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# The price is right

## Pricing and billing are the two staples of any business. Zürcher Kantonalbank centralised both processes and is enjoying the benefits.

Getting the price right and collecting fees in good time are basic necessities for any business. But in the complex world of banking, especially with an institution that spreads itself across multiple systems and sectors, these two apparently simple concepts can take on a life of their own and need to be managed more effectively.

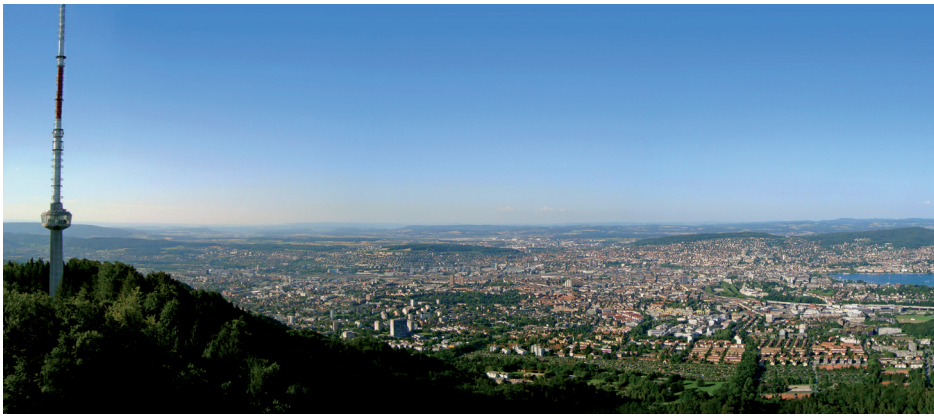
This at least is the view of Switzerland's Zürcher Kantonalbank (ZKB), which has taken measures to see that both pricing and collections functions are optimised and has deployed a centralised and business-maintained solution that it claims has given it both flexibility and control.

Founded in 1870, ZKB offers a mix of retail, commercial and investment banking, as well as investment management and private equity. This AAA-rated institution is also the largest of all the cantonal banks, with a staff list exceeding 4900 and total assets of more than CHF126 billion ($134.5 billion).

Back in 2006, it embarked on a major systems review. As part of that process, it cast a critical eye over its de-centralised billing and pricing systems and processes. ZKB had, for example, been running differential built-in pricing logic for each of its multiple product applications, but lack of system coherence meant it could not respond to an increasing customer expectation that true relationship-based pricing would be offered – an expectation that included the bundling of products across different product areas, something which could not be offered by ZKB under its old model.

But, says the bank, the root of the problem – de-centralised technology – was also causing revenue leakage at the hands of unenforceable pricing commitments. In short, ZKB's pricing and billing structure had to change.

From a business perspective, the bank realised that there were a number of approaches that it needed to pull together to stay competitive. In addition to product bundling, the provision of differential pricing and the reduction of time-to-market for new pricing strategies (enabling the bank to respond quickly to market changes), were all in its sights, explains Johannes Staub, programme owner for pricing and billing at ZKB.



> 'It was necessary to formulate a plan of how to centralise the pricing and billing service in a system which can interface and communicate with our three main IT building blocks.'
> *Kurt Mathieu, ZKB*

Following a detailed analysis of its legacy pricing and billing systems, he says ZKB saw a need to implement a centralised solution that could integrate with all other existing legacy systems. If this could be achieved, support for various scenarios, including multi-currency coverage across all ZKB's lines of business, would also follow.

Delivering the technical means to enable a more sophisticated pricing and billing strategy would, says Staub, enable ZKB to quickly launch new, intelligently-priced products for targeted customer segments, and drive new revenues from relationship-based pricing. The intelligence that could be derived from a centralised system would, he adds, also enable faster revenue collection, so that fees collected on a half-yearly basis, for example, could be processed on a monthly basis instead.

The decision in late 2007 to take this full-blooded approach to pricing and billing saw ZKB undertake a review of the available technology. But it kept its system options open by sending out an RFP to a number of potential providers and investigating the building of its own bespoke platform. Indeed, by the time the RFPs had been dispatched, Staub reports that ZKB had already finished its own prototype solution using the component-based miRevenue solution from Zafin Labs, a banking solutions vendor headquartered in Canada.

This two-pronged approach to system selection ultimately led ZKB to opt for the 'modern architecture' and 'solid infrastructural fit' of Zafin's miPricing and miBilling modules. The solution, he says, 'is specially built for banks and so fulfills all our security requirements'.

The contract was signed in February 2008 and work started in March. As the project kicked off, given the size, scale and scope of the initiative, a joint team was created to investigate the legacy environment. Local provider, SwissConomy, was called in as the technical intermediary between bank and vendor, although in some cases ZKB had direct contact with Zafin to expedite matters.

ZKB's securities and high net-worth client offerings were tackled first as part of the incremental roll-out.

Zafin's developers, working alongside an IT team from the bank, spent the first six months engaged in a design study for the centralised architecture. It was, says Kurt Mathieu, application owner for pricing and billing at ZKB, 'necessary to formulate a plan of how to centralise the pricing and billing service in a system which can interface and communicate with our three main IT building blocks'. This consisted of SAP One for accounts, Avaloq for securities and Oracle Siebel for the customer relationship front-end and around 14 different interfaces in total, including a new one linking front-line sales with ZKB's product manufacturing environments.

There was a degree of complexity in creating these interfaces, comments Mathieu. 'We had some batch interfaces which had to be tested as well as some different online interfaces to create.' The pricing functionality 'came out of the box', says Staub, but Zafin's billing system required a number of enhancements, notably around the creation of raw data for reporting, and for booking functionality. Some project requirements also changed during the development process but, says Mathieu, 'Zafin was ready to make the amendments'.

Following system tests spanning some four months and covering the full range of interfaces, a number of 'small corrections' were required. These mostly concerned minor issues on the batch side. 'The online interfaces were fine from the beginning,' confirms Mathieu. The solution went live in May 2009. Staub says that ZKB is now 'more flexible' and has the opportunity to change all pricing models that reside on miRevenue 'very quickly', enabling it to react to market changes as they happen. The actual changes, he adds, can normally be done by business personnel, with no need for IT to become involved. 'We can also build product bundles; we rolled out the first in June 2011 for the youth sector, and the next was delivered by the end of that year.' The plan has been to introduce one new pricing model to the new platform at least every six months.

Since going live, ZKB has enjoyed pricing and billing freedom, and is continuing to make progress. Indeed, as part of its relationship-based pricing strategy, it is also now able to calculate profitability based on a per-transaction cost of services which gives it a new level of insight.

Zafin continues to upgrade the miRevenue platform with additional business functionality and in November 2011, as part of this programme, ZKB switched from Websphere to the open source JBoss application server. As for the miRevenue system itself, says Mathieu, 'we have not found any limitations'. The control this gives ZKB over its pricing and billing functions is, he says, 'exactly what we expected'.

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