Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting

Finance & Accounting Outsourcing (FAO)
Market Report: October 2012 – Preview Deck

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Background and sources of information

Background of the research

The Finance & Accounting (F&A) function comprises three end-to-end processes – Procure-to-Pay (P2P), Order-to-Cash (O2C), and Record-to-Report (R2R). This report focuses on the third-party outsourcing of R2R activities.

General accounting and reconciliations are the most frequently outsourced R2R activities given their transaction-intensive nature. However, with increasing maturity of the FAO market, organizations are increasingly looking at outsourcing more judgment-intensive R2R activities, such as Financial Planning & Analysis (FP&A), regulatory reporting, and compliance. Further, an end-to-end, process-driven approach towards outsourcing is emerging as opposed to a piecemeal, functional approach. The role of technology and automation in R2R outsourcing is also increasing. Consequently, the value proposition is expanding beyond direct cost reduction to creating creation of favorable business outcomes around close cycle, bad debts, and regulatory compliance.

In this study, we investigate the market state of R2R outsourcing. We focus on:
- Definition, value proposition, and challenges of R2R outsourcing
- R2R outsourcing market size and growth
- The emerging and current solution trends
- R2R service provider landscape and capability assessment

Scope of study and sources of information
- The scope of this report is third-party outsourcing and does not include internal shared services
- The report provides global and cross-industry coverage of the R2R outsourcing
- The report is based on Everest Group's proprietary database of over 1,000 FAO contracts signed till the end of 2011 and operational capability of more than 20 FAO service providers that offer R2R services

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Overview and abbreviated summary of key messages

With growing maturity witnessed in the FAO market, buyers are now willing to expand the scope to include end-to-end processes such as R2R that impact metrics related to business outcomes. Also, service providers continue to make significant investments to meet buyer demands and create a differentiated offering. This report analyzes the key trends in R2R outsourcing within the FAO market. It provides an understanding of the business value, adoption characteristics, and service provider capability in R2R outsourcing.

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

Value proposition

- R2R outsourcing has a strong cost plus value proposition. It can deliver higher business value through better compliance, standardization, and reduced time-to-market

Market size and adoption

- R2R activities are typically included in phase II (renewals/extensions) of an outsourcing relationship. However, inclusion of R2R activities in new FAO contracts is also increasing
- Inclusion of R2R activities across most industries varies between 60-80%. However, less than 50% of R2R activities are typically outsourced
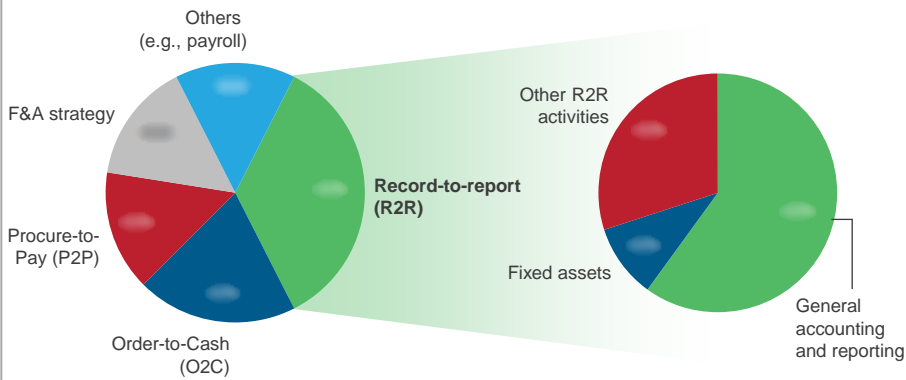
Solution trends

- R2R activities are typically bundled with P2P and/or O2C in FAO contracts
- An end-to-end R2R approach is starting to emerge (25% end-to-end R2R contracts were signed in 2011 compared to less than 15% in the past)

Service provider landscape

- Provider landscape for R2R outsourcing services is dominated by multi-process FAO providers. Only a few service providers exclusively focus on R2R
- There are four key themes of recent service provider investments in R2R capabilities: 1) technology/platform 2) risk and compliance solutions 3) analytics 4) onshore delivery
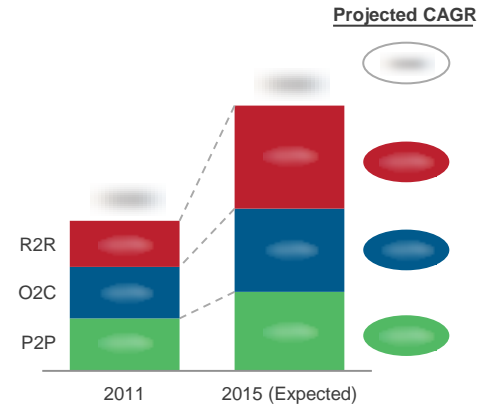
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This study offers four distinct chapters discussing opportunities and key trends within R2R outsourcing; below are four charts to illustrate depth of the report
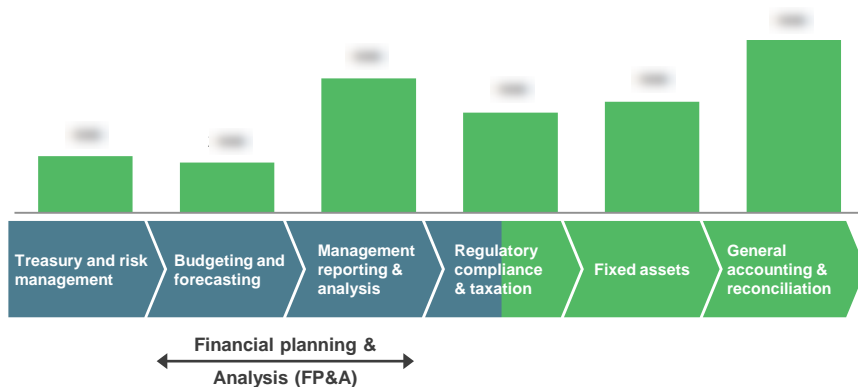
Typical operational cost breakdown for F&A

Others (e.g., payroll)

F&A strategy

Procure-to-Pay (P2P)

Order-to-Cash (O2C)

Record-to-report (R2R)

Other R2R activities

Fixed assets

General accounting and reporting

FAO market size by process
Annual Contract Value (ACV) in US$ billion

Projected CAGR

R2R

O2C

P2P

2011   2015 (Expected)

Inclusion of technology in R2R outsourcing
Percentage of service providers

| Treasury and risk management | Budgeting and forecasting | Management reporting & analysis | Regulatory compliance & taxation | Fixed assets | General accounting & reconciliation |

Financial planning & Analysis (FP&A)

Market share of R2R outsourcing
Number of contracts

Service provider I

Service provider A

Service provider H

Service provider B

Service provider G

Service provider C

Service provider F

Service provider D

Service provider E

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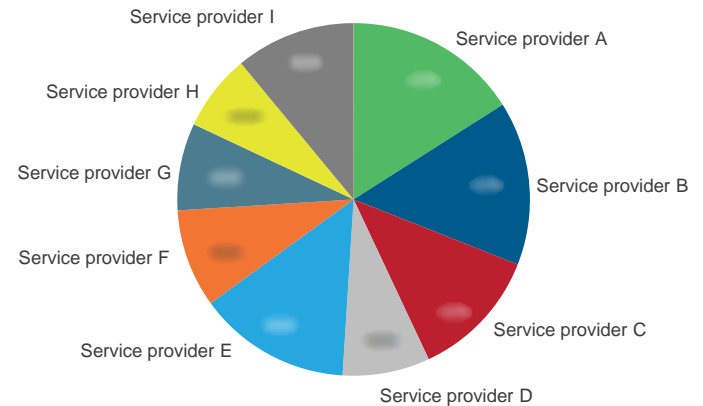
2012 FAO research agenda

Topic	Release date
Process Innovation in FAO – Emergence of "World-Class Lift-Shift-and-Fix" Offerings	*January-2012*
Webinar Deck: 2012 Global Services Market Predictions: Context, Growth, Disruption	*January-2012*
Achieving Best-in-Class BPO – Secrets Unveiled	*February-2012*
Industry-specific FAO and a Deep Dive on Healthcare Providers	*February-2012*
Finance and Accounting Outsourcing (FAO) Annual Report 2012: The FAO Market – Signaling Towards Maturity	*April-2012*
Is BPaaS the Model for You?	*April -2012*
FAO Service Provider Landscape – Survival and Growth in the Crowded FAO Market	*June-2012*
FAO Service Provider Compendium	*July-2012*
The Paradox of FAO adoption in SMB	*July-2012*
Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting	*October-2012*
Unlocking Value From End-to-End Process Outsourcing: Focus on Order-to-Cash (O2C)	*Q4-2012*
Unlocking Value From End-to-End Process Outsourcing: Focus on Procure-to-Pay (P2P)	*Q4-2012*

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. **Moving beyond Transactional FAO: The Rise of FP&A Outsourcing** (ERI-2010-1-R-0490); 2010. The multi-process FAO market constitutes various F&A processes that differ in their degree of outsourcing, with some processes outsourced less often than others. FP&A is one segment that is outsourced less than others. This report will assist key stakeholders in understanding the trends in outsourcing FP&A processes within the FAO market

2. **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, pricing structures, and FAO service providers landscape covering service providers' market shares and areas of investments

3. **FAO Service Provider Landscape – Survival and Growth in the Crowded FAO Market** (EGR-2012-1-R-0699a); 2012. In this study, we analyze the global FAO service provider landscape in 2012. We focus on the position of 20+ service providers on the Everest Group PEAK Matrix for FAO, the Star Performers, and how service providers are innovating to differentiate themselves in an increasingly globalized FAO market

4. **FAO Service Provider Profile Compendium** (EGR-2012-1-R-0709); 2012. This report provides accurate, comprehensive, and fact-based snapshots of 22 service providers in the multi-process FAO market. Each five page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology solutions, and delivery locations

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

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