SAP BusinessObjects™

SOCIÉTÉ GÉNÉRALE GROUP

ANALYZING COSTS TO IMPROVE PROFITABILITY

QUICK FACTS

Industry
Financial service providers

Revenue
€22 billion

Employees
151,000

Headquarters
Paris

Web Site
www.societegenerale.com

SAP® Solutions and Services
Allocating costs to products for Société Générale French Retail Bank with the SAP® BusinessObjects™ Profitability and Cost Management application

Société Générale French Retail Bank needed a better understanding of the costs of providing each of its retail products. The SAP® BusinessObjects™ Profitability and Cost Management application delivered much more precise and reliable information than the legacy application in half the time. With activity-based costing, the bank now has a clear picture of its products' costs, allowing it to make fully informed pricing decisions that improve profitability.

Key Challenges

- Improve understanding of the cost of products
- Speed up allocation of costs to products
- Improve traceability of costs to products
- Enable price and cost optimization
- Simplify cost accounting rules
- Decrease IT maintenance expense

Why SAP Was Selected

- Expertise in cost allocation
- Support for activity-based costing method
- Excellence of maintenance solution
- Long-term stability

Implementation Best Practices

- Involved future users closely in the implementation
- Aligned key stakeholders in advance
- Prototyped to test feasibility
- Adopted a process-oriented approach
- Established a collaborative environment between IT and business to model processes

Low Total Cost of Ownership

- Finished on schedule and within budget
- Retired legacy system
- Reduced maintenance cost to just 20 person-days per year

Financial and Strategic Benefits

- Achieved ability to analyze costs across 7 axes
- Cut analysis time
- Developed better understanding of the costs of products
- Provided basis for 2 recently launched cost optimization programs
- Enabled marketing and product teams to gather benchmark data helpful in launching new products

Operational Benefits

Key Performance Indicator	Impact
Time to allocate costs to products	-55%
Percentage of costs allocated to products	More than 70% (versus 50% before)
Effort required to gather cost data	Reduced

SOCIETE GENERALE

"Obtaining a precise understanding of product costs is mandatory for improving our price structure. We are very happy with the help our SAP software provides in developing that understanding."

Sophie-Louise Morin, Head of Profitability Analyses for Retail Banking, Société Générale French Retail Bank

www.sap.com/contactsap

With 27 million customers in its native France and around the world, Société Générale Group is one of the leading financial services institutions in Europe. The group provides retail banking, specialized financial services, asset management, private banking, and investment banking. In all, it offers 291 distinct variations of these services, which it calls products.

Optimizing Pricing by Learning the True Cost of Each Product

Société Générale French Retail Bank knew the total cost of providing all its products – approximately €4 billion annually – but it did not understand precisely enough the cost of providing each specific product. Without this knowledge, the bank could not optimize pricing. For all it knew, it might have been losing money on certain products and pricing others unnecessarily high, thereby losing profitable business to competitors. Therefore Société Générale French Retail Bank moved to an activity-based costing (ABC) model. ABC called for identifying all the distinct activities performed – 2,165 of them in Société Générale French Retail Bank's case – and the cost of each, along with the amount of every activity that each product requires. With these figures, the total cost of products can be calculated.

ABC requires extensive data gathering, simulation, and analysis. The bank had a legacy application to help, but the task proved too complex for it to handle. Its accounting rules were complicated, and reliability was a problem. As a result it took far too long, 11 months, to perform product costing. Even worse, fully half of the €4 billion in costs remained unallocated to specific products after the analysis was completed. The bank could not trust such incomplete results and therefore had to conduct an extensive validation phase that took even more time. In addition, the application was expensive to maintain and impossible to update.

Supporting Activity-Based Costing

Société Générale French Retail Bank knew that to meet its goals it needed new software that did a better job of supporting ABC. It researched the field and found one application, and only one, that had all the required functionality: the SAP® BusinessObjects™ Profitability and Cost Management application.

The SAP application also had support for simplified accounting rules. Therefore, as part of the implementation the bank revised and improved its processes to align with these rules. It was a substantial project that required close collaboration of all departments, but nonetheless the bank finished without outside help in nine months, on schedule and within budget. The biggest key to success was the immersion of future users early and deeply in the implementation.

Delivering More Complete Results More Quickly

SAP BusinessObjects Profitability and Cost Management is delivering all the benefits that Société Générale French Retail Bank was hoping for. With streamlined processes, easier data gathering, and stronger application support, product costing is now available in 5 months instead of 11. Results are far more complete, with more than 70% of costs allocated to specific products. Users can analyze cost information based on their choice of seven parameters such as business entity, activity, product, and time.

Not only has this allowed executives to do a better job of pricing products, but it also provides visibility into areas where costs are excessive. In fact, the bank recently launched two cost optimization programs as a result of its findings. Marketing and product teams use the application to gather benchmark information prior to launching new products. In addition, SAP provides strong support that keeps reliability high – for a lower price than the cost of maintaining the legacy application. The bank's investment in SAP software is providing value in every way.

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