Topic: FAO Service Provider Landscape – Survival and Growth in the Crowded FAO Market

Finance and Accounting Outsourcing (FAO)
Report: June 2012 – Preview Deck

EGR-2012-1-PD-0699

Our research offerings for global services

Subscription information

- The full report is included in the following subscription(s)
  - Finance & accounting
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us:
  - info@everestgrp.com
  - +1-214-451-3110

Market Vista
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

Banking, financial services, insurance	**Healthcare**	**Finance & accounting**
Procurement	**Information technology**	**Cloud Vista**
Human resources	**Recruitment process**	**Global sourcing**
PricePoint	**Service provider Intelligence**	**Transaction Intelligence**

Custom research capabilities
- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies

Table of contents (page 1 of 2)

Everest Group
RESEARCH

Table of contents (page 2 of 2)

Everest Group RESEARCH

Background and methodology of the research

Background of the research

The global multi-process FAO market witnessed a growth rate of 12% in 2011, slower when compared to the growth of 18% in 2010. This is a sign of market movement towards maturity.

With the market maturing, the competition intensity is at an all-time high. The consolidation activity in 2011 further complicated this. As a result, it is becoming difficult to differentiate service providers purely based on delivery capability. Service providers are thus making investments across various areas to create innovative FAO solutions and offer differentiated value proposition, in order to stand out in the crowded FAO market.

In this research, we analyse the global FAO service provider landscape in 2011. We focus on

- Position of 20+ service providers on the Everest Group PEAK Matrix for FAO
- 2012 Star Performers
- Service provider delivery capability assessment
- Emerging service provider trends

The scope and methodology of this report include

- Third-party FAO deals; it does not include shared services or captives
- 690+ multi-process FAO deals signed as of 2011 with a minimum of two F&A processes, over US$1 million in ACV, and a minimum contract term of three years
- Coverage across 20+ FAO service providers with multi-process capability including Aditya Birla Minacs, Accenture, Capgemini, Cognizant, Datamatics, EXL Service, Genpact, HCL, HP, IBM, iGATE, Infosys BPO, IQ BackOffice, Mahindra IT & Business Services, Serco, Steria, Sutherland Global Services, TCS, Wipro, WNS, Xchanging, and Xerox

This report is based on two key sources of proprietary information

1

- Proprietary database of **690+ multi-process FAO contracts** (updated annually)
- The database tracks the following elements of each multi-process FAO contract:
  - Buyer details including industry, size, and signing region
  - Contract details including total cumulative value (TCV), annualized contract value (ACV), term, start date, service provider FTEs, and pricing structure
  - Scope including buyer geography and functional activities
  - Technology including core F&A technology, service provider -provided tools (if any), ownership, and maintenance
  - Global sourcing including delivery locations and level of offshoring

2

- Proprietary database of **operational capability of 20+ FAO service providers** (updated annually)
- The database tracks the following capability elements for each service provider
  - Key leaders
  - Major FAO clients and recent wins
  - Overall revenues, total, and F&A employees
  - Recent F&A related developments
  - FAO revenue split by geography, industry, and client size
  - FAO delivery locations
  - FAO service suite
  - Quality certifications and credit rating
  - F&A related technology capability

Service providers covered in the analysis

accenture, Aditya Birla Minacs, Cognizant, Capgemini, Datamatics, EXL, Genpact, HCL, hp, IBM, iGATE, Infosys, IQ BackOffice, serco, Sutherland Global Services, steria, Tata Consultancy Services, Tech Mahindra[1], Wipro, WNS, Xchanging, xerox

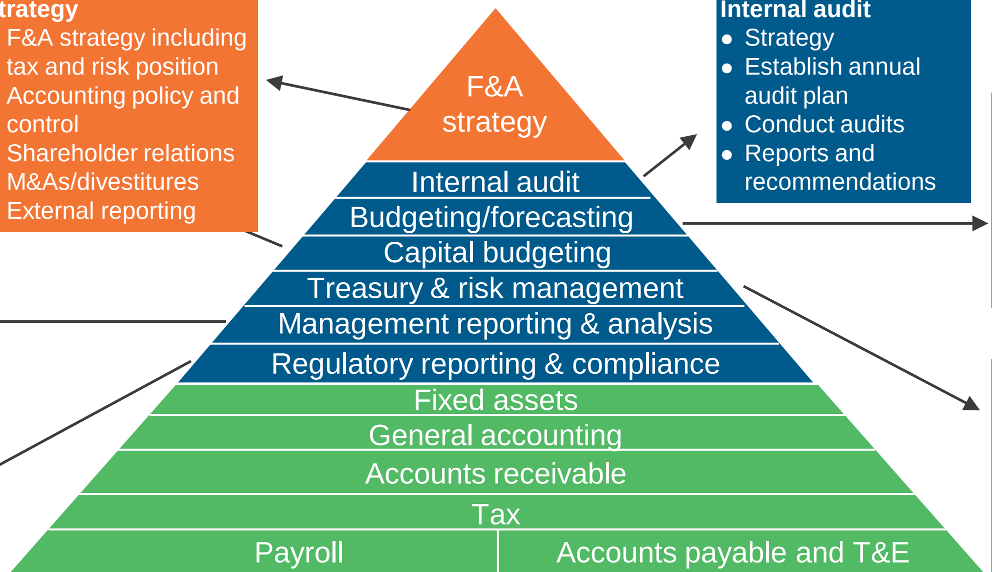
1 In this study, we have considered data for both entities, i.e.. Tech Mahindra and Mahindra Satyam, and called the combined entity as Mahindra IT & Business Services

Note: We continuously monitor the market and update the above list to include emerging service providers such as Consero, SourceHOV, NCO, and Quatrro

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract specific will only be presented back to the industry in an aggregated fashion

The scope of FAO services includes both transaction-intensive and judgment-intensive processes

Strategy
Judgment-intensive
Transaction-intensive



Capital budgeting
- Strategy
- Administer approval process
- Project reporting

Management reporting and analysis
- Strategy
- Regular reporting
- Data extraction
- Analysis
  - Ad hoc analysis and special projects
  - Cost accounting

Regulatory reporting and compliance
- Strategy
- Data extraction
- Analysis and MD&A
- Regulatory reporting
- Compliance program

Strategy
- F&A strategy including tax and risk position
- Accounting policy and control
- Shareholder relations
- M&As/divestitures
- External reporting

Internal audit
- Strategy
- Establish annual audit plan
- Conduct audits
- Reports and recommendations

Budgeting/forecasting
- Strategy
- Budget analysis and approval process
- Build-line item budget
- Forecast roll-ups and consolidation
- Forecast analysis and approval process

Treasury and risk management
- Strategy
- Bank relations and administration
- Cash management and forecasting
- Investments
- Debt management
- Foreign exchange
- Treasury risk management

Payroll
- Strategy
- Earnings
- Deductions
- Checks and EFT
- Reconciliation
- Third-party payments
- Tax reporting and filing
- Vendor management

Tax
- Strategy
- Tax accounting
- Tax planning and analysis
- Tax compliance
- Tax audit

Accounts receivable
- Strategy
- Customer set-up
- Billing
- Cash applications
- Credit and collections
- Customer inquiries
- Reporting

General accounting
- Strategy
- Process general entries
- Account reconciliations
- Inter-company accounting
- Prepare trial balances
- Perform closings
- Manage consolidations
- Cost accounting

Fixed assets
- Maintain master data
- M/A/C of assets
- Post depreciation

Accounts payable
- Strategy
- Maintain master data
- Process payment requests
- Process T&E claims
- Administer EDI/P-card
- Month-end close
- Vendor inquiries
- Reporting

Overview and abbreviated summary of key messages
(page 1 of 2)

This report examines the global FAO service provider landscape and its impact on the FAO market. It focuses on service provider position and growth in the FAO market, changing market dynamics and emerging service provider trends, and assessment of service provider delivery capabilities. It also identifies the key implications of the research findings for buyers and service providers.

Some of the findings in this report, among others, are:

Everest Group PEAK Matrix for FAO

- Everest Group classifies 20+ FAO service providers on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix into the three categories of Leaders, Major Contenders, and Emerging Players
- The competitive intensity in the FAO market is at all-time high. There are six service providers in the Leaders category (Accenture, Capgemini, Genpact, IBM, Infosys, and TCS) and several Major Contenders (HP, Wipro, WNS, and Xerox) that are closing gap with Leaders

2012 FAO Star Performers

- Based on the YoY movement of different service providers on the PEAK Matrix, Everest Group identified five service providers as the "2012 FAO Market Star Performers" – Accenture, Capgemini, Genpact, IBM, and TCS
- Beyond the 2012 Star Performers, several service providers (EXL Service, HCL, Infosys, and WNS) noticeably enhanced their positioning on the FAO PEAK Matrix

EGR-2012-1-PD-0699

Overview and abbreviated summary of key messages
(page 2 of 2)

Service provider delivery capability assessment

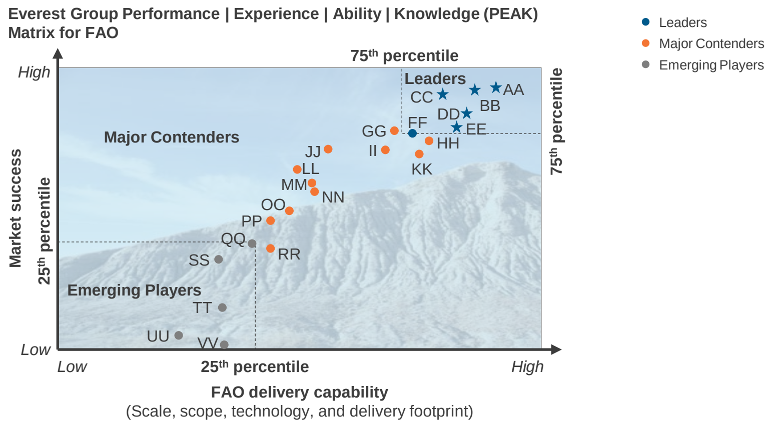
- We assessed the overall FAO delivery capability by evaluating each service provider along four dimensions – scale, scope, technology, and delivery footprint
- While the gap between the Leaders and Major Contenders is diminishing, Emerging Players continue to lag behind across most parameters
- PEAK Leaders hold a clear advantage in scale over Major Contenders
- Both Leaders and Major Contenders have a broader industry and geographic coverage as compared to Emerging players

Emerging service provider trends

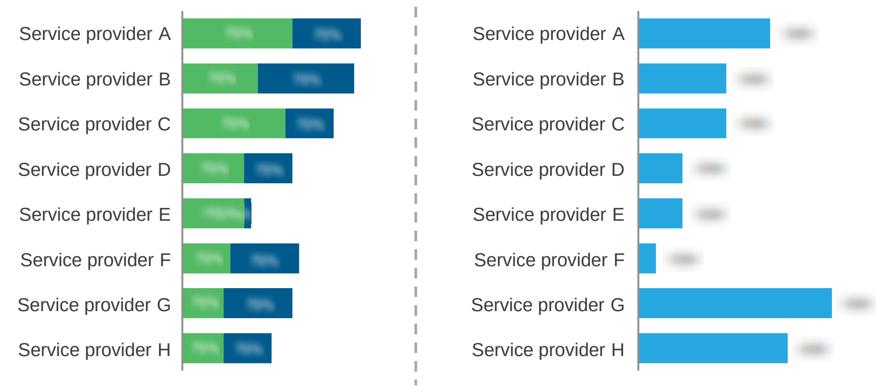
- With increasing competitive intensity in the FAO market, it is becoming difficult to differentiate service providers purely based on delivery capability
- Thus, service providers continued to differentiate themselves along multiple dimensions, with inorganic growth being a key strategy to augment their capabilities
- This dimensions include focus on new buyer segments, greater investments in technology, building industry-specific expertise, focus on judgment-intensive processes and specialized offerings, and developing process-led FAO solutions

This study offers four distinct chapters providing a deep dive into key aspects of FAO service provider landscape; below are four charts to illustrate the depth of the report

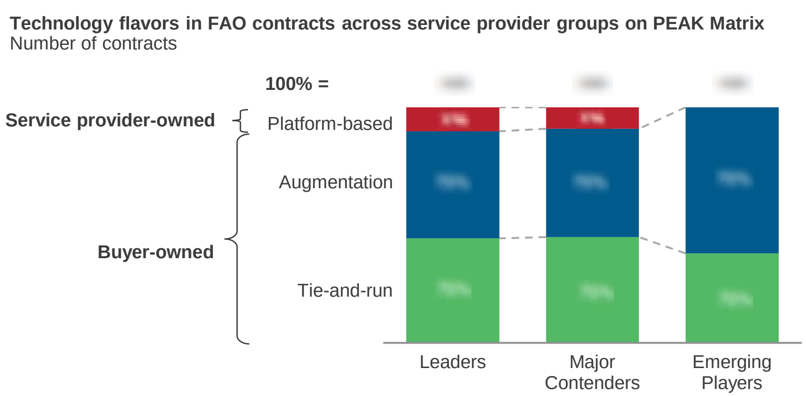
Everest Group PEAK Matrix for FAO



Global FAO service provider market share



Service provider assessment parameters – Technology



Emerging service provider trends

Source: Everest Group (2012)

FAO research agenda (page 1 of 4)

Published | Current | Upcoming

Topic	Goals of the research	Release date
2012 Market Predictions	Everest Group's analysts have released their complimentary 2102 predictions for key outsourcing and offshoring markets	December-2011
Process Innovation in FAO – Emergence of "World-Class Lift-Shift-and-Fix" Offerings	The increasing maturity of the global FAO market is driving innovation across multiple dimensions. These dimensions include changing value-lever mix, creating differentiated service offerings, targeting new market segments, and evolving contractual design. Developing process innovation models and frameworks to drive best-in-class performance emerged as one of the key focus areas for most service providers in recent years. In this research study, we analyze process innovation models and frameworks	January-2012
Webinar Deck: 2012 Global Services Market Predictions: Context, Growth, Disruption	A panel of Everest Group Analysts will discuss market predictions for the following areas: Service Provider Intelligence, Global Sourcing, Information Technology Outsourcing, Finance and Accounting Outsourcing, Procurement Outsourcing, Human Resources Outsourcing, and Banking, Financial Services, Insurance Outsourcing. Key themes across all areas that will be discussed are context, growth, and disruption	January-2012
Achieving Best-in-Class BPO – Secrets Unveiled	As Business Process Outsourcing (BPO) matures, companies and service providers must look for the next source of value – labor arbitrage is important, but not sufficient. In particular, the industry is seeking to create value propositions that achieve cost savings while also delivering other sources of value. The results show a vivid difference in the approach and mindset of best-in-class	January-2012

FAO research agenda (page 2 of 4)

Published | Current | Upcoming

Topic	Goals of the research	Release date
Industry-specific FAO and a Deep Dive on Healthcare Providers	While FAO is largely considered a horizontal BPO offering, in recent years, service providers have increasingly shifted their focus on specific industries, both in terms of service offerings and sales strategy, to drive greater penetration. This report investigates some such instances visible in the FAO market and takes an in-depth look at one of the key industry segments – healthcare providers	February-2012
FAO Annual Report: The FAO Market – Signaling Towards Maturity	Overview of the overall FAO market in 2011 with size & growth of market, contract characteristics, value proposition, service provider rating and market outlook for 2012	April-2012
Is BPaaS the model for you?	This research aims to compare Total Cost of Ownership (TCO) of Business Process as a Service (BPaaS) solutions with traditional BPO using a comprehensive financial model and create a comprehensive framework to evaluate BPaaS sourcing	April-2012
FAO Service Provider Landscape – Survival and Growth in the Crowded Market	In this research study, we analyze the fast-changing global FAO service provider landscape and its impact on the FAO market. We focus on providing a comprehensive analysis of the FAO service provider landscape along multiple dimensions and assess service providers to position them in the Everest Group PEAK matrix	Q2-2012

FAO research agenda (page 3 of 4)

Published Current Upcoming

Topic	Goals of the research	Release date
FAO Service Provider Compendium	Profile 20+ established FAO service providers across various dimensions including overall revenues, FTEs strength, key delivery locations, FAO service suite, market positioning, overall FAO delivery capability assessment, and Everest Research perspective on service provider	Q2-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Procure-to-Pay (P2P)	BPO market is now in a mature state with a well-established value proposition and demonstrated service provider capabilities. As the value proposition expands beyond cost arbitrage to improving business outcomes, buyers are considering an end-to-end approach as opposed to a functional piecemeal approach. In this study, we investigate the business value and the market state of an end-to-end Procure-to-Pay (P2P) process	Q3-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Record-to-Report (R2R)	Traditionally, the FAO value proposition has focused on providing direct-cost advantage by outsourcing transactional processes like General Accounting. However, buyers are now willing to expand the scope to include end-to-end processes like Record-to-Report (R2R) that impact metrics related to business outcomes like efficient close cycle, fixing of bad debts, and improving compliance. In this study, we investigate the business value and the market state for outsourcing R2R processes	Q3-2012

FAO research agenda (page 4 of 4)

Published | Current | Upcoming

Topic	Goals of the research	Release date
Unlocking Value From End-to-End Process Outsourcing: Focus on Order-to-Cash (O2C)	Everest Group analysis suggests that O2C is the single largest segment in the global FAO market, accounting for nearly 35% of the market size. O2C BPO services can help clients reduce revenue leakage, accelerate the cash-flow cycle and limit bad debt expense-outcomes that clients are increasingly demanding in the current economic scenario. In this study, we investigate the business value and the market state of expanding beyond Accounts Receivable to an end-to-end Order-to-Cash (O2C) process	Q4-2012
Industry-specific FAO and a Deep Dive in the Retail Industry	While FAO is largely considered a horizontal BPO offering, in recent years, service providers have increasingly shifted their focus on specific industries, both in terms of service offerings and sales strategy, to drive greater penetration. This report investigates some such instances visible in the FAO market and takes an in-depth look at one of the key industry segments – retail	Q4-2012
FAO Annual Report	Overview of the overall FAO market in 2012 with size & growth of market, contract characteristics, value proposition, service provider rating and market outlook for 2013	Q1-2013

Additional FAO research references

The following documents are recommended for additional insight into the topic covered in this research. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Finance and Accounting Outsourcing (FAO) Annual Report 2012: The FAO Market – Signaling Towards Maturity** (EGR-2012-1-R-0680a); 2012. In this research, we review the global multi-process FAO market in 2011 and provide guidance on the market's direction in 2012. We focus on market size and buyer adoption trends, FAO value proposition, contract characteristics across process scope, technology, global sourcing, and pricing structures, and FAO service provider landscape covering service provider's market shares and areas of investments

2. **Industry-specific FAO and Deep Dive into the U.S. Healthcare Providers** (EGR-2012-1-R-0650); 2012. In this study, we investigate the rising industry-specificity in the FAO market. We focus on understanding the need for industry-specific FAO, service provider investment themes, and industry-specific FAO in the U.S. healthcare provider space

3. **The New Frontiers: Emerging Locations in the FAO Landscape** (ERI-2011-1-R-0596); 2011. In this study, we analyze the emerging location trends in F&A outsourcing market. We focus on value proposition of global sourcing in FAO, expanding FAO delivery footprint, and new FAO delivery locations, with a spotlight on five emerging locations across the globe

4. **Global FAO Service Provider Landscape – Competitive Intensity Driving Innovation** (ERI-2011-1-R-0550); 2011.In this study, we analyze the global FAO service provider landscape in 2010. We focus on position of 20+ service providers on the Everest Group PEAK Matrix for FAO, the Star Performers of 2010, implications of increased competitive intensity, and how service providers are innovating to differentiate themselves in an increasingly globalized FAO market

For more information on this and other research published by the Everest Group, please contact us:

Saurabh Gupta, Vice President:	saurabh.gupta@everestgrp.com
Katrina Menzigian, Vice President	katrina.menzigian@everestgrp.com
Abhishek Menon, Practice Director:	abhishek.menon@everestgrp.com
Arpita Bansal, Senior Analyst:	arpita.bansal@everestgrp.com
FAO Team:	FAOresearch@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100 Phone: +1-214-451-3110
Dallas, TX 75240 Email: info@everestgrp.com

About Everest Group

Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

Everest Group

Leading clients from **insight** to ***action***

Everest Group locations

Dallas (Headquarters):	info@everestgrp.com +1-214-451-3000
New York:	info@everestgrp.com +1-646-805-4000
Toronto:	canada@everestgrp.com +1-416-865-2033
London:	unitedkingdom@everestgrp.com +44-207-887-1483
Delhi:	india@everestgrp.com +91-124-496-1000

www.everestgrp.com | research.everestgrp.com | www.sherpasinblueshirts.com