



Fubon Financial Holdings gets results with SAS®

Industry

Banking and Financial Services

Business Issue

In a maturing financial market, Fubon Financial Holdings needed to evaluate the true operating cost of each of its divisions because of a massive restructuring.

Solution

Fubon Financial used SAS® Activity-Based Management models to gain cost, process and profitability insights, which enabled strategic and operational decision-making that maximized profits, streamlined processes and reduced costs across the organization.

Benefits

Customer segmentation based upon risk and return profiles, accurate cost information and clear operational focus led to improved resource allocation across Fubon's 124 bank branches throughout Taiwan and a US\$2 million savings in the credit card division in the first year.

In one year, Fubon Financial Holdings saved US\$2 million in its credit card division, reduced the customer service division's labor costs by 14 percent and reduced product costs by as much as 50 percent. At the same time, Fubon warded off a severe credit card debt crisis. All of this was accomplished with the help of a SAS performance management solution called SAS Activity-Based Management.

Taiwan's financial services industry has experienced a period of consolidation as it nears maturity. Cross-industry mergers and restructuring have led to growing complexity and competition, and the industry faces new challenges, such as finding and developing more profitable products in a crowded and mature market. To stay competitive, companies must differentiate their products and provide relevant services to a large volume of customers while reducing transaction costs and measuring each department's performance. Amidst this growing complexity, Fubon Financial was formed in 2001 through the merger of Fubon Insurance, Fubon Securities, Fubon Bank and Fubon Life and now provides the most comprehensive range of financial services in Taiwan.

Developing a Cost-Sharing Model with SAS®

Fubon understood that as a prerequisite to restructuring, the true operating cost of each division needed to be readily accessible. Through the use of SAS Activity-Based Management and by changing the workflow activity manage-

ment, Fubon can now easily undertake the previously difficult task of assessing operating costs of all of its divisions. The corporation also improved service quality and operating efficiency while developing more profitable products.

Fubon Financial's credit card division, with about 3 million credit card customers, was the pilot for the SAS solution's implementation. As the division with the fastest growth and the highest operating cost, this division was the most logical for the trial. It would be followed by other branches and finance divisions. "SAS Activity-Based Management gave us the flexibility to initially work with a single department to produce independent ROI results," said Chung Ming-Ling, Fubon's Assistant Vice President of Planning. "We were pleased with its scalability. The credit card division pilot allowed us to understand what it would take to produce rapid results, thus providing a sound business case for further adoption by other departments for this enterprisewide solution."

Revealing the Cost Culprits

As a first step, Fubon used SAS Activity-Based Management to segment credit card customers according to their "risk and return profile." The profiles resulted in 18 classifications, which were then matched with differentiated pricing and services. Optimizing service channels to the customer reduced operating costs: For instance, joint-named accounts have higher transaction costs and therefore were transferred to a lower cost service channel instead of the higher cost direct-sales channels.

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Chung Ming-Ling
Assistant Vice President of Planning

The bank also found that the mailing costs for the credit card division were very high. Using SAS Activity-Based Management, Fubon identified and analyzed these costs and chose to mail only those things necessary to maintain service levels. In addition, an analysis of service delivery showed that delivery processes could be cut by four or five steps in some cases. Fubon’s service delivery became more fluid and efficient after a review of those costs and removal of repetition.

SAS Activity-Based Management models organizational processes and accurately determines the cost and profitability of products, customers and business segments. “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,” said Chung Ming-Ling. “On the other hand, it reduces costs by redesigning operating processes.”

Card Debt Crisis Averted

Taiwan banks were required to begin complying with Basel II risk compliance at the end of 2006. Fubon Financial Holding’s combination of SAS Activity-Based Management and risk management established and maintained the credit card division’s database integrity.

This was a timely move that protected Fubon from the storm of customers’ high credit card debt.

“Banks, while managing risk, need to also consider a customer’s lifetime value,” Chung Ming-Ling said. “High-contribution customers who are also high risk should be excluded from the list of customers to be purged. Because both the customer return and risk have been taken into account, information becomes more valuable because it is no longer one-dimensional.”

Developing Effectiveness

Going beyond typical activity-based costing tools, SAS Activity-Based Management offers integrated data management, business modeling, reporting and analysis on a single platform. Fubon gained accurate cost information, established a rational pricing system, developed a common operational focus and improved efficiency of resource allocation. Fubon has 124 bank branches throughout Taiwan. The SAS solution helped Fubon allocate manpower more efficiently, thereby reducing costs. The successful implementation of SAS Activity-Based Management in the credit card division meant Fubon Financial learned the steps to ensure a smooth implementa-

tion across its other branches and business units. Corporate banking will be the next division to adopt the SAS framework.

From Operations to Strategic Planning

By providing cost, process and profitability insights, SAS Activity-Based Management enables strategic and operational decisions that maximize profits, streamline processes and reduce costs across an organization. The SAS solution proved to be a critical strategic decision-making tool across all of Fubon’s divisions and business units.

Users of SAS Activity-Based Management do not need to know how to program or rely on IT departments because they can easily create their own data models. This flexibility and usability allowed Fubon to build a core analytics team to easily cope with increased workloads. It also meant that data models could be quickly and efficiently adjusted to changing business conditions.

Fubon’s success with activity-based management lies in a synergy between SAS solutions and an organization willing to take the lead and embrace innovation and growth.



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