

Raiffeisen International Bank-Holding AG | Concept for Standard Unit Cost Calculation and Group-wide Implementation

Background and Project Scope

How can productivity improvements be achieved across the whole group? What are the preconditions to manage processes and productivity? How can differences in the cost structure between network banks be made transparent? What is the unit cost of a consumer loan in Croatia? How expensive is a letter of credit in Bulgaria? Are the differences in prices driven by personnel cost or efficiency? Which price should be charged to the customers in order to cover variable and/or fixed costs?

In order to answer such questions and to be able to manage the growing business in CEE, Raiffeisen International Bank-Holding AG initiated a project for group-wide implementation of Standard Unit Cost (SUC) calculation. The project should also contribute to MIS system implementation at Raiffeisen International, delivering the product cost data.

A special challenge in this undertaking was the fact that Raiffeisen International is operating in 17 markets of the region, with a diversity of processes and supporting IT systems.

The Project's Approach

The project supported by zeb/ has been structured in three main phases:

- / Concept development
- / Pilot implementations
- / Group-wide roll-out

The main task of the concept development phase was to tailor a SUC calculation approach that:

- / fits to the existing controlling methodology at Raiffeisen International,
- / is technically realisable within the given Management Information System (MIS),
- / is implementable given the dynamic development of the diverse network banks and the fast changing environment in CEE.

In addition to that, an approach for real-life implementation of the calculation concept was designed to meet the biggest challenge in implementing SUC calculation: to be as pragmatic as possible and at the same time, to be as precise as necessary.

During the second phase of the project, the implementation approach and the calculation concept have been tested successfully at network banks in Croatia and Bulgaria.

The pilot implementations of SUC calculation started with a so-called “Prerequisites Check”, a gap-analysis of requirements defined by the SUC concept and the given situation at the bank. Key for keeping the implementation effort low was to focus on the important products that generate the bulk of total cost and to treat the remaining products with a pragmatic approach. In the stage of product prioritisation the “important products” were identified in a pre-structured process.

Subsequently, processing times for each product were measured or assessed at a single activity level according to their priority status. Aggregated to the product level, processing times were validated by statistical methods and normalised to reflect the average processing time. Based on the information gathered, the final unit price per product was calculated by a specially designed tool and loaded to MIS.

Based on the lessons learned during pilot implementations, the calculation concept and implementation approach were documented in a detailed “SUC implementation group directive” together with numerous calculation and project management templates.

In the third project phase, this group directive is now being used by network banks as a general guideline, framework, and toolbox to support the local implementations of SUC calculation.

Project Results and Outlook

The design and implementation of the concept for SUC calculation has laid the foundation for strategic productivity management at Raiffeisen International. Based on a common calculation methodology, the group is able to benchmark and analyse product cost at the group level: unit cost and key cost drivers are known across the lifecycle phases of a product. At the network bank level, participating banks are enabled to be more precise in strategic pricing as direct and indirect product induced costs are known better. In addition to that, productivity

and profitability management benefit from more precise cost allocations as these can be based on the actual product-related consumption of services.

Having successfully tested the calculation concept in the two pilot banks, the group-wide roll-out has been started.



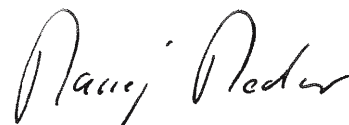
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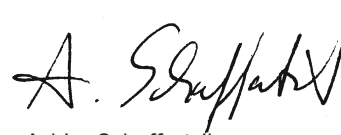
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