

Luminor

**There were more than  
100 functional  
requirements - SAP  
solution met them all**

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Luminor

# About Luminor Bank and the project:

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Luminor is the 3rd largest retail bank in the Baltic banking market with a wide customer base of around 870 000 customers and around 2 300 working professionals. In the Baltic region, it has a market share of 14.9% in deposits and 16.9% in lending as at the end of March 2021. Luminor has total shareholders' equity of 1.7 billion EUR and a CET1 ratio of 23.4%.

Luminor Bank was looking for a powerful activity-based costing solution that provided multi-dimensional views on all costs and would help to make a decision-making process more efficient and transparent. After creating a tender and defining at least 100 functional requirements to the software providers, Luminor decided that the SAP Profitability and Performance Management solution met their needs most precisely of all.

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## Main objectives were:

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- Capturing all costs in multi-dimensional views and consolidating all data in one place;
- Ensuring precise profitability measuring and pricing through establishing a connection of all cost amounts to products, customers, channels;
- Efficiency assessment and understanding of activities and components generating the cost, optimization of processes;
- Alignment and comparison of processes and relevant costs across countries;
- Precise decision-making regarding closure or introduction of new products, pricing decisions, incl. discounts for customers (while still keeping them profitable);
- Management of the service models: e.g. selection of the channel for selling product, re-organization of the tasks between different job positions.



Together with experts from developing and implementation partners from MSG Global and SIA Infotrust, **the team from Luminor was able to deliver the project just in 7 months – on time and on budget**, which benefited in reaching complete transparency of costs, efficient understanding of cost optimization and competitive advantages and generating process and cost comparisons across all countries.

**Luminor**



**Jurijs Māsāns**

The profitability area manager from  
Luminor Bank



**Māris Svilāns**

CEO at implementation partner  
SIA Infotrust



**Ainars Bemberis**

Country manager of SAP Latvia

## Introduction to the interview:

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During SAP Talk & Show Baltics held in March 2021, Jurijs Māsāns, the profitability area manager from Luminor Bank, Māris Svilāns, CEO at implementation partner SIA Infotrust and Ainars Bemberis, country manager of SAP Latvia, discussed the challenges that made Luminor Bank choose SAP Profitability and Performance Management and the implementing process resulting the possibilities to gain insights to manage, govern and improve finance and business processes at lower costs.

**A: Hi, thank you for hosting us today. Could you please tell a little bit about yourself and about the company which you are representing?**

J: So, my name is Jurijs Māsāns. I'm working in Luminor Bank as a profitability area manager in a profitability management department. Luminor Bank is a universal bank that is operating in all three Baltic countries - Estonia, Latvia, and Lithuania. It provides services to both private customers and corporate clients.

**A: Thank you. Now, let us talk about the challenges. So, what we can see from the market is that many companies have challenging times and you were in the challenge as well. Can you tell us what was the challenge and how did you come to the conclusion that you need to do something?**

J: Luminor Bank is a very young bank. It was established just a little bit more than three years ago as a merger of two very different banks - Norwegian DNB and Finnish Nordea. The main challenge for Luminor

Bank is to consolidate and combine all the data which is available in those two banks together. It was the main challenge from the very beginning - to be able to consolidate all data in one place. That is what we were doing and what our team was meant to do.

**A: How did you decide that something has to be changed during these mergers?**

J: It was clear from the very beginning that it is not possible to manage such a big bank – as I have mentioned earlier, Luminor Bank is the third-largest bank in the Baltic countries. The data was very scattered between different systems. In many cases, there were just Excel files with different data. Businesses were analyzing just their part of the area and there wasn't any system that would provide a holistic view of the overall situation in the bank. So, the primary need was to consolidate and put together all data into one place.

**A: And then you started some selection process to satisfy these challenges. How**

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**It was clear from the very beginning that it is not possible to manage such a big bank – as I have mentioned earlier, Luminor Bank is the third-largest bank in the Baltic countries.**

**did you come up with partnering with Infotrust as an SAP partner?**

J: Yes. Our team was in charge of bringing the software to the bank. We prepared all the documents needed for the tender, created the public tender for software developers, we have also written at least 100 functional requirements to the software providers, and we were speaking with each of them.

Participants of the tender were describing their solutions and we were following which out of those 100 requirements are fulfilled or not. In the end, after the process ended, we decided that the SAP solution met our needs most precisely and we decided to go further with the SAP Profitability and Performance Management solution.

As a partner, we selected Infotrust which was a natural decision because Infotrust is a representative of SAP in Baltic countries and also because Infotrust was a long-term partner for the predecessor of Luminor Bank. We were aware that experts are working there and that the service level is very high.

**A: We can see from the previous projects that choosing the right system for fixing problems is the one side of the coin. Another side is doing a physical implementation of the system. How did you work with a project implementation? Because sometimes you need to do your daily job and as well as you need to do the implementation process. How it was happening in Luminor Bank?**

J: In the profitability management department of the Luminor Bank a special team was formed which was working full-time on the implementation of the project. I was and still am a member of this profitability team. We are implementing software solutions needed for the performance management department, our task is not only implementing the solution as such but we are also dealing with all other things related to the project. Previously, we were working also on purchasing hardware and were making arrangements with our IT department to bring and to provide the access rights to all the final users of the system.

I should say that it was quite an intense time because we had a very strict deadline - we started the project in February and it had to be finished in November of the same year.

So, we had just nine months to implement the project from scratch and the scope of the project was huge but I'm happy that we managed to do it with the help of partners and experts from MSG Global and SAP consultants. We managed to deliver the project on time and budget and we also received an appraisal also from the management board of the bank.

**A: I believe you could be very proud because in every project implementation the time and the budget are the main KPIs that everybody wants to follow, congratulations! But now you've been working with a solution for a while what are the first results you could share with us and others who are watching this show?**

J: Currently, it is already more than one year since the system is working. We are supporting the system and making sure that it is working. We have developed the activity-based costing model (ABC) for Luminor Bank. It provides a comprehensive analysis of bank expenses which means we can present to the business a very detailed view on an age-specific item of the bank's costs. In other words, the system can provide a multi-dimensional view of the expenses.

Here I can mention just several things what is very important for the bank. For example, with the help of the system we can spot the areas that need optimization or maybe some improvements should be introduced there. Because the data can be compared between different countries, if we

see that costs of the same activity in one country is much higher than in other countries, then we can already say that maybe it's a good thing to optimize this activity.

The next important thing that we can give to the product owners is a very detailed analysis of the costs of their product - they can see how much it costs, for example, to provide a mortgage loan to the customer, which units are working on it, how much it takes for all the front office as well as for back office to provide this product and so on. Luminor Bank would like to be a data-driven organization - that is why we would like to have well-developed databases and data sets.

I would say that ABC cost data represents this view because it combines all the details and all the dimensions which are needed for the Luminor Bank in one place, and we can deep dive into the analysis of the costs of the bank.

**A: And rely on data which you're receiving and what analysis you are getting for the business?**

J: Yes. We are ensuring that the data is accurate, correct, comparable and that it represents the full scope across countries.



**When we started directly the process of developing the system, at first, together with consultants from MSG Global we have drawn the very detailed structure of which models we should have.**

**A: Now, you've been working with the system for quite a while – you passed all the journey from implementing to selecting it. What are tips and tricks you could share with our audience today – what is crucial before choosing between going into the project and also working with the system?**

J: I can share our own experience of how we managed to do it on time and a budget. First of all, we have developed the framework for the activity-based costing model beforehand. So, when we started the project we already had a well-developed plan of what should be inside, what are our expectations from the system and its requirements, what it should cover.

When we started directly the process of developing the system, at first, together with consultants from MSG Global we have drawn the very detailed structure of which models we should have.

The most important was the first module which is taking data from different sources what the bank has combined. This module is doing data transformation, combining, and enrichment. The second module is doing re-allocation of costs between different departments. The third module is doing allocations to the final cost objects. We were splitting costs to the products and customer segments. And the next module is reporting where we take data from different parts of the ABC model and providing data to the end-users.

So, this was the most important thing - that we had these blocks developed on paper before we start pro-

gramming and developing the software. The second part is close cooperation with our consultants and also with the local idea support from the bank so that the system works fine on the hardware which is available in the bank and that we know beforehand how we're going to deal with access rights of the end-users.

Also, the close cooperation with all related stakeholders was important because the system involves cost allocation rules and we had to ensure that the business understands how the costs are being allocated from different support functions to the front office services, what they are providing and that's why we were doing it.

I would advise having this close cooperation between all the stakeholders who are involved so that the output represents the data that is approved and is known also for all involved parties.

**A: Jurijs, thank you so much for sharing your experience working with SAP Profitability and Performance Management. I wish you the best of luck in the future and let's hope you will not stop on this and will continue your journey internally.**

Now we are going to visit our partner Infotrust to learn from their experience regarding project implementation.

**A: Hi Māris, thank you for hosting us. Today we would like to talk with you regarding your experience and your view of your project with Luminor Bank. But before we start, could you please introduce yourself and the company which you are representing?**

M: Of course. My name is Māris Svilāns and I am a managing director of Infotrust. We are a data management and data analytics company with offices in Riga and Vilnius where our 50 consultants are delivering data solutions for our customers.

**A: Okey, could you please share what industries do you represent?**

M: We started with financial services - with banks and insurance companies with over 30 customers in that industry. But over the years we acquired know-

ledge also of healthcare, retail, logistics industries. Now we have around 200 companies using our delivery solutions.

**A: That's impressive, thank you! So, let's talk about the customers and your approach. Imagine that you are the customer, and you want to achieve some kind of results. And now being a partner and providing the services to the customers - how are you working with these expectations to get the results for the customers? In other words, what makes you unique?**

M: What makes us unique is our experience in the market. For 20 years we have delivered the solutions over and over, but it's in combination with our continuous learning of new technologies and making these technologies what works for the customer.

In other words, we are making fewer errors. The second thing is our passion - we love what we do and we are proud of the solutions that we deliver and we are eager to see success for customers.



**A: That's important nowadays because successful customers are the key. Now let's focus on the Luminor Bank project. Could you please tell us a bit about the project and how it worked out?**

M: I have to give a big credit to the customer financial team because they have a very clear vision of what they want to achieve. Having such a vision paired with the help of our experts was the reason we were able to deliver the project on time on a budget in seven months. It was also possible with the help of internal Infotrust people, banking people, and our partners from MSG Global. We at Infotrust are always eager to help our customers to achieve their vision.

**A: On time and budget.**

M: Exactly.

**A: I believe that partner selection is key to that success. As an expert, you mentioned you're working for more than 20 years in**

**this area, and you have implemented various projects. What would you advise for our Talk&Show watchers today? What would be the advice for these or similar kind of projects coming into?**

M: Well, first, a profitability project as such is not just another financial report. You have to look at it as a process that is connecting all the activities company is doing with all the products and services. That process enables to discover where profits are being made. Sometimes even more important than their profits are not being made. That empowers the decision-makers to understand what actions they have to take to navigate their companies in volatile markets.

**A: And what would you see as a key factor to having successful implementations from this kind of project or other projects as an expert?**

M: It has to be the stakeholder and decision-maker involvement in this process to facilitate the change. Because technology is the only enabler to connect the data with techno-



**One part of the future is where the technology is heading – to make all things slightly or much better.**

logy and provide answers. But management has to take action on the data to make change happens. Data sometimes helps not only to understand where this change has to be made but also to explain to others why we have to make this change. That way the decisions are becoming even more transparent to others. Management has clear reasons why they have to do this change, but the result is better profitability, more streamlined operations, and a more sustainable company.

**A: Yes, correct. Now let's talk about the future. What we see that technology in most cases is a game-changer. What do you see in the future, what could you predict?**

M: One part of the future is where the technology is heading – to make all things slightly or much better. As an example, the same profitability as a concept is nothing new, it has been here for decades. Only we had the data available once per month because this is when the data was ready. Now, this is changing to more real-time.

The second example was the data granularity level. Typically, you had aggregated data on product segments or product groups on weekly or monthly data. Now, with the help of technologies, you can have very granular data of the lowest details. It's similar to when you are taking a photo with the old crappy camera - you can shoot a photo of a nice flower, but when you want to enlarge it - you get bloody pixels. But if you have the right technology with a good camera resolution and optics, you can get high-resolution images where you can zoom in and still have perfect details.

So, the technology is enabling companies to see data about their operations in a high-resolution mode, to understand all the activities and processes, and combine them to make smarter decisions based on the granular data levels.

**A: Great example, thank you. Then regarding the cloud – it is not a secret we have a major**

**focus on the cloud going forwards. How do you see regarding two aspects – the cloud and customer experience? How would you comment on these factors in the future?**

M: Our cloud is bringing many good possibilities for the customers. First of all, customers have invested in solutions that already work on the premise. Customers can continue using them, but the cloud can bring new additional technological advancements, for example, combining on-premise data analytics solutions with cloud-based predictive analytics or planning capabilities, even profitability analytics.

With the cloud, we can get these solutions faster to the market, because as there is no need to install something or to procure servers infrastructure. But in a hybrid model, you can connect your existing data to cloud solutions, and on the very next day, you can have the solutions already working for you.

**A: Thank you. Any closing notes for our audience or any other pieces of advice which you could bring on?**

M: On the closing note I think I would suggest companies look for analytics solutions or profitability solutions consider few things. First of all, they have to get a partner who has experience delivering these solutions as an advisor. If they want to change something, then you can look at how others have done it, and that way you would avoid making some mistakes. The second, of course, is to make fewer errors.

**A: Yes, thank you Māris for sharing your experience, and thank you again for hosting us today. I wish you the best of luck and best of success in your business in the next projects and I hope to see you next time.**

M: Thanks! We are glad to be partners with SAP.

**A: Thank you both Jurijs and Māris for your participation in SAP Talk&Show and also thank you for sharing your journeys with us today. I wish you a very pleasant day and see you next time.**

**Watch here>>** <https://youtu.be/IRiJ8MYtxWs>

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## About Luminor Bank:

Luminor is the 3rd largest financial services provider in the Baltic region. They have a wide customer base of around 900 000 customers and almost 3000 working professionals. Luminor is a new generation bank and a financial services provider for local businesses and financially active individuals, with a special focus on small and medium-sized companies. Their vision is to become the best possible ecosystem for their customers.

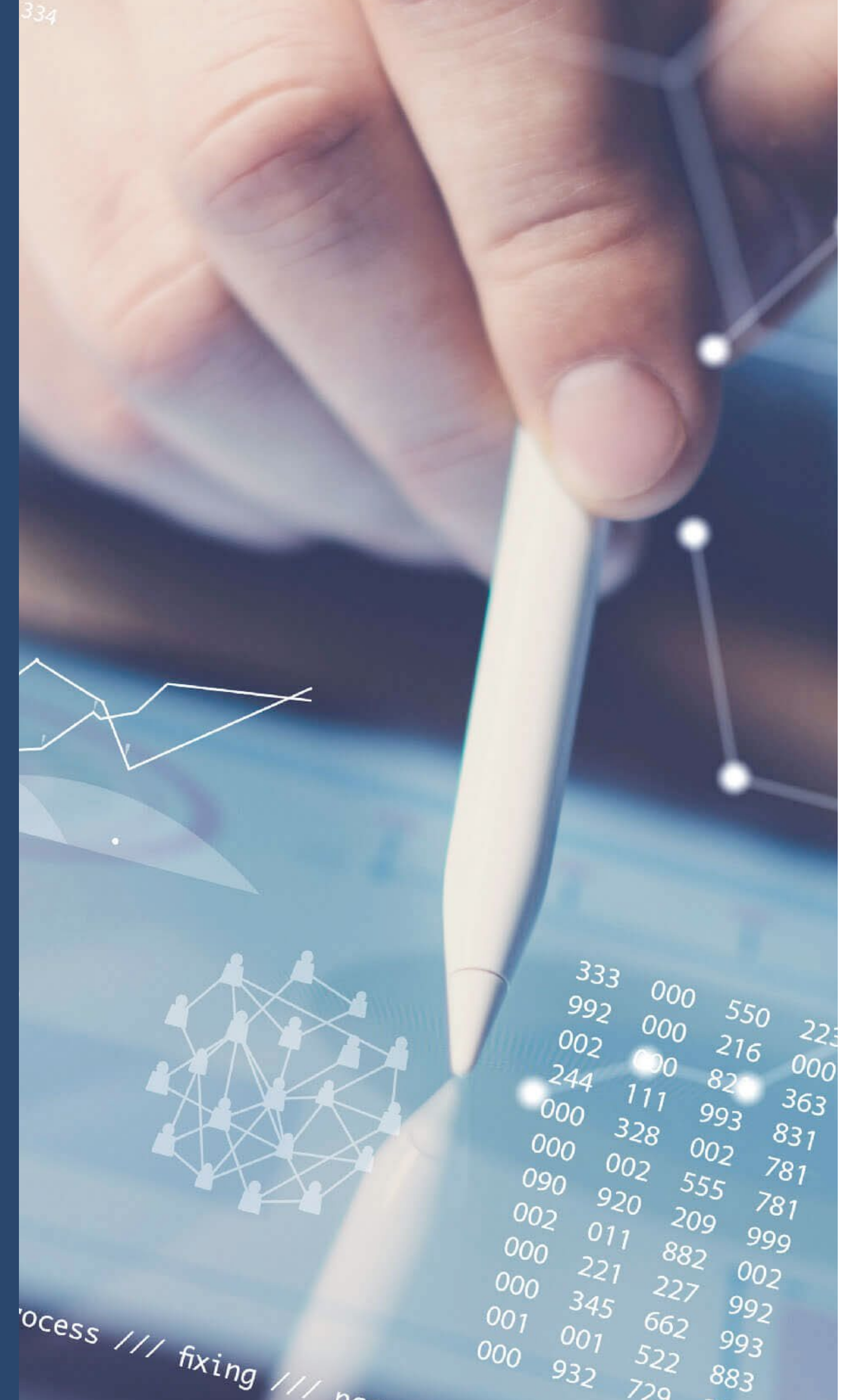
## About SAP Profitability and Performance Management (PaPM):

SAP Profitability and Performance Management (PaPM) is a native SAP HANA solution that maintains and executes complex calculations, rules, and simulations. With no set data model, it is highly flexible and enables you to create high-speed profitability and cost analysis with minimal IT involvement. SAP PaPM helps businesses take control over large data volumes and empower them to make better strategic data-driven decisions.

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## About Infotrust, SIA:

Infotrust, SIA is an international consultancy company, delivering business intelligence services and solutions in a rock-solid, ultra-fast performance context that simply does not get any better or any more reliable. Infotrust are experts in big data and predictive analytics solutions, with comprehensive experience in building SAP data warehouses based on SAP HANA, SAP IQ. Infotrust, SIA also has five years strong records in partnering with Qlik.



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