



AIB

WEB-BASED SOLUTION PROVIDES GREATER INSIGHT INTO COST MANAGEMENT

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Anne McComish, Manager,
Activity-Based Costing, Allied Irish Banks p.l.c.

QUICK FACTS

Company

- Name: Allied Irish Banks p.l.c.
- Location: Dublin, Ireland
- Industry: Banking
- Products and services: Financial services
- Revenue: €4,868 million
- Employees: 25,000 worldwide
- Web site: www.aib.ie

Challenges and Opportunities

- Improve efficiency and enhance customer service
- Gain greater insight into end-to-end process costs across branches and across centralized functions

Objectives

- Upgrade to a Web-based, end-to-end costing solution
- Simplify processes across branches and manage multiple units using one costing model

SAP® Solutions and Services

- SAP® BusinessObjects™ Profitability and Cost Management application

Implementation Highlights

- Quickly provided information to aid strategic decision making
- Identified business processes that needed to be reengineered

Why SAP

- Ideal end-to-end costing solution
- Flexibility to manipulate costing data with little effort
- Powerful calculation engine with predefined rules that enabled faster implementation
- Web-based solution that enables gathering and delivery of information both quickly and accurately
- Ease of use and maintenance

Benefits

- Greater granularity in cost information for a range of activities
- Functionality to measure a variety of costs across branches and the central banking unit using a single model
- Unified view of the cost of running the business
- Software paid for itself in its first usage many times over
- Ability to use advanced intelligence to make more incisive decisions

Allied Irish Banks p.l.c. (AIB) is Ireland's leading banking and financial services organization. It operates principally in Ireland, the United Kingdom, the United States, and Poland and employs more than 25,000 people worldwide in more than 750 offices.

AIB had formerly implemented the older Metify activity-based management (ABM) software in its central finance and leasing department. It was satisfied with this solution, but AIB wanted greater insight into end-to-end process costs of all customer-facing activities. So it upgraded to a Web-based, end-to-end costing solution – the SAP® BusinessObjects™ Profitability and Cost Management application.

Simplifying Processes and Gathering More Data

The Metify ABM solution had provided AIB cost managers with detailed unit cost information by product, customer, and channel. However, they needed a solution that could simplify the processes and provide managers with an end-to-end costing model. Anne McComish, manager of activity-based costing at AIB, explains, "Although the benefit of running activity-based costing models is well worth the effort, we still found that gathering data from over 10 contributors was time-consuming and difficult to manage."

"Using our old software, we were running up to eight costing models that separated activities in the branch and in our centralized banking unit," continues

McComish. "For example, processing a high-value loan involves processes and activities in the branch and also in commercial banking. We wanted to understand the cost of processing and managing a loan using one model, and this was something that SAP BusinessObjects Profitability and Cost Management seemed more than capable of providing."

Meeting the Selection Criteria

AIB selected SAP BusinessObjects Profitability and Cost Management – a Web-based, end-to-end costing solution – because it satisfied AIB's selection criteria for the project:

- Flexibility to manipulate costing information and to answer questions about costing
- A powerful calculation engine with a predefined set of logic rules so models could be built more quickly
- A Web-based solution that would enable the gathering and delivery of information more quickly and more accurately
- Ease of use so that, given some basic training, anyone who understands the principles of costing could use SAP BusinessObjects Profitability and Cost Management

Reaping the Benefits of In-Depth Information

SAP BusinessObjects Profitability and Cost Management has been rolled out for AIB's money transmission and centralized account and cash functions. It is providing greater granularity in costs for a range of activities, from quantifying account-based functions to identifying the differences in costs between areas that carry out similar activities. The application has the functionality to measure and analyze direct, indirect, fixed, variable, and allocated costs using a single model.

Thanks to SAP BusinessObjects Profitability and Cost Management, AIB's central finance department has been able to obtain costing information that will assist with the development of business strategies to optimize customer, product, and channel profitability. It was also able to use the application to identify a number of business processes that needed to be reengineered. This has resulted in cost savings that, reports McComish, justify the cost of purchasing the software and consulting and the effort that has gone into this project.

AIB's activity analysis department has used SAP BusinessObjects Profitability and Cost Management to provide central finance with a greater understanding of unit costs across various areas of the business, from centralized account functions to operational support activity. The application provides operation managers with insights into their



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process flows, highlighting non-value-adding activities and therefore providing management with the tools to identify process improvements.

The multidimensionality within the application has given central finance great flexibility and the ability to respond to numerous requests for information from within the organization. These efforts have supported process improvement, strategic decision making, customer tendering, transfer pricing,

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product profitability, and process costing. In short, the application has provided AIB with timely and up-to-date information about its business activities that it has been able to manipulate with little effort to meet user requirements.

Action-Oriented Insight for Improved Financial Performance

Companies such as AIB know that improving profitability involves more than a headlong pursuit to increase revenues and slash costs. Improving profitability means identifying your most valuable customers and products while testing the impact that changes in pricing and process improvements have on costs and profitability. This can give you the insight to act decisively with a clear understanding of the outcome.

SAP BusinessObjects Profitability and Cost Management provides flexible end-to-end costing methodologies that enable you to gain better insight into the cost of business activities in both operational and shared services areas. This way you can quickly identify ways to manage costs and optimize profitability.

SAP BusinessObjects Profitability and Cost Management, part of SAP BusinessObjects enterprise performance

management solutions, provides a number of business benefits, including the following:

- **Visibility** into the true drivers impacting cost and profitability, including IT shared services, via a user-friendly interface
- **Optimized costs and profitability** thanks to a detailed understanding of multidimensional drivers such as product, service, customer, and channel
- **Alignment** by matching operational capacity and support functions with demand for flawless execution of strategy
- **Incisive decision making** due to rapid identification of underlying causes of changes in organizational cost and profitability, with the ability to test the impact of potential adjustments

Learn more about how SAP BusinessObjects Profitability and Cost Management can help you optimize the following processes:

- **Cost and profitability reporting** – Identify the sources of organizational cost and profitability with accurate and detailed reporting by line of business, customer, product, supplier, channel, account, route, sales order line, transaction, cost-to-serve, or any other dimension of your business.
- **Process costing** – Pinpoint your business process costs, improve your understanding of company-wide expenses, and reveal problem areas so you can eliminate bottlenecks and wasteful activities.
- **Complex capacity and resource modeling** – Leverage driver- and activity-based business scenario modeling using an activity-based costing model for what-if scenarios. Model resources and capacity – then feed changes into related budgeting and planning models.
- **Services costing and cross-charging** – Establish better alignment and efficient cross-charging of your IT and other shared services costs.

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