

An opportunity for competitive positioning in analysing process costs

## Payments Benchmarking Study

The payments benchmarking study collected accurate cost data, covering approximately 45% of the German payments market.



### Rationale for the benchmarking study

Over the last 10 years, a multitude of regulatory requirements as well as increased competition via new market entrants have resulted in significant changes in the payments industry. These include:

- A restructuring of processes and organisational structures
- Significant investment in IT systems
- A reduction in revenue due to regulation of pricing and terms
- First steps towards the introduction of pan-European operating platforms

Thus the pressure to achieve a sustainable cost management has intensified.

At the same time, increased transparency in terms of volumes, cost and quality in payment processes is required.

### Findings of the benchmarking study

The benchmark study focused on SEPA payments and was based on 2014 transaction volumes and cost structures. Key

findings included:

- All participants had outsourced parts of their payments traffic. Outsourcing costs as a percentage of total costs varied between 7% and 97%, with an average of 45%. It has become standard procedure to outsource document processing, either using a service or a subsidiary.
- Payments are no longer a business with high personnel costs as these amount to only about 27% of total costs. In contrast, costs for IT and outsourcing each amount to 35%.
- On average, paper-based transactions amount to only 0.47% of all transactions. However, they account for 26% of total costs. Thus they offer the potential for significant cost reductions, especially for participants with large retail customer bases.
- Processing costs for paper-based transactions vary between 28 euro cents and 94 euro cents per transaction. Variances are due to differences in quality of processes, required IT support as well as staff costs. Our study did not find a direct connection between increased transaction volumes and cost efficiency.
- Costs of disposition and clearing processes vary between 0.48 euro cents and 4.36 euro cents per transaction. High

## Optimising payments process costs

# Second Benchmarking Study

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transaction volumes tend to reduce unit costs.

- Complaint handling is impacted by the organisation of processes as well as technical productivity support by IT. These determine the speed with which complaints can be resolved. Productivity varies between 1,500 and 7,900 transactions per staff member annually.

### Conclusion of the benchmarking study

It remains unclear whether outsourcing or economies of scale result in optimal cost structures. None of the participating institutions emerged as a "champion" of the analysed processes. All institutions still show potential for further process cost reductions. Participating in the study thus provided deep insights into the cost structures of market participants and pointed to important options for cost optimisation.

### Our services

PPI and ibi Research invite you to participate in the second benchmarking study. Data collection for benchmarking will be based on costs and volumes of the previous year, like:

- Transaction volumes for SEPA transactions and international payments
- Costs for personnel, IT and materials as well as for outsourced processes
- Collection of costs of main processes

### Scope of services

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#### Second benchmarking study

The second benchmarking study for financial institutions takes up the findings of the first study. PPI and ibi Research provide the professional project team which will validate the study findings. The key aspects of the second benchmarking study are the following:

- Analysis of payments processes
- Calculation of product costs
- Evaluation of quality indices to optimise and control processes
- Revaluation of efficiency and cost-efficiency of the processes

#### PPI study methods

- Process analysis
- Product costing
- Six Sigma
- Root cause analysis
- 5 why method

### For questions an further information:

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