

Retail Banking Customer Segment Performance Blueprint

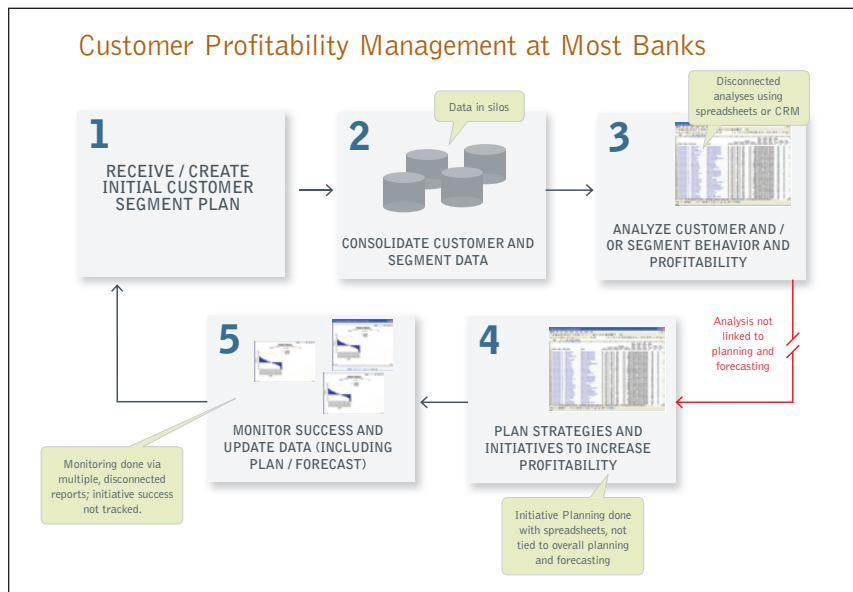


Introduction: Driving success one customer at a time

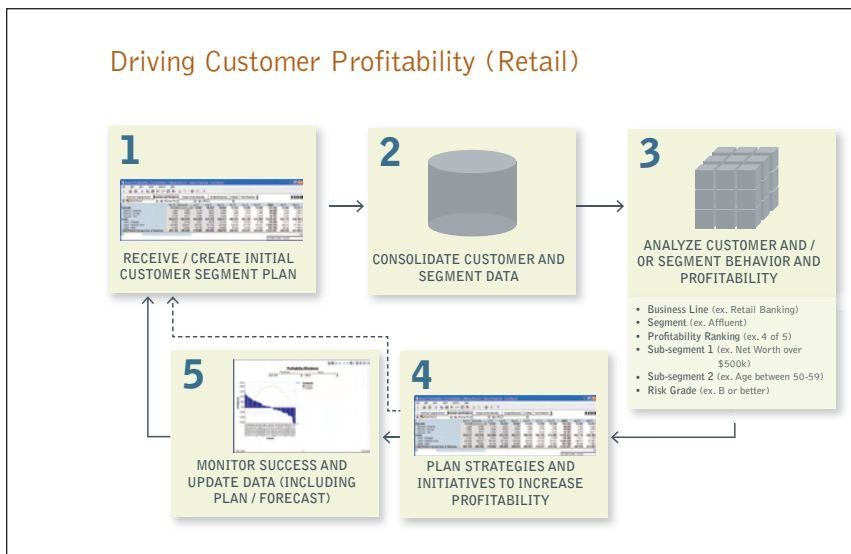
Ask most financial services executives about their key strategies for growth, and the same answers tend to pop up: increase wallet share, improve customer satisfaction and loyalty, serve mass market customers more cost-effectively, and know the customer’s needs so the institution can offer the right product at the right time.

All of these answers are predicated upon having customer segment or individual customer data available, using the data to understand the behaviors and profitability of customers or groups of customers, and then to create strategies and plans that maximize the institution’s success.

The tools to perform these tasks have existed for years, but in most cases, data resides in disparate systems, customer profitability solutions exist in relative isolation from the financial planning process, customer relationship management (CRM) solutions have been cost-prohibitive and rarely lived up to their promise, and initiative planning and tracking has been an afterthought. Consequently, many institutions have failed to meet their growth and profitability targets.



Despite the inefficient processes found at many banks, a coordinated, efficient approach to driving customer profitability can be a reality. The first step is to consolidate customer data, storing all relevant transactional, product, demographic, goal, and profile information in an accessible place. Next is applying appropriate reporting and analysis tools to the task of understanding as much as possible about customer segments and individual customers. Once those segments and customers are understood more completely, the bank can use technology integrated with analysis and reporting capabilities to plan initiatives and set very specific targets that improve segment profitability. Finally, the bank can monitor the success of its plans and initiatives and feed information gained back into the process, creating a closed-loop cycle for continual performance improvement.



The IBM Cognos Solution: Customer Segment Blueprint

The *IBM Cognos Retail Banking Customer Segment Performance Blueprint* enables retail banks to create customer segment profit-and-loss statements. The solution enables segment managers to report on and analyze profitability down to customer or household, to create regional and product P&Ls within a segment, and to plan sales and marketing initiatives to improve segment results. Integration with Acorn Systems' activity-based management software ensures granular, accurate profitability measurement and planning.

The *IBM Cognos Retail Banking Customer Performance Blueprint* contains three primary components:

- Reporting, analysis, dashboards, and scorecards using IBM Cognos® 8 Business Intelligence
- Planning and forecasting, using IBM Cognos 8 Planning
- Activity-based costing and management (pre-integrated with Acorn Systems' Profit Analyzer CI, but can be used with any ABC or other costing system or methodology)

Using these components, the Blueprint enables customer segment managers, marketing personnel, and other customer-facing bank employees to receive customer segment information, analyze information to determine targets, plan initiatives to drive increased profits in the chosen segment, and manage and update a customer-segment P&L. The descriptions below follow that basic workflow: report and analyze customers and customer segments, plan initiatives, and manage the customer segment P&L.

“The IBM Cognos Banking Customer Segment Blueprint is an excellent solution for reporting on customer segments and customers, planning segment-level profitability, and planning initiatives to drive increased revenue and profitability into a customer segment.”

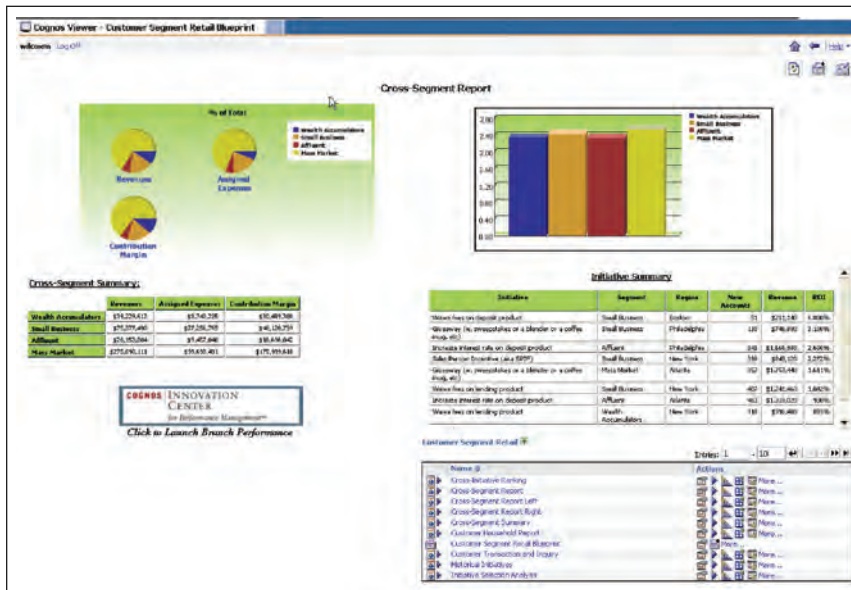
*Vice President, Finance,
\$20 billion USD bank*

Customer segment reporting, analysis, dashboards, and scorecards

The *IBM Cognos Retail Banking Customer Performance Blueprint* provides a hierarchy of dashboards and reports designed to guide the user through deeper and deeper levels of customer- and customer segment detail.

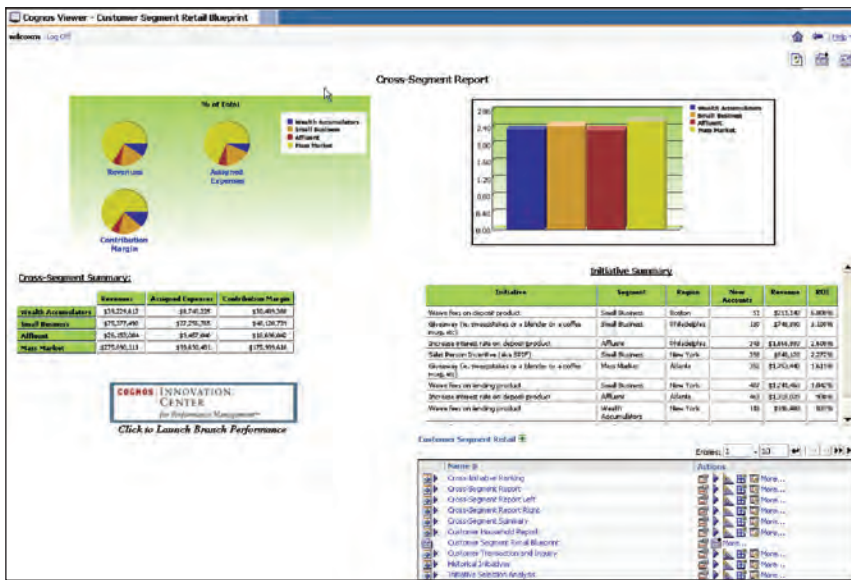
The first level provides a view of all customer segments (Cross-segment Report), which allows the user to understand at a glance how segments are performing across measures such as revenue, contribution margin, and accounts per customer. In addition, it highlights initiatives that are most successful at driving higher profitability.

Cross-segment Report



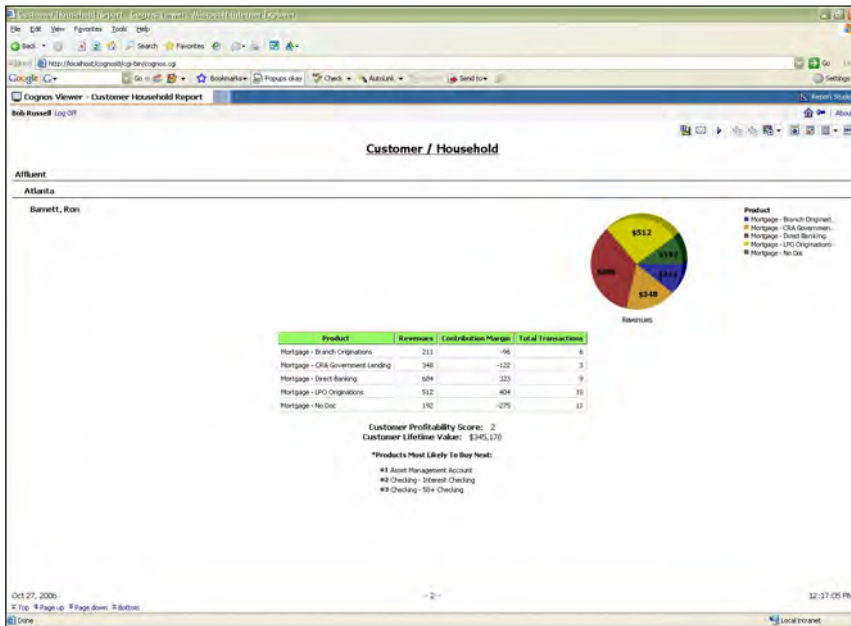
The next level in the hierarchy is the *Customer Segment Report*. This dashboard-style report allows the user to look within a segment to understand differences across regions and products—both comparatively and in absolute financial terms. It also incorporates an initiative summary, which reflects initiatives success within this particular segment.

Customer Segment Report



The lowest level of reporting is the *Customer or Household Report*, which displays both key financial information for the customer and profitability measures, such as customer profitability score, customer lifetime value, risk grade, and products most likely to be purchased next (these measures can be either supplied by an existing bank profitability system or created independently).

Customer or Household Report



There is also a link to the *Customer Transaction and Inquiry Report*, which provides detailed information about recent transactions and inquiries.

Transaction Report

Customer Transaction and Inquiry

Affiliate: Atlanta
Customer: Adkins, Scott

Trans Date	Trans Type	Trans Channel
10/18/06	Online	Payment
10/06/06	Branch	Deposit
09/23/06	Call Center	Payment
09/12/06	Online	Payment
09/04/06	Online	Payment

Inquiry Date	Inquiry Type
10/22/06	Branch
10/06/06	Call Center
10/04/06	Branch

Initiative reporting, analysis, dashboards, and scorecards

From the customer analysis just performed—whether at cross-segment, segment, or customer level—the user is able to identify exactly which customer segment to target for product or service initiatives. To launch a new initiative, the user may look at how past initiatives have performed in order to determine what initiative to proceed with for the chosen target.

Similar to customer segment reporting, there is an initiative reporting hierarchy. The highest level is a cross-initiative report, showing key information regarding all initiatives across segments, regions, and products.

Cross-Initiative Summary Report

Initiative	Segment	Region	New Accounts	Revenue (\$)	Initiative Cost (\$)	# Customers	Conversion Rate (%)	ROI (%)
Customer Exp. Investigation or Activation or a Call Center, etc.	Affiliate	Atlanta	65	155,000	253,500	6,553	1	-58
Customer Exp. Investigation or a Service or a Call Center, etc.	Affiliate	Philadelphia	227	617,100	979,700	7,290	3	-13
Customer Exp. Investigation or a Service or a Call Center, etc.	Affiliate	Richmond	421	545,900	1,076,200	15,495	5	-5
Customer Interest Rate on Deposit Product	Affiliate	Atlanta	443	1,313,000	356,440	11,097	43	300
Customer Interest Rate on Deposit Product	Affiliate	Philadelphia	242	1,566,900	41,740	6,182	-4	2,600
Customer Interest Rate on Deposit Product	Affiliate	Richmond	438	821,000	1,328,760	6,969	12	-38
Customer Interest Rate on Deposit Product	Affiliate	Atlanta	215	490,000	467,500	1,083	13	-49
Customer Interest Rate on Deposit Product	Affiliate	Philadelphia	216	181,440	1,153,440	6,744	3	-64
Customer Interest Rate on Deposit Product	Affiliate	Richmond	585	1,104,640	1,075,460	6,338	102	147
Send Payment Instructions (via PDF)	Affiliate	Atlanta	383	1,079,400	1,162,000	6,629	13	135
Send Payment Instructions (via PDF)	Affiliate	Philadelphia	289	827,000	1,285,240	4,286	13	109
Send Payment Instructions (via PDF)	Affiliate	Richmond	167	130,000	781,560	6,291	2	-89
Waive Fees on Deposit Product	Affiliate	Atlanta	391	1,754,400	1,455,840	6,917	12	20
Waive Fees on Deposit Product	Affiliate	Philadelphia	272	739,600	836,040	12,099	6	74
Waive Fees on Deposit Product	Affiliate	Richmond	223	254,200	1,252,720	6,046	7	-60
Waive Fees on Deposit Product	Affiliate	Atlanta	96	270,720	144,320	7,389	1	-49
Waive Fees on Deposit Product	Affiliate	Philadelphia	284	261,600	1,185,600	15,713	6	-126
Waive Fees on Other Services	Affiliate	Richmond	170	244,000	438,600	700	24	-15
Waive Fees on Other Services	Affiliate	Atlanta	401	1,307,100	1,504,200	1,521	123	-41
Waive Fees on Other Services	Affiliate	Philadelphia	189	374,200	439,140	2,948	6	-68
Waive Fees on Other Services	Affiliate	Richmond	148	124,320	71,040	4,130	13	75
Customer Exp. Investigation or a Service or a Call Center, etc.	Mass Market	Atlanta	352	1,750,480	381,120	6,904	18	1,041
Customer Exp. Investigation or a Service or a Call Center, etc.	Mass Market	Philadelphia	329	1,048,940	1,460,760	6,371	6	-27
Customer Exp. Investigation or a Service or a Call Center, etc.	Mass Market	Richmond	162	671,280	265,820	7,286	2	156
Customer Interest Rate on Deposit Product	Mass Market	Atlanta	63	66,480	113,400	6,260	1	-73
Customer Interest Rate on Deposit Product	Mass Market	New York	279	1,596,600	1,205,720	2,024	14	15
Customer Interest Rate on Deposit Product	Mass Market	Philadelphia	117	330,580	687,960	762	16	-61
Customer Interest Rate on Deposit Product	Mass Market	Richmond	9	260,740	779,080	6,621	1	79
Customer Interest Rate on Deposit Product	Mass Market	Atlanta	473	2,121,480	2,395,020	10,047	14	-29
Customer Interest Rate on Deposit Product	Mass Market	New York	132	734,560	364,320	6,947	2	102
Customer Interest Rate on Deposit Product	Mass Market	Philadelphia	240	185,000	309,960	6,482	3	186
Customer Interest Rate on Deposit Product	Mass Market	Richmond	263	236,000	225,140	5,239	5	33
Send Payment Instructions (via PDF)	Mass Market	Atlanta	178	890,800	799,000	2,813	7	1
Send Payment Instructions (via PDF)	Mass Market	Philadelphia	88	889,480	256,000	158	24	-49
Send Payment Instructions (via PDF)	Mass Market	Richmond	170	615,960	889,400	2,783	27	-27
Waive Fees on Deposit Product	Mass Market	Atlanta	412	949,560	1,815,600	6,828	30	82

From the *Cross-Initiative Report*, the user can select a report for a single initiative, which provides an even greater level of detail on any past initiative.

Initiative Report

Historical Initiatives				
Initiative: Giveaway (in, sweepstakes or a blender or a coffee mug, etc)				
Segment:	AllFund			
Region:	AllUS			
Marketing Media Type:	TV Advertising, Radio Advertising, Other			
Start Date:	Jul, 2011			
End Date:	December, 2011			
	Target	Actual	Variance	Status
# New Accounts	100	85	-150	
Initiative Revenue	\$410,000	\$190,000	-220,000	
Initiative Cost	\$610,000	\$290,000	-320,000	
# of Touches	2,000	6,800	+3,200	
Conversion Rate	5%	1%	-5%	
Initiative ROI	-20%	-20%	-11%	

The final initiative report is quite different from the others, in that it provides a guided path to choosing an effective initiative based on historical data (similar to a “wizard”). *Initiative Selection Analysis* prompts the user to select the customer segment for which an initiative is to be executed, then provides a list of the most profitable products within that segment. The user may select which product to offer the target segment. Based on the product selection, the report then provides a list of past initiatives—and the associated marketing media—that have proved most successful in promoting that product, allowing the user to choose the optimal product– initiative mix.

Initiative Selection Analysis

Initiative Selection Analysis										
Segment / Product							Contribution Margin			
Mass Market							63%			
<input checked="" type="checkbox"/> Brokerage - Full-service Brokerage Account							57%			
Segment	Product	Region	Initiative Data	New Accounts	Revenue (\$)	Initiative Cost (\$)	# Touches	Conversion Rate (%)	ROI (%)	
Mass Market	Brokerage - Full-service Brokerage Account	Rochester	Increase interest rate on deposit product	70	260,750	190,800	6,821	1	76	
Mass Market	Brokerage - Full-service Brokerage Account	Atlanta	Reduce interest rate on lending product	183	420,000	440,800	3,408	10	-58	
Mass Market	Brokerage - Full-service Brokerage Account	Rochester	Sales Person Incentive (aka SPIF)	64	261,800	220,200	1,830	8	38	
Mass Market	Brokerage - Full-service Brokerage Account	Atlanta	Wash fees on deposit product	148	435,000	200,800	7,394	2	100	
Mass Market	Brokerage - Full-service Brokerage Account	Philadelphia	Wash fees on lending product	34	108,000	130,750	8,078	0	-24	
Mass Market	Brokerage - Full-service Brokerage Account	Philadelphia	Wash fees on other services	70	102,000	130,800	6,741	1	-21	
<input checked="" type="checkbox"/> Brokerage - Online Brokerage Account							55%			
Mass Market	Brokerage - Online Brokerage Account	Atlanta	Giveaway (in, sweepstakes or a blender or a coffee mug, etc)	260	1,645,100	89,800	2,620	10	1,040	
Mass Market	Brokerage - Online Brokerage Account	Rochester	Increase interest rate on deposit product	112	121,800	67,900	702	10	-21	
Mass Market	Brokerage - Online Brokerage Account	Rochester	Reduce interest rate on lending product	262	236,700	205,100	5,239	5	15	
Mass Market	Brokerage - Online Brokerage Account	Philadelphia	Sales Person Incentive (aka SPIF)	39	100,400	206,200	108	24	-47	
Mass Market	Brokerage - Online Brokerage Account	Atlanta	Wash fees on lending product	118	84,000	348,000	8,624	2	-36	
Mass Market	Brokerage - Online Brokerage Account	Rochester	Wash fees on other services	242	670,000	600,000	7,680	3	-8	
<input type="checkbox"/> Mortgage - All A. Subprime							40%			
<input type="checkbox"/> Personal Loans - Auto Loan							37%			
<input type="checkbox"/> Personal Loans - Unsecured Loan							37%			

Initiative Planning

Having chosen the optimal initiative, the user can now forecast the impact of that initiative on the customer segment's profitability. In the **Initiative Planning** tab shown below, the user chooses the product and marketing mix, as well as start- and end-dates and the target number of accounts (by credit grade) for the initiative. The Blueprint provides the initiative's projected net profit, including lifetime revenue, lifetime assigned expenses, and acquisition cost (initiative cost). In addition, a user can compare multiple initiatives side-by-side before making a final choice. Once the choice is made, the user selects the appropriate initiative, which feeds the initiative forecast into the overall profit and loss forecast for the customer segment.

Initiative Planning Tab

	Scenario 1	Scenario 2	Scenario 3	Scenario Used
INITIATIVE COST				
Initiative Type	Giveaway (e.g. sweepstakes, pen, coffee mug)		Sales Person Incentive (SPII)	
Marketing Media				
TV Advertising	0	0	0	0
Radio Advertising	0	0	0	0
Direct Mail	0	30,000	0	20,000
Print Advertising	50,000	35,000	0	35,000
Local Advertising	0	0	0	0
e-mail	0	0	0	0
Total Targeted Initiative Acquisition Costs	50,000	55,000	0	55,000
Targeted Acquisition Cost/Account	59	54	0	54
Initiative Start Month	Mar-07	Mar-07		Mar-07
Initiative End Month	Sep-08	Oct-07		Oct-07
Region	Total Regions	Northeast		Northeast
Target # of Accounts (Credit = A)	150	200	0	200
Target # of Accounts (Credit = B)	250	300	0	350
Target # of Accounts (Credit = C)	350	350	0	350
Target # of Accounts (Credit = D)	100	125	0	125
Per Account Profitability				
Revenue per account, per month (Credit = A)	20	20	20	20
Revenue per account, per month (Credit = B)	25	25	25	25
Revenue per account, per month (Credit = C)	30	30	30	30
Revenue per account, per month (Credit = D)	35	35	35	35
Life of Account (Credit = A)	48	48	48	48
Life of Account (Credit = B)	55	55	55	55
Life of Account (Credit = C)	60	60	60	60
Life of Account (Credit = D)	72	72	72	72
Lifetime Revenue (Credit = A)	144,000	192,000	0	192,000
Lifetime Revenue (Credit = B)	343,750	481,250	0	481,250
Lifetime Revenue (Credit = C)	630,000	830,000	0	830,000
Lifetime Revenue (Credit = D)	252,000	315,000	0	315,000
ASSIGNED EXPENSES				
Assigned Expense (Credit = A)	12	12	12	12
Assigned Expense (Credit = B)	17	17	17	17
Assigned Expense (Credit = C)	22	22	22	22
Assigned Expense (Credit = D)	27	27	27	27
Lifetime Assigned Expenses	976,550	1,147,450	0	1,147,450
NET PROFIT				
Total Lifetime Revenue	1,369,750	1,618,250	0	1,618,250
Total Lifetime Assigned Expenses	976,550	1,147,450	0	1,147,450
Total Initiative Cost	50,000	55,000	0	55,000
Initiative Net Profit	343,200	415,800	0	415,800
Initiative ROI	6.86%	7.56%	0.00%	7.56%
Choose Scenario	And Scenario 1			
Risks				
Warnings (Business Rules)				
Notes				
Target # of Accounts / Week (Credit = A)	7.895	25.000	0.000	25.000
Target # of Accounts / Week (Credit = B)	13.158	43.750	0.000	43.750
Target # of Accounts / Week (Credit = C)	18.421	43.750	0.000	43.750
Target # of Accounts / Week (Credit = D)	5.263	15.625	0.000	15.625

The calculations derived here are driven from an **Initiative Assumptions** tab (not shown), as well as the **Revenue & Balances** and **Assigned Expenses** tabs which are described in greater detail below.

Calculating and forecasting the Customer Segment P&L

The **Customer Segment Profit & Loss Statement**—which calculates the customer segment profitability to which each segment is ultimately managed—is created dynamically from revenue, balance, and cost information calculated in other areas of the model.

The **Revenue & Balances** tab supplies the revenue portion of the Profit and Loss statement, by allowing the customer segment owner or marketing to manage branch Balances, Accounts, and Net New Customers within the segment. The segment manager can forecast number of accounts and account balance items such as Planned Runoff, New Business, and Attrition. A forecast is run for each Product Group, Region, and Credit Grade within the customer segment. To facilitate data entry, the tab may be reoriented as needed. For example, it may be reoriented to work on the Planned Runoff for all product groups in the “Wealth Accumulators” customer segment. Fields in GRAY are non-editable and consist of historical data (which is locked), data linked over from other tabs, or items calculated based upon information entered in the white (editable) areas. As changes are made, they are highlighted in BLUE along with any cells affected by the change. Balance changes will affect Revenue numbers and flow through the model to subsequent tabs, including the **Profit & Loss Statement**. Likewise, changes in the Accounts area will affect income (revenue from new accounts) and drive account-related activity volumes. Account-related activity volumes will affect **Assigned Expenses**, which are discussed below.

Revenue and Balances Tab

	2006	Jan07	Feb07	Mar07	Apr07	May07	Jun07	Jul07	Aug07	Sep07	Oct07	Nov07	Year07
EXISTING REVENUE AND ACCOUNTS													
Balances													
Opening Balances	17,956,652	18,949,126	19,826,367	19,993,630	19,191,580	19,298,224	19,378,577	19,487,526	19,545,947	19,624,856	19,789,556	19,778,401	19,778,401
Planned Runoff	4,203,295	96,958	185,547	38,548	94,344	181,208	95,300	95,568	182,582	160,636	181,833	182,514	182,514
New Business	4,184,953	298,555	394,464	417,753	421,909	481,820	427,702	483,377	486,783	604,626	484,922	488,841	488,841
Attrition/ Balance	2,709,183	223,227	228,675	228,856	229,371	221,347	238,823	229,389	227,327	225,130	228,953	222,654	222,654
Ending	18,349,127	19,808,267	19,893,638	19,919,588	19,298,224	19,378,577	19,487,526	19,545,947	19,624,856	19,789,556	19,778,401	19,853,164	19,853,164
Average	18,452,745	19,980,757	19,861,869	19,142,695	19,244,562	19,238,461	19,423,622	19,586,724	19,585,419	19,664,226	19,741,824	19,816,127	19,816,127
% Balance Growth	0.43%	0.42%	0.34%	0.81%	0.56%	0.42%	0.46%	0.46%	0.46%	0.46%	0.38%	0.38%	0.38%
DUPLICATE BALANCE (HIDE)	1,312,478	319,294	329,222	319,881	315,315	322,667	338,153	324,969	329,829	325,956	329,987	329,987	329,987
Total Balance (HIDE)	17,996,652	0	0	0	0	0	0	0	0	0	0	0	0
Accounts													
Opening Accounts	555	572	573	574	576	578	575	580	582	583	584	586	586
New Accounts	84	7	7	7	7	7	7	7	7	7	7	7	7
Attrition/Accounts	47	6	6	6	6	6	6	6	6	6	6	6	6
Closing Accounts	592	573	574	576	578	579	580	582	583	584	586	587	587
Average # of Accounts (HIDE)	563	573	574	575	577	578	580	581	582	584	585	586	586
% Account Growth	0.25%	0.21%	0.22%	0.28%	0.26%	0.24%	0.26%	0.24%	0.19%	0.20%	0.26%	0.27%	0.27%
Total Accounts (HIDE)	555	0	0	0	0	0	0	0	0	0	0	0	0
Planned Margin %	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

NEW INITIATIVE REVENUE AND ACCOUNTS													
Initiative Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0
Initiative Acquisition Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
New Initiative Accounts	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL REVENUE AND ACCOUNTS													
TOTAL REVENUE	273,951	299,971	327,727	356,350	385,561	425,179	455,983	487,163					
TOTAL AVERAGE ACCOUNTS	1.675	1.879	2.093	2.287	2.491	2.695	2.899	3.103					

The **Assigned Expenses** tab—for expenses driven by account activity—provides the cost portion of the **Customer Segment Profit & Loss Statement** based on activity-based costs fed from Acorn System's Profit Analyzer CI. Assigned Expenses are derived as follows:

- Each product has an associated set of activities. For instance, Personal Loans have Customer Inquiry Calls as one of several associated activities. [Note that each activity—such as Customer Inquiry Calls—comprises numerous transactions, in this case, balance inquiries, fee inquiries, and so on.]
- Each activity is performed a certain number of times per month. The volume of monthly activity is calculated in the model's **Volume Activity Generator** (not shown).
- Each activity has an associated cost, called the Planned Unit Price (provided by the Acorn ABC engine, based on recent historical costs).
- The Assigned Expense for each product within a customer segment is calculated by multiplying each activity Volume by its associated Planned Unit Price to arrive at a monthly Cost for that activity, then summing the costs of each activity associated with that product.

As can be seen in the graphic below, the **Assigned Expenses** tab summarizes the information into the Volumes, Unit Price, and Cost of each Activity for each product type within the customer segment.

Assigned Expenses Tab

Profit & Loss Tab		Profit & Loss	Activities	Initial Cost	Revenue & Expense	Volume Activity Cost	Initial Volume Activity Cost	Assigned Expenses	Initial Assumptions												
Account Activation		Asset Management account										Statement									
		March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2006	Jan07	Feb07	Mar07	Apr07	May07	Jun07	Jul07	Aug07	
Call Center	Volume	41	41	41	41	41	41	41	41	41	41	41	41	42	42	51	55	55	78	88	97
	Planned Unit Price	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.78	0.78	0.79	0.79	0.79	0.79	0.79	0.79
Customer Inq. Call	Cost	32	32	32	32	32	32	32	32	32	32	32	33	33	33	40	47	44	62	69	78
	Volume	57	57	57	57	57	58	58	58	58	58	58	58	60	58	71	84	96	101	122	134
Rework Call Ctr	Planned Unit Price	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.73	1.74	1.74	1.74	1.74	1.74	1.74	1.74	1.74
	Cost	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Telephone Banking Support	Volume	359	360	363	363	363	364	365	365	367	367	368	369	369	369	369	369	369	369	369	369
	Planned Unit Price	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44	1.44
Loan Origination/Call Ctr	Cost	516	516	520	521	522	523	524	526	528	529	529	530	532	534	534	534	534	534	534	534
	Volume	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deposit Origination	Planned Unit Price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
	Cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operations	Volume	77	77	77	77	78	78	78	78	78	79	80	78	78	86	113	125	146	163	180	
	Planned Unit Price	5.72	5.72	5.72	5.73	5.73	5.73	5.73	5.73	5.72	5.72	5.72	5.72	5.72	5.73	5.72	5.73	5.73	5.73	5.73	
Account Deposit/ATM	Cost	440	441	442	443	444	445	446	447	448	450	5,328	451	452	458	644	710	857	923	1,028	
	Volume	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Mailing/Packaging Cost	Planned Unit Price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	Cost	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Process Bill Payments	Volume	187	187	188	188	189	189	190	190	191	191	191	191	192	192	192	192	192	192	192	
	Planned Unit Price	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58	0.58		
Process Check	Cost	121	122	124	124	125	125	126	126	126	126	126	126	127	127	127	127	127	127	127	
	Volume	37	37	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	38	
Process Deposits	Planned Unit Price	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13		
	Cost	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5		
Produce Statements	Volume	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27	27		
	Planned Unit Price	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02		
Mortgage Sales	Cost	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1		
	Volume	41	41	41	41	41	41	41	41	41	41	41	41	42	42	51	55	55	78		

The **Profit & Loss Statement** tab is the recipient of the revenue, assigned expenses, and new initiative revenue planning that have been described. This tab combines revenue information with assigned expenses to forecast the contribution margin for the customer segment. In addition, it allows for overhead items, such as finance, executive, and HR, before arriving at Net Income Before Taxes and ultimately Net Income for the customer segment. Note that new initiative revenue is included on the **Profit and Loss Statement**, but has its own revenue and cost lines. This separation allows new initiative information to be differentiated easily, and also allows for seasoning of new accounts if the bank so desires. Finally, the **Profit and Loss Statement** also includes a number of Key Performance Indicators (KPIs), allowing the customer segment manager to track important pieces of information. There is also a tab (not shown) in the model in which the KPI targets are set and tracked.

Profit & Loss Statement Tab

Profit & Loss Statement	Profit & Loss	Business	Initial Bal.	Transfer & Balance	Volume Activity Calc.	Volume Activity Calc.	Assigned Expenses	Initial Assumptions								
Account	Jan-15	Dec-15	2006	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	2007
Net Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Revenue	49,596	49,709	508,298	49,795	49,841	50,005	50,208	50,443	50,673	50,903	50,958	50,998	50,998	51,055	51,055	508,244
Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income	49,596	49,709	508,298	49,795	49,841	50,005	50,208	50,443	50,673	50,903	50,958	50,998	50,998	51,055	51,055	508,244
Assigned Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Call Center	1,109	1,112	12,181	1,115	1,117	1,146	1,174	1,202	1,230	1,259	1,289	1,318	1,347	1,376	1,405	12,181
Operations	182	182	2,158	183	183	225	257	289	322	354	386	418	450	482	514	2,158
Marketing Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lending Back Office	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Card	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assigned Expenses	1,291	1,294	14,339	1,298	1,300	1,371	1,431	1,491	1,551	1,611	1,671	1,731	1,791	1,851	1,911	14,339
Revenue Less Assigned Expenses	48,305	48,415	493,959	48,597	48,724	48,864	48,991	49,120	49,243	49,368	49,489	49,611	49,733	49,855	49,977	493,905
Total Controllable Expenses	1,291	1,294	14,339	1,298	1,300	1,371	1,431	1,491	1,551	1,611	1,671	1,731	1,791	1,851	1,911	14,339
Contribution Margin	47,014	47,121	479,620	47,299	47,424	47,493	47,560	47,629	47,692	47,757	47,820	47,883	47,946	48,009	48,072	479,566
Overhead	3,853	3,746	47,858	3,719	4,088	3,909	3,753	3,884	4,065	3,953	3,966	3,934	3,843	3,914	3,883	47,858
Finance	3,309	3,261	38,975	3,287	3,163	3,206	3,251	3,332	3,333	3,251	3,142	3,328	3,198	3,251	3,247	38,975
Human Resources	2,231	2,038	25,956	2,253	2,146	2,171	2,121	2,189	2,172	2,175	2,115	2,234	2,221	2,136	2,134	25,956
Net Income	43,161	43,375	431,762	43,580	43,337	43,594	43,829	44,135	44,441	44,747	45,053	45,359	45,665	45,971	46,277	431,710
Number of FTEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Key Performance Indicators																
Earnings Growth	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Earnings Growth	1.01%	0.96%	0.93%	0.97%	1.04%	0.93%	1.02%	0.87%	0.73%	0.74%	1.03%	1.21%	0.87%	0.93%	0.93%	0.93%
E of Income from Fees	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Profitability Movement Indicator	0.22%	0.25%	0.24%	0.17%	0.09%	-0.05%	0.20%	0.32%	0.31%	0.21%	0.40%	0.49%	0.41%	0.17%	0.09%	0.20%
Efficiency Ratio (Costs / Revenue)	17.06%	16.76%	17.23%	16.63%	17.15%	11.44%	11.44%	11.06%	12.97%	13.21%	13.00%	13.77%	14.24%	14.68%	14.63%	16.63%
E Controllable Expense Growth	0.31%	0.28%	0.24%	0.25%	0.22%	0.44%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%
Revenue per Employee	268,868	268,398	252,162	270,868	268,338	264,054	273,444	263,872	265,568	255,345	258,819	268,122	257,761	268,525	263,899	268,112
Net Income per Employee	621,263	639,625	7,416,889	629,781	630,682	512,623	523,228	501,271	507,390	477,237	500,856	494,386	495,445	553,065	604,272	6,451,517

Revenue per Employee	62,766	66,811	71,121	75,558	80,074	84,902	89,623	94,302	99,016	103,730	108,444	113,158	117,872	122,586	127,300	132,014
Net Income per Employee	31,719	37,536	40,814	46,410	47,749	51,395	58,007	63,540	69,073	74,606	80,139	85,672	91,205	96,738	102,271	107,804
Lag Total Controllable Expenses (Hide)	0	772,199	715,047	739,983	708,295	826,304	868,646	780,545	749,106	658,667	627,228	595,789	564,350	532,911	501,472	470,033
Operating Balance (Hide)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lag Total Revenue (Hide)	0	1,847,436	1,964,284	2,089,831	2,219,517	2,351,703	2,495,600	2,631,571	2,768,930	2,907,289	3,046,148	3,185,507	3,324,366	3,463,725	3,603,084	3,742,443
Lag Revenue Less Assigned Expenses (Hide)	0	1,075,238	1,249,237	1,349,846	1,511,221	1,529,399	1,526,954	1,051,127	2,023,824	2,224,652	2,224,652	2,224,652	2,224,652	2,224,652	2,224,652	2,224,652

Activity-based costing and management

Customer segment profitability planning is only as effective as the data upon which the planning is based. To ensure the most accurate data, IBM has integrated Acorn Systems' Profit Analyzer CI, which provides activity-based costing and management information. However, this solution can be used with any costing provider (activity-based or other methodologies) or the bank's existing systems.

For more information about how the IBM Cognos Retail Banking Customer Segment Performance Blueprint can help your bank improve its customer segment performance, please visit the IBM Cognos Innovation Center at: www.cognos.com/innovationcenter/blueprint_industry.html

About the IBM Cognos Innovation Center for Performance Management

The IBM Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility. Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 IBM Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

Request a call

To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.



© Copyright IBM Corporation 2009

IBM Canada
3755 Riverside Drive
Ottawa, ON, Canada K1G 4K9

Produced in Canada
April 2009
All Rights Reserved.

IBM, and the IBM logo are trademarks of International Business Machines Corporation in the United States, other countries or both. For a complete list of IBM trademarks, see www.ibm.com/legal/copytrade.shtml.

Other company, product and service names may be trademarks or service marks of others.

References in this publication to IBM products or services do not imply that IBM intends to make them available in all countries in which IBM operates.

Any reference in this information to non-IBM Web sites are provided for convenience only and do not in any manner serve as an endorsement of those Web sites. The materials at those Web sites are not part of the materials for this IBM product and use of those Web sites is at your own risk.

IBM Cognos
Innovation Center
for Performance Management