships with the most valuable ones. Of course, you must also balance customer profitability with service access – that is, you need to maximize profitable customers while serving less profitable customers more inexpensively.

To do so successfully, you must know the actual costs involved in attracting, supporting and keeping a customer. And you’ll begin to witness the importance of customer profitability as a measure of economic value.

OUR APPROACH

Understanding customer value requires profitability analysis at the individual customer level, but the data volumes involved can often be too large for traditional activity-based costing or profitability solutions to handle. SAS approaches the problem by delivering software and services that help you:

- **Consistently manage, analyze and report on relevant data** with an integrated platform that lets you access and consolidate large volumes of data automatically and apply embedded data quality routines to ensure data integrity.
- **Gain insight into cost-of-sale per customer and profitability by:**
 - Implementing a powerful modeling engine that can calculate the current value and future potential of individual customers.
 - Using activity-based costing to gain an accurate, multidimensional picture of how well your customers are contributing to – or detracting from – your profitability.
- **Make the most compelling offers to the right customers** by optimizing customer segments and developing strategies and models to determine appropriate channels and set targets to advance the profitability of each customer.
- **Improve your sales and marketing efforts** by reporting customer value throughout the organization to those who need it in a format that works best for them.

SAS also offers implementation experience, time-tested methodologies and industry best practices that can get you up and running quickly, so you can improve performance, achieve greater profits and gain a clear competitive advantage.



THE SAS® DIFFERENCE: Calculate profitability at the customer level

Only SAS gives you the ability to calculate profitability down to the individual customer level. With SAS, you get:

- **An integrated business analytics framework** that includes data integration, storage, advanced analytics and business intelligence tools designed to provide consistent data collection, management, analysis and reporting.
- **Activity-based costing methods** that let you evaluate the true cost to serve each customer.
- **A sophisticated analytics engine** that supports the computer-intensive customer profitability calculations, enabling you to generate accurate customer-level profitability measurements that can lead to better segmentation and targeting, which translates into more profitable customer relationships.
- **The ability to optimize customer segmentation** so you can deliver services according to value.
- **The unique ability to predict a customer's future value**, so you can be sure to foster long-term relationships with the right individuals or households.

In addition, the same software platform that supports profitability calculations also lets you manage, report and analyze data for risk calculations, financial management and marketing, enabling you to take your investment even further.

CASE STUDY: Fubon Financial Holdings

■ Situation

Massive restructuring and a maturing financial market made it critical for the company to evaluate the true operating costs of each of its divisions.

■ Solution

SAS delivered a customer profitability solution that enabled the company to:

- Establish and maintain the credit card division's database integrity.
- Model organizational processes to accurately determine the cost and profitability of products, customers and business segments.
- Segment credit card customers according to their "risk and return" profile.

■ Result

- Service delivery became more fluid and efficient.
- The company can now easily undertake the previously difficult task of assessing operating costs of all of its divisions.
- The company also improved service quality and operating efficiency while developing more profitable products.

■ The Vision

An integrated software platform

What if you could save time and money by storing customer data in a single location that offered a complete view of each customer's value?

At-your-fingertips reporting

What if you could make customer profitability information available to salespeople so they could adapt sales efforts based on the value of each customer?

Activity-based costing

What if you could not only see which customers were buying which products and services by region and line of business, but also how much money each customer was bringing into – and costing – the institution?

Self-service business intelligence

What if stakeholders across your global operations could access accurate, detailed cost and profitability information in the format that works best for them?

SAS FACTS

- More than 2,900 financial institutions worldwide are SAS customers.
- 96 percent of banks in the FORTUNE Global 500® use SAS.
- SAS has more than three decades of experience working with financial institutions all over the world.

Learn more about SAS software and services for banking at:
www.sas.com/industry/fsi



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