



The Perfect Balance

Portuguese insurer Eurovida uses SAS® to measure the detailed costs of doing business in order to price products competitively and improve profit margins.

Industry

Insurance

Business Issue

How can we better understand the costs of our business processes so we can accurately measure product and customer profitability?

Solution

SAS® Activity-Based Management provides insight into the costs of business activities to help guide decisions that make pricing and processes more profitable.

Benefits

Increased profitability by understanding the activity cost of products and services; increased customer satisfaction through better planning for changes in the market.

Part of Grupo Banco Popular, one of Spain and Portugal's largest financial-services groups, Eurovida provides life and property insurance, investments and retirement products through multiple channels. The company wants to ensure it serves customers with the right products in the most cost-effective ways – and drive continued growth, profitability and shareholder value.

“Margins are very small in this industry,” explains Francisco Valerio, CEO of Eurovida, “We need to understand the cost of customer acquisition, cost per sale, cost to service each product and so on – to ensure we’re operating as profitably as possible. This becomes very complex when you have a large family of products.” SAS Activity-Based Management helps provide differentiated, competitive offers to customers while helping build internal capacity and apply resources optimally. Valerio adds, “Using SAS for activity-based management means we create more value for shareholders. SAS has enabled us to improve service levels at the same cost or a reduced cost.”

Why SAS® Activity-Based Management?

Eurovida needed to address critical issues around costs, risks and profitability. Prior to implementing SAS Activity-Based Management, Valerio recalls, “We didn’t know the costs associated with developing and delivering products, the processes involved in providing service, and the real profitability of specific products.” The SAS solution analyzes costs by activity, process, cost center and nature of the activity. Actual expenses by

product are captured and compared with planning assumptions to identify variances and improve inefficiencies.

Results shed new light on the processes and activities involved, enable benchmarking against targets, and deliver improved knowledge on products and services. Managers can identify actual costs and profitability of products and understand how costs evolve and change. Now, Eurovida can offer products at a better price and through the most appropriate channels, improving customer-service levels and customer satisfaction.

Managing performance

“SAS provides support for balanced scorecarding, which underpins the ABM system, in order to align our objectives from top to bottom,” notes Valerio. “It’s all about revealing cause-and-effect relationships in the business. ABM is very important to us as we move forward, and I chose SAS because it offered the best value solution for ABM.”

Implementation began with an analysis of key processes, drivers of activities and outputs of a process. For example, the Eurovida team analyzed all activity involved in closing the books at month’s end – too many resources spent on this activity can mean higher costs and therefore less value to the business.

SAS looks at both operational ABM (efficiency) and strategic ABM (effectiveness) at Eurovida. “To be competitive, a company must know its sources of profit and understand its cost

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CEO of Eurovida

structure,” says Valerio. “We are now better able to answer important questions: What products are more and less profitable and why? What kinds of customers are more profitable? How can we protect relationships with the most profitable clients? How can we redirect sales activity towards more profitable results?”

Such insights, Valerio says, mean Eurovida can more proactively address changing customer needs and react to market trends. “It’s all about balancing costs, risks and service levels,” Valerio adds. “SAS provided very important tools to improve our management of the business. It helped drive the structural changes necessary to make our business more effective, enabling us to focus on the basics, to look at key issues – to see which processes were more important, in terms of value, and which were not. Eurovida is stronger as a result, and better able to pursue its vision of growth.”



**THE
POWER
TO KNOW.**

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