Customer and Product Profitability for Financial Services

impact
ECS

Financial Services companies are challenged to understand profits generated their customers and products because the majority of their costs are indirect and involve activities provided by supporting departments and accounts are often opened by one agency but serviced by another.

Customer and Product Profitability

The cycle of profitability begins when a customer opens an account. Accurately calculating customer or product profitability is dependent on the organization's ability to determine the direct and indirect costs associated with each account, the product and services they consume and their behavior. ImpactECS provides a flexible modeling platform for financial services organizations to model their costs and then assign or allocate those costs to customers, products or services based on their characteristics, providing meaningful insight to drive business decisions.


Financial services firms often lack an understanding of the cost required to serve unique customers. This limitation generally leads to equal treatment of all customers even when their behaviors are quite different. A true cost-to-serve requires that cost is assigned based on the actual business activities and overhead costs incurred to service the customer. These costs span the front, middle and back offices and having exposure to detailed cost answers provides the information necessary to better manage customers and to improve the bottom line.

Back Office		**Middle Office**		**Front Office**	
Operations		Risk Management		Sales and Service	
Information Technology	**+**	Financial Controls	**+**	Trading	**=**
Marketing		Treasury		Research	
Customer Communication		Corporate Strategy			
		Compliance and Legal			

Cost to Serve

Handle Shared Services Expenses and Chargebacks in One System

One of the most complicated tasks in determining the cost to serve customers in financial services is properly allocating the costs of shared services. With ImpactECS, middle and back office activities are allocated to functional departments, support departments, and specific activities to determine the cost of each product sold to a customer.
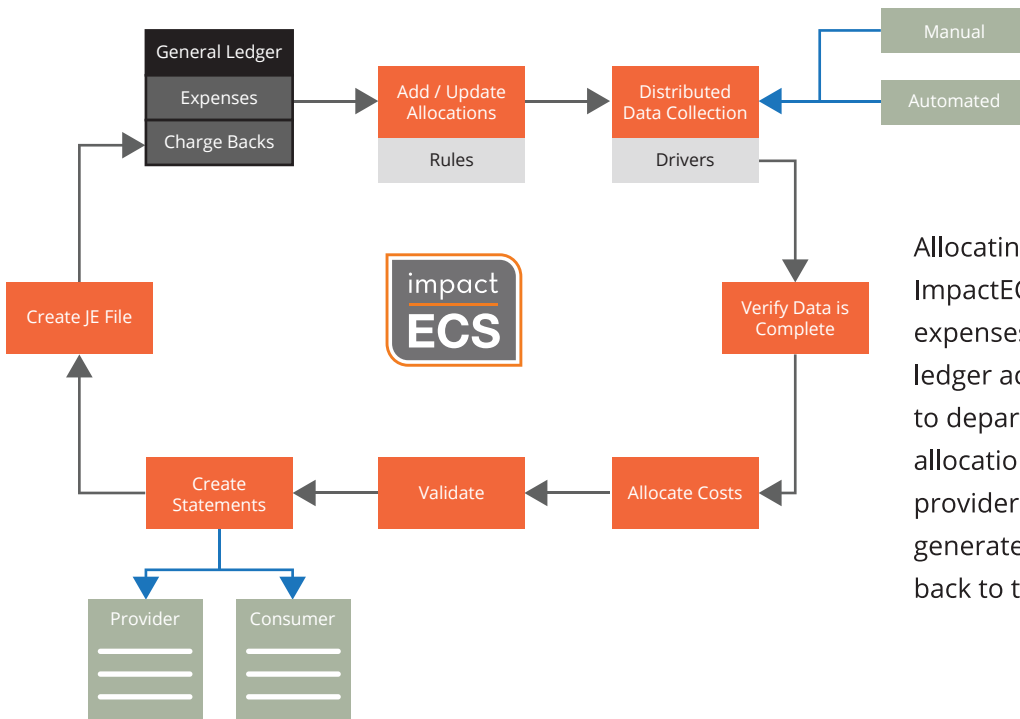
Allocating shared services costs using ImpactECS creates a closed loop where expenses are taken from general ledger accounts and costs are allocated to departments and activities, allocations are validated, customer and provider profit and loss statements are generated and chargebacks are written back to the general ledger.

Cost and Profitability Analytics with ImpactECS

The level of detail included in an ImpactECS Customer and Product Profitability model gives business leaders the tools to take a previously unattainable comprehensive approach to data analysis. And beyond the analytical capabilities, data is easily aggregated for executives interested in solving larger, more strategic challenges. ImpactECS is uniquely designed to give business leaders access to analysis of past performance and insight into future scenarios on the same platform.

Product & Services Costing

Profitability & Margin Analysis

Shared Services

IT Chargebacks

Budgeting & Forecasting

Scenario Analysis

Reporting & Dashboards

Integrated Cost and Profitability Solution: Get a complete view of performance across multiple dimensions including product, line of business, and customer.

Track Unique Attributes: With no predefined set of cost or revenue categories, ImpactECS lets the user define every attribute in a way that is meaningful.

Scenario Analysis: With ImpactECS' sandbox environment, it is easy to predict the affect of adjusting any rule or driver used to allocate costs within the model.

The Top 6 Reasons Financial Services Companies Need ImpactECS Today

What are financial services business leaders asking for right now? The ability to better understand their business so they can make better decisions. ImpactECS and its dynamic modeling capabilities puts the power of analysis in the hands of the finance, accounting, and operations managers who need it.

1. Profitability Analysis
A wide variety of methodologies are available for calculating profit - allocation, rate-based, activity-based costing, full and partial absorption to name a few. Every organization has different needs when it comes to calculating profits. With ImpactECS, you can build models based on the methodologies that best suits your organization.

2. Shared Services Costing and Chargebacks
Shared services exist to reduce cost, improve efficiencies and deliver high quality services at the lowest cost. ImpactECS can help you achieve this by accurately modeling complex provider-consumer relationships and allocating cost based on measurable and controllable drivers.   Detailed chargeback statements provide full cost transparency to foster confidence in the results.

3. Product and Services Unit Costing
Developing unit costs for each of your products and services is instrumental to running your business. For financial services companies, this is often challenging since a large variety of people, skills and departments are required to develop and provide these products and services. ImpactECS gives you the ability to model these costs based on budgeted or actual spending and provides a detailed cost sheet depicting the end-to-end cost buildup.

4. Services Pricing
Once you understand the cost of the products and services offered, the next step is setting prices that will generate profits. ImpactECS gives you the tools to model and analyze a variety of pricing strategies using actual, forecasted or simulated values in order to understand the impact on margins.

5. Budgeting and Forecasting
Estimating future costs and determining how the business will perform in future periods are critical tasks for service providers. By leveraging the detailed cost modeling capabilities in ImpactECS, you can automatically generate detailed budgets and forecasts.

6. Activity-Based Costing
By using an Activity-Based Costing approach, a more detailed and accurate representation of customer and product profitability is achieved. Additionally, increased cost transparency makes the results more actionable. ABC models in ImpactECS can handle an unlimited number of cost pools and drivers to calculate a unique cost.

About 3C Software

Founded in 1988, 3C Software has become the leading provider of cost and profitability systems to a wide range of industries. With over 600 installations in North and South America, Europe, Asia, and Australia, the ImpactECS platform gives business leaders the tools needed to build dynamic models to support the unique and complex analysis required to effectively manage their business.