

SOA PROVES TO BE A SMART INVESTMENT FOR BANK MANDIRI



Customer

Mandiri's story is one of phenomenal success. The bank was formed more than 10 years ago as part of a government restructuring program. One year later, it became Indonesia's largest bank after a four-bank merger. Mandiri holds 25 percent of the market share in assets and liabilities. The bank employs 21,000 people and has more than 3,200 ATMs and nearly 1,000 branches. Operating profit grew nearly 80 percent in one year, from 2006 to 2007, to more than \$450 million. Fee-based income grew nearly 30 percent during that same time to more than \$336 million.

Industry

Financial Services

Opportunity

- Reduce time and cost of transactions
- Deliver innovative "cashless" payment solutions

Solution Set

webMethods Suite

Key Benefits

- Faster transactions—more than seven times faster than before
- Improved customer satisfaction and retention
- Increased fee-based income, thanks to an increase in transactions
- Significantly less errors because processing is on a single system
- Implementation completed three times faster than expected—in just one month



WINNER OF **7** INDUSTRY AWARDS

TRANSACTIONS
>7x FASTER

0 HAND-OFFS
BETWEEN
SYSTEMS

REDUCED
PROCESSING ERRORS &
COSTS



Challenge

Bank Mandiri aims to be Indonesia's most progressive and innovative supply chain bank for corporate customers and the preferred transaction bank for consumers. To achieve this goal, the bank wants to transform its payment processes to significantly reduce the time and cost of transactions as well as to fuel revenue growth.

Solution

Mandiri creates a new payments platform using webMethods technology. Based on a Service-Oriented Architecture (SOA), the platform enables Mandiri to deliver highly efficient, competitively priced electronic payment and transaction services in a uniform way across multiple channels and touchpoints. This value-added capability increases customer satisfaction while leveraging existing applications.

"We were able to reduce processing time and, thus, reduce the processing cost ... this new system, which allows us to take over parts of business processes of our corporate customers, adds value for Mandiri and gives us a competitive edge over other banks."

— **Bp Suresh Gummalam** | Senior VP and Group Head, Business Solutions & Application Services, Bank Mandiri

Making processes a competitive advantage

Payments products and services are a critical revenue stream for Bank Mandiri, according to Bp Suresh Gummalam, senior vice president and head of Business Solutions and Application Services. That is why, in 2006, the bank decided to transform its payment processes. This transformation would:

- Give customers more options for reliable payment services at a low cost
- Enable Mandiri to deliver innovative payment solutions
- Anchor Mandiri as the dominant and preferred partner for Indonesia's move to a cashless society
- Bank Mandiri chose webMethods to make its process transformation based on the ease, speed and depth of webMethods integration capabilities

Investing in the right solution

Indonesia's state oil company and Mandiri's largest corporate customer—Pertamina—was the first to benefit from the new capability. webMethods Integration Server, an Enterprise Service Bus (ESB), provided host-to-host integration between Pertamina's SAP® system, the core banking system and a Web ordering system.

Going live three weeks after development, the project was an immediate success. Pertamina's customers were able to order and pay for gas in less than two minutes. Before, this process took 15 minutes because different parts of the process were performed by different systems. Now

there are no hand offs between systems, which reduces errors significantly. Highly flexible, the system uses low-cost payment collection points through Mandiri's existing distribution network, including branches, ATMs and the Internet. The bank has total flexibility in its choice of messaging technology. That choice can range from simple text files to standard ISO8583 format to Web services.

Success—faster and at less cost

"The solution itself was a successful one in its design and delivery, and it was the webMethods platform that made it happen," Gummalam said.

In the past, setting up a new host-to-host bill payment required software customization for each delivery channel—for example, ATM, SMS, phone or Internet banking—as well as on the payment gateway, he explained. It could take an average of 100 days of outsourced professional services.

Now, with the new platform, a universal interface to all delivery channels and a universal parameterized gateway to external billers eliminate most of the custom work. This reduces time-to-market as well as minimizes errors and risk of service disruption.

"The total effort required to register and set up a new biller with a specific host-to-host messaging protocol is significantly reduced to just 20 man days," Gummalam said. "If we were to multiply the number of billers that has enrolled in a year, the savings in time and cost is extremely huge."

Customizable bill presentment and payment services are now easy and fast to deploy, increasing customer satisfaction and retention. Mandiri can provide many types of bill presentment and payment services while adapting to the customer's business process—rather than forcing the customer to adapt to Mandiri.

A real boost to business

SOA has proven a smart investment for Mandiri; it's helped solidify Mandiri's position as the nation's most progressive supply chain bank. Eleven corporate customers with nearly 100,000 transactions signed up for the service in its first year. Low set-up costs and fast installations (now completed in just one month) are sure to attract even more customers.

For this project, Mandiri won seven industry awards, including Best Retail Payment Project by Asian Banker and Bank of the Year in Indonesia by Banker Magazine.

All told, Mandiri's SOA initiative has created a paradigm shift in Indonesia's banking industry. Not only was Mandiri able to build a stronger relationships with its customers, the bank also uncovered a new revenue source.

"The innovation does not stop here, however," Gummalam said. "With the SOA platform already in place, the next step is to move beyond speed and cost to offering varying degree of service level assurance tailored to customer's varying needs ... we plan to provide our customers with ample options for reliable payment services at low cost."

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