

SAP Customer Success Story Banking



“With SAP solutions, we aim to achieve the lowest processing costs and fastest time to market in retail banking.”

Dirk Berensmann, CIO and COO, Deutsche Postbank AG

AT A GLANCE

Summary

Deutsche Postbank AG, one of the largest retail banks in Germany, has over 15.5 million customers and €140 billion in total assets (2005). Reporting its best financial results ever, the bank attributed a major part of its success to greater operational efficiency and reduced IT costs – improvements made possible by replacing multiple core banking systems with SAP for Banking solutions.

Web Site

www.postbank.de

Key Challenges

- Reduce the number and complexity of back-office processes
- Eliminate the cost of maintaining and servicing multiple IT systems
- Add flexibility for rapid product design, changing business processes, and regulatory demands

Project Objectives

- Replace custom-built software with world-class vendor solutions
- Consolidate operations and processing locations
- Implement highly scalable solutions to accommodate business growth
- Make solutions globally deployable
- Provide multiclient functionality

Solutions and Services

- Applications from SAP for Banking solution portfolio, including SAP® Loans Management, SAP Basel II, and SAP Deposits Management
- SAP MaxAttention™ support option
- SAP NetWeaver® platform

Why SAP Solutions

- SAP references are strong, established, and global.
- SAP has the ability and commitment for a long-term presence.
- SAP is an acknowledged world-wide technology leader.

Implementation Highlight

Phased implementation involving 4.5 million checking accounts, 300,000 consumer loans, and 17 million savings and deposit accounts

Key Benefits

- Reduced 120 business processes to 35 and cut complexity costs by 30%
- Cut 13 of 14 IT processing centers
- Significantly reduced IT costs and processing errors
- Reduced time to market for new products to a few weeks
- Enhanced Postbank's ability to spot industry trends and opportunities
- Achieved greater customer insight and improved customer service
- Enhanced outsourcing capabilities
- Streamlined processes for mergers and acquisitions

Implementation Partners

SAP Active Global Support and SAP Consulting organizations

Existing Environment

SAP R/3® software, functionality now found in the mySAP™ ERP solution

Database

Mainframe: DB2

Hardware

Mainframe: IBM zOS/390
Application server: IBM

DEUTSCHE POSTBANK

SAP for Banking Solutions Aid Total Overhaul of Core IT Systems and Business Processes

“With SAP solutions, we aim to achieve the lowest processing costs and fastest time to market in retail banking,” says Dirk Berensmann, CIO and COO of Bonn-based Deutsche Postbank AG. “With its powerful and comprehensive functionality, software from SAP is helping us expand our offerings and revenue potential, increase profitability, and achieve significant competitive advantage through business-process innovation.”

Deutsche Postbank (Postbank) is one of the largest retail banks in Germany. With 15.5 million customers, including about 40,000 corporate customers that represent 90% of the top 30 German firms, Postbank processes 16% of all domestic banking transactions in Germany. It is the market leader in direct banking, with more than 2 million Internet checking accounts and more than 3 million telephone-banking customers. Assets totaled more than €140 billion at the end of 2005.

In reporting its best financial results ever in 2005, the bank attributed a major part of its success to significantly greater back-office operational efficiency and reduced IT costs – improvements made possible by replacing multiple legacy core banking solutions with the SAP for Banking solution portfolio.

A vast majority of the world's large banks manage their accounts and product lines with multiple core banking systems and numerous processes resulting from years of in-house development. Such landscapes have become extremely cumbersome and costly, however, in a market that demands round-the-clock service, real-time transactions, and multiple sales channels. With SAP for Banking, Postbank became the first large retail bank to handle

account management, transaction processing, and product configuration successfully from a single, standardized, real-time solution. “SAP for Banking has given Postbank a lead of as much as three years over its competitors,” notes Berensmann.

Aligning Business and IT Strategies

Postbank seeks to remain competitive and profitable in an industry that faces lower profits, ongoing regulatory changes, and large-scale consolidation. It plans to achieve this goal by offering top-quality customer service in a high-volume environment, being quick to market with innovative products at the lowest

“SAP for Banking has made it possible to change cost centers into profit centers.”

Dirk Berensmann, CIO and COO, Deutsche Postbank AG

possible cost, and correctly positioning those products. It seeks a real-time, multichannel sales strategy that includes both telephone and online banking, a branch network through German post offices as well as Postbank-owned offices, and third-party sales by its partners. A provider of payment and account management services for Deutsche Bank and Dresdner Bank in Germany, Postbank hopes to expand its outsourcing services significantly in the future.

“During the next years, we expect a massive consolidation of back-office operations in the retail banking business,” says Mario Daberkow, Postbank’s executive director for transaction banking. “By providing outsourced services for other banks, we can significantly increase revenue at a low cost.”

To meet these challenges, Postbank launched a comprehensive transformation program to maximize savings, efficiency, and service by taking the following measures:

- Reducing the number, complexity, and cost of back-office processes
- Consolidating operational and data-processing locations
- Replacing custom software that had become increasingly difficult and expensive to maintain with standard software
- Deploying highly scalable solutions that could easily accommodate business growth
- Implementing real-time, straight-through processing

Finding no standard solution on the market that could meet its functional and volume requirements, and lacking the resources to build a new in-house system, Postbank approached SAP in 1999 about jointly developing core banking functions based on SAP technology. Postbank had been an SAP customer for many years, first running SAP® R/2® software and then upgrading to SAP R/3® software – functionality that is now found in the mySAP™ ERP solution.

In choosing SAP as its IT partner, Postbank sought a technology leader whose strong industry experience could give the bank a competitive edge in its market. The bank wanted a partner with a global presence that could support its new core banking system for the next 15 to 20 years. Initially called SAP Account Management, the powerful new application developed by SAP and Postbank has become part of the standard software within the SAP for Banking solution portfolio.

To minimize migration risk, Postbank opted for a phased implementation that started with a central application for storing and managing all customer master data in November 2002 – only eight months after delivery. The application went live for checking accounts on October 3, 2003. Postbank subsequently converted an additional 4.5 million checking accounts and more than 300,000 consumer loans to the SAP platform. Another 17 million savings and deposit accounts were added in October 2005.

Maximum Availability, Faster Response Times, and Reduced TCO

To ensure the fastest possible response times and maximum availability, Postbank selected services from the SAP Active Global Support organization, including the SAP MaxAttention™ support option – a service that goes beyond the SAP Standard Support option and offers outstanding support for SAP applications.

“With SAP we knew we had a provider we could rely on in the long run.”

Dirk Berensmann, CIO and COO, Deutsche Postbank AG

As a first-class service, SAP MaxAttention aims to safeguard customers' core business solutions at a higher level and permanently reduce the total cost of ownership. This is achieved by a comprehensive set of services to increase the performance, availability, data consistency, maintainability, and integration of the implemented application.

SAP MaxAttention is the perfect support option to ensure the stability of solutions that have to meet the most rigorous demands for high availability and performance.

Strong Functionality

SAP for Banking has helped Postbank meet the strict performance and large-volume transaction requirements of a top-tier bank. It supports highly automated rule-based posting-control functionality, rapid definition and management of new products, the creation and management of customer accounts, processing of account transactions, and management of account balances.

Other functionality includes account settlement, which enables interest and fee calculations and postings; the generation of customer account correspondence; and the management of credit card master data. The software also increases visibility across products and cash accounts.

Secure, real-time processing has smoothed Internet transactions, ATM withdrawals, call-center transactions, and payments. In addition to making transferred money immediately available, real-time processing improves the availability of account statements, cash forecasts, and other information.

Postbank's ability to process large transaction volumes in the shortest possible time makes it attractive to all potential outsourcing partners that must efficiently process high payment-transaction volumes.

Improvements in Customer Service

With SAP for Banking, Postbank has made significant service improvements. A single, detailed view of customers gives service staff and decision makers greater insight into the bank's customer relationships. It also helps Postbank maintain strong ties with those customers and effectively identify profitable cross-selling opportunities.

Easy access to customer-specific documents helps Postbank employees further enhance service. These documents include account contracts, identification information, and various types of scanned information.

Customers benefit from simplified access to Internet banking and from a new telephone call center that is available 24 hours a day, 7 days a week.

Rapid Time to Market for New Products

At the same time, flexible product configuration functionality in SAP for Banking has made it easy for Postbank to configure new products across its traditional product lines – including interactive products. Faster product design and implementation means timely, competitive products with improved profitability and organic sales growth.

The results have been very impressive. In just a year and a half, Postbank cut its time to market for new products from several months to just weeks. Among the bank's new products is a savings account with an interest rate that is tied to stock market performance.

Greater Operational Efficiency

SAP for Banking has helped Postbank streamline approximately 70% of its business processes. Through process standardization, Postbank has cut the number of discrete processes from 120 to 35. This significantly reduced process redundancy and has given Postbank greater flexibility in adapting processes for a changing business environment. The bank was able to harmonize business processes across product lines and eliminate paperwork throughout each process. Greater system availability has given the bank improved flexibility in scheduling processes and maintenance and has reduced operational labor costs.

SAP for Banking has further improved operational efficiency by supporting straight-through processing through various channels. The system connects 9,000 branches, 2,000 ATMs, and 700 call-center agents in real time – with zero downtime. Virtually all (98%) payments are processed without paper or manual entry. Day-end transactions are performed twice as fast as before.

Fully automated functions for rule-based posting control offer major advantages; manual intervention for exceptions is now necessary only for specific business reasons – such as personal handling of VIP customers. A reduction in errors has significantly freed operational resources for other tasks. The new product-configuration tools have minimized manual efforts for defining and managing products, further increasing resource capacity.

Improved operational efficiency has been a key factor in the new solution's success. Streamlined business processes helped Postbank achieve the break-even point for its new solution by the

time it went live. Enhanced abilities for outsourcing should further improve economies of scale and leverage the new operational efficiency.

Significant Cuts in IT Costs

With SAP for Banking, Postbank has replaced 14 separate Siemens Kordoba systems with a single platform. By reducing the complexity of its IT environment, Postbank cut its system costs by 30%. Postbank expects to reduce overall IT costs by 10% per year with full implementation of the new system in 2006.

Scalable Solutions for Business Growth

Scalability offered by the SAP NetWeaver® platform has helped Postbank double its processing capacity. The solution handles transactions for 12 million customers, 6 million debit cards, and 5 million checking accounts – up to 15 million transactions a day, all in real time.

SAP's open architecture makes it easy for Postbank to leverage its initial investment by installing additional SAP applications on the base platform. In 2005 Postbank added 17 million savings and deposit accounts to the system, which completed the migration. With excess capacity, easy configuration, and support for multiple clients, the system will help Postbank achieve its goal of transforming many operational functions from cost centers into profit centers. Making profitable use of excess resource time, Postbank has offered its system and expertise for account-related transactions to other financial institutions. The same attributes should give the bank an edge in future merger and acquisition activities. Postbank expects the new system to facilitate integration between institutional systems more quickly, which will provide further cost savings.

The joint investment by SAP and Postbank in developing a replacement for its legacy platform should keep Postbank in the top tier of Germany's banks for the foreseeable future.