Topic: IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2013

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Market Report: August 2013 – Preview Deck

EGR-2013-11-PD-0914

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BFSI[1] information technology	Finance & accounting
BFSI[1] business process	Procurement
Healthcare information technology	Human resources
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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, contract assessment

1 Banking, financial services, and insurance

Background and scope of the research

Background of the research

- In 2012, BFSI buyers continued to remain under pressure to increase revenue, enhance customer experience, reduce costs, replace legacy systems, and meet regulatory requirements. To address these challenges, most banks focused on transforming themselves and increasing investments in technologies (such as social media, mobility, big data & analytics, and cloud computing) in order to enhance customer experience while simultaneously reducing their operational costs, better managing risk, and improving shareholder returns
- At the same time, service providers in the BFSI-AO space also ramped up their capabilities, built up scale, and invested in newer technologies, developing and acquiring IP/proprietary solutions. Further, they also formed alliances that allow them to undertake and deliver on large-sized, annuity AO engagements. The competitive intensity in the BFSI-AO services space is at an all-time high. As a result, it is becoming difficult to differentiate service providers based purely on delivery capability. It is, therefore, critical to have a comprehensive, well-rounded, and a fact-based assessment of each service providers' BFSI-AO value proposition
- In this research, we analyze the capabilities of 28 leading AO service providers, specific to the global banking sector. These providers were mapped on Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix, which is a composite index of a range of distinct metrics related to each provider's capability and market success. In this report, we focus on:
  - The landscape of service providers for banking AO
  - Assessment of the service providers on a number of capability-related dimensions
  - Characteristics of Leaders, Major Contenders, and Emerging Players on Everest Group banking – AO PEAK Matrix
  - "Star Performers" of 2013, providers with the strongest forward movement over time – in terms of both market success and capability advancements
  - Implications for banking buyers and service providers

Scope of this report

- **Industry:** Banking (retail banking, wholesale banking, credit cards, loans, and mortgages); excludes capital markets and insurance
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based application outsourcing (over 150 active, large-sized banking AO transactions)
- **Geography:** Global
- **Service providers:** 28 leading banking AO service providers (list included on page 9)

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This Everest Group report examines the service provider landscape for large annuity contracts in the banking AO market

NOT EXHAUSTIVE

Focus of report

BFSI

Banking
- Retail financial services (B2C[1])
- Retail banking
- Lending
- Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody and funds administration
- Brokerage
- Others[3]

Insurance
- Life and pensions
- Property and casualty
- Others

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Application Outsourcing (AO)
- Applications development
- Applications maintenance
- Independent testing
- Package implementation
- ERP services
- Business intelligence / data warehousing

Business Process Outsourcing (BPO)
- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

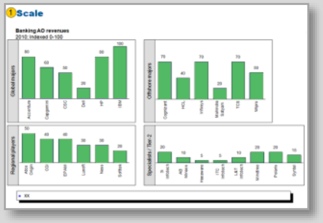
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

This report analyzes IT applications outsourcing in the capital markets subvertical with a focus on large (TCV > US$25 million), annuity-based, multi-year (over three years) relationships

1 Business-to-consumer relationships
2 Business-to-business relationships
3 Includes other capital markets functions such as structured finance, treasury, FX, and horizontal functions including risk management

This report is a part of Everest Group's series of nine reports focused on AO in BFSI in 2012

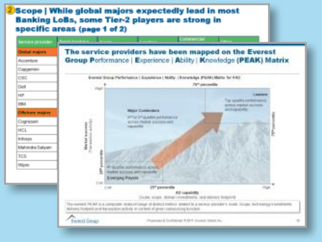
Market Trends in IT Application Outsourcing Services



Each report provides:
- An overview of the application services market for the BFSI verticals, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional breakouts of the market, emerging themes, key areas of investment, and implications for key stakeholders
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Banking
- Capital Markets
- Insurance

Service Provider Landscape: IT Application Outsourcing Services



Each report provides:
- Assessment of the service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Emerging Players
- Comparative evaluation of BFSI AO capabilities of provider categories such as global majors, offshore majors, regional players, and tier-2 specialists. Benchmarking scale, scope, domain investments, delivery footprint, and buyer satisfaction of each provider's BFSI-AO practice
- The 2013 BFSI AO PEAK Matrix analyses focus on identifying "Star Performers", i.e., providers with strongest forward movement over time – in terms of both market success and capability advancements

- **Banking**
- Capital Markets
- Insurance

Service Provider Profile Compendium: IT Application Outsourcing Services

Capability profiles of service providers capturing their AO services experience in specific subverticals. Each service provider profile includes:
- Service provider overview – details of AO services capabilities, key investments, proprietary solutions, and technological expertise
- Functional / Line of Business (LoB) focus
- Transactions overview for application services offerings
- Delivery footprint

- Banking
- Capital Markets
- Insurance

Everest Group's BFSI research is based on two key sources of proprietary information

1

- Everest Group's proprietary database of **400+** large, active, multi-year AO contracts within BFSI (updated annually through primary data collection via service provider RFIs)[1]
- The database tracks the following elements of each large AO relationship:
  – Buyer details including industry, size, and signing region
  – Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
  – Activity broken down separately for banking, capital markets, insurance, and by line of business (for example, retail banking, cards, commercial banking, lending)
  – Scope includes coverage of buyer geography as well as functional activities
  – Global sourcing including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ BFSI AO service providers** (updated annually through primary data collection via service provider RFIs)
- The database tracks the following capability elements for each service provider:
  – Major BFSI AO clients and recent wins
  – Overall revenue, total employees, and BFSI employees
  – Recent BFSI-related developments
  – BFSI AO delivery locations
  – BFSI AO service suite
  – Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis

accenture[1] High performance. Delivered.
Atos
Capgemini[1] CONSULTING. TECHNOLOGY. OUTSOURCING
Cognizant
CGI
CSC
DELL Services
endava
epam
HCL
Hexaware TECHNOLOGIES
hp[1]
IBM[1]
iGATE iTOPS for Business Outcomes
ITC INFOTECH Business-friendly Solutions
Infosys
L&T Infotech
LUXOFT
Tech Mahindra
Mindtree Welcome to possible
MPHASIS an HP company
POLARIS live your dream
Softtek
SYNTEL Consider IT Done
TATA CONSULTANCY SERVICES
UNISYS
virtusa Accelerating Business Outcomes
WIPRO[1] Applying Thought

1 Assessment for Accenture, Capgemini, HPES, IBM, and Wipro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with capital markets buyers

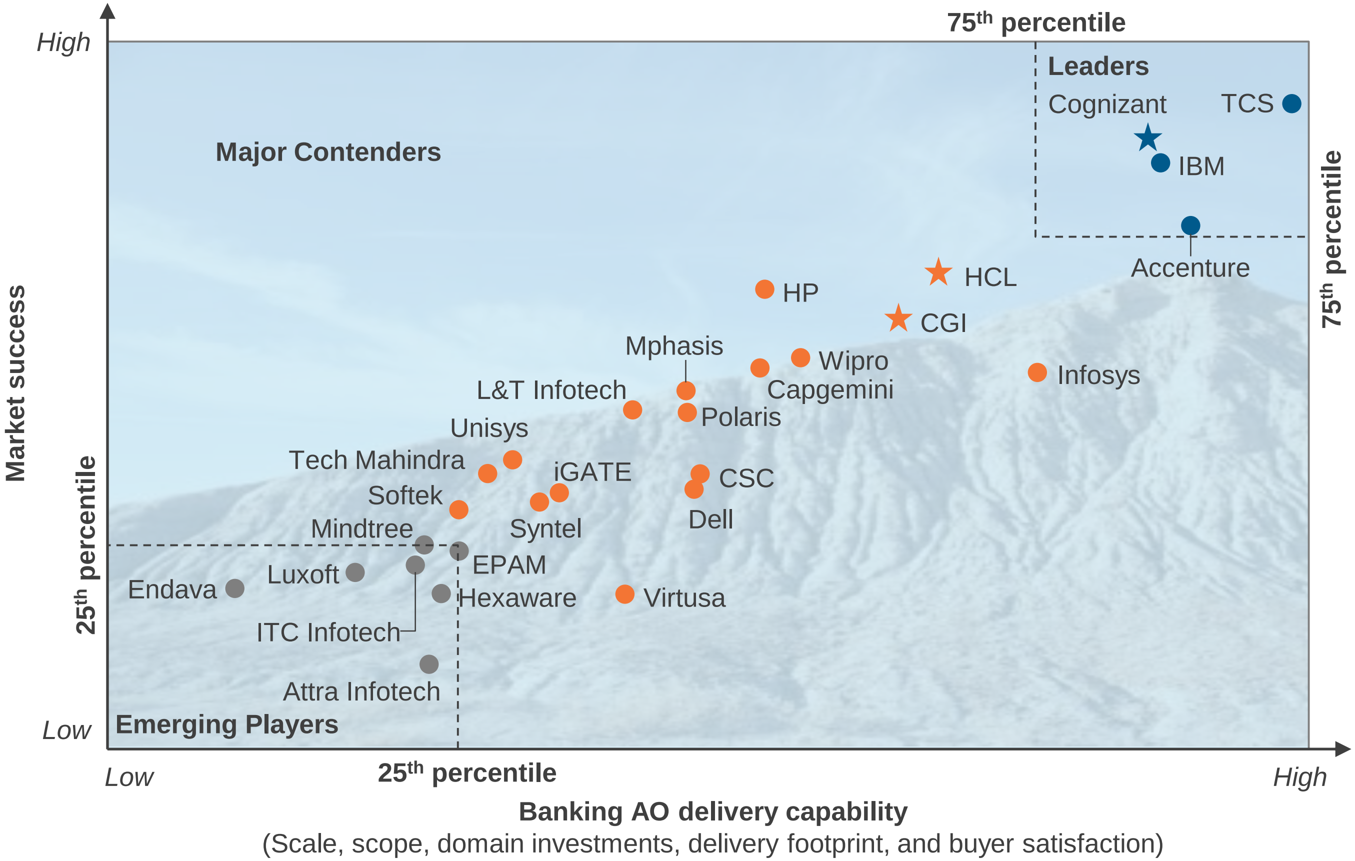
Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

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

Everest Group PEAK Matrix for large banking AO relationships

Everest Group PEAK MATRIX

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for large banking AO relationships[1]



1 PEAK Matrix specific to large (>US$25 million TCV), multi-year (>3 years) application outsourcing relationships for the banking sector (retail banking, wholesale banking, credit cards, loans, and mortgages); excludes capital markets and insurance

Note: Assessment for Accenture, Capgemini, HP, IBM, and Wipro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with banking buyers

Source: Everest Group (2013)

This report is structured across three key sections, each containing insights on the banking AO service provider landscape, focusing on large-sized contracts

	Analysis dimensions
Banking AO service provider landscape	**Analysis of individual service provider capability and service provider groups across the following dimensions:** • Scale • Scope • Domain investments • Delivery footprint • Buyer satisfaction • Market success
Banking AO PEAK Matrix characteristics	**Analysis of each of the categories on Everest Group PEAK Matrix – Market Leaders, Major Contenders, and Emerging Players. Additionally, this year's report focuses on identifying the 2013 "Star Performers" in banking AO. Key aspects covered include:** • Commentary on the capabilities of each service provider • Delivery capability characteristics (scale, scope, domain investments, delivery footprint, and buyer satisfaction) • Year 2013 **"Star Performers"** analysis • Market success characteristics (transaction activity)
Implications for key stakeholders	**Implications of trends on buyers and service providers**

Overview and abbreviated summary of key messages

The report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various providers on Everest Group's PEAK Matrix. The report further examines the distinctive characteristics of different service provider clusters i.e., Leaders, Major Contenders, Emerging Players, and recognizes the key implications of the rapidly changing landscape for banking buyers and service providers

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

Banking AO service provider landscape

- Most provider categories expanded their banking AO revenue in 2012. However, the pace of hiring was slow as they continue to increase their investment focus on non-linear growth
- Regional players augmented their capabilities across all AO subfunctions in 2012
- Contrary to the last year, banking AO buyers engaged in smaller-scope contracts in 2012
- Offshore majors have the highest buyer satisfaction levels, followed by tier-2 Indian providers

Banking AO PEAK clusters' characteristics

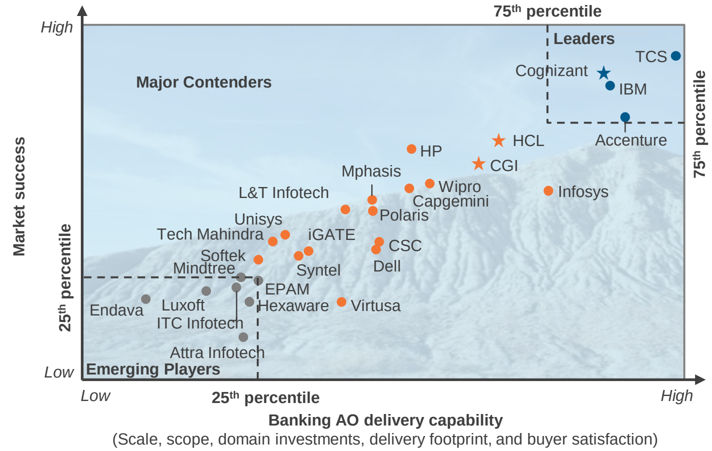
- Leaders accounted for 55% to 60% of the overall banking AO market in terms of ACV, cumulative TCV, and number of contracts; Major Contenders significantly expanded their market share in 2012
- While most providers have built strong capabilities in regulatory and risk management solutions; they are now shifting focus towards analytics and mobility where significant opportunities exist
- While Leaders continue to dominate the market in terms of overall revenue, their growth slowed during the year

Implications for key stakeholders

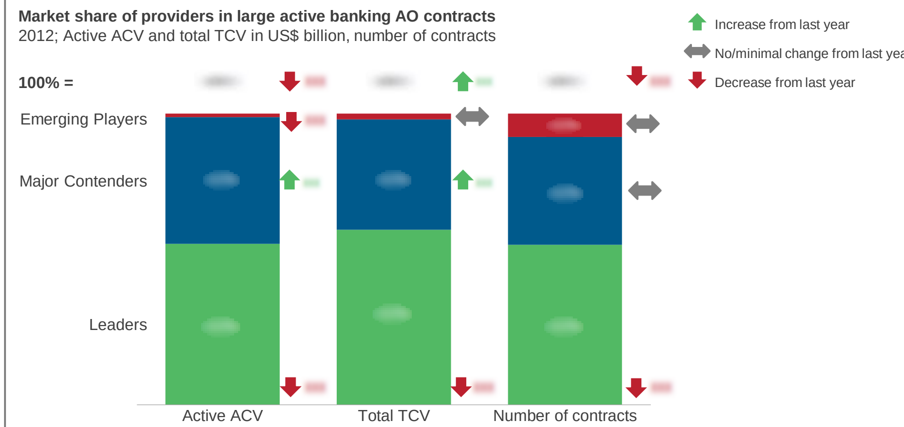
- Buyers must prepare for the impact of the recently proposed U.S. immigration bill, recognize the importance and value of service providers beyond the "Leaders" category, and leverage service providers to minimize risk and cost of moving towards newer technologies
- Leaders need to anticipate aggressive moves from Major Contenders and protect market share; Major Contenders must build scale, solutions, and global delivery footprint to close the gap with Leaders; while Emerging Players must expand delivery footprint to serve global client base and gain market share

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

PEAK Matrix for large-sized banking AO



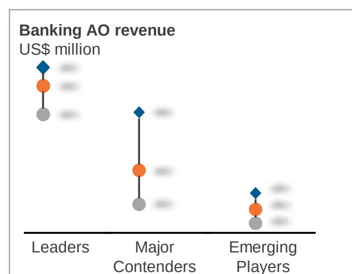
Banking AO market share by provider segment

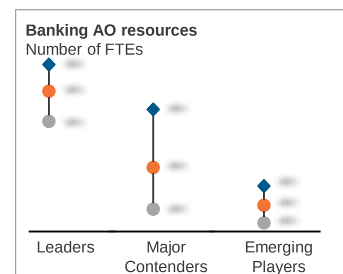


Service provider capability assessment dashboard

Service provider	Delivery capability: 1. Scale	2. Scope	3. Domain investments	4. Delivery footprint	5. Buyer satisfaction	Market success
Global majors						
Accenture	◕	●	●	●	◕	◕
Capgemini	◑	◔	◑	◕	◑	◑
CSC	◑	◑	◑	◕	◔	◔
Dell	◔	◕	◑	◑	◑	◔
HPES	◑	◑	◑	◑	◑	◑
IBM GS	●	●	◕	●	◑	◕
Offshore majors						
Cognizant	◕	●	◕	●	◕	◕
HCL	◑	●	◕	◑	●	◑
Infosys	◕	◕	◕	◕	◔	◑
TCS	●	●	●	●	●	●
Wipro	◑	◕	◕	◑	◑	◑

Banking AO scale by provider segment





Category	Global majors	Offshore majors	Regional players	Tier-2 Indian providers
Leaders	Service provider 1			
Major Contenders			Service provider 5 Service provider 6	Service provider 7 Service provider 8
Emerging Players		Service provider 2 Service provider 3		Service provider 9 Service provider 10

Source: Everest Group (2013)

This report also provides specific details on each service provider's distinctive characteristics, and capabilities, in the banking AO services space

Leaders (page 1 of 2)

Leaders continue to expand their global delivery footprint and maintain strong relationships with customers to strengthen their positioning in the banking AO market

Service provider	Comments
Service provider X	
Service provider Y	

Source: Everest Group (2013)

Major Contenders (page 1 of 5)

Major Contenders displayed high functional and subvertical coverage, and significant investments in newer technologies

Service provider	Comments
Service provider X	
Service provider Y	
Service provider Z	

Source: Everest Group (2013)

Emerging Players (page 1 of 2)

Emerging Players are focusing on building capabilities in niche segments to differentiate themselves in the industry and gradually expanding market share

Service provider	Comments
Service provider A	
Service provider B	
Service provider C	
Service provider D	

Source: Everest Group (2013)

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Actionable insights on banking AO scale, breadth of offerings, domain investments, buyer satisfaction, and market success for each service provider on the PEAK

BFSI ITO research calendar

Published | Current

Topic	Release date
IT Application Outsourcing (AO) in Insurance – Service Provider Profile Compendium	January-2013
Webinar Deck: State of the Global Services Market: 2013 Predictions	January-2013
IT AO in Capital Markets – Service Provider Profile Compendium	February-2013
Analytics in Banking: War is Ninety Percent Information	June-2013
IT Outsourcing in Banking – Annual Report 2013: Banking for the Next Generation	June-2013
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2013	August-2013
IT Outsourcing in Banking – Service Provider Profile Compendium 2013	Q3-2013
IT Outsourcing in Capital Markets – Annual Report 2013	Q3-2013
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2013	Q3-2013
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2013	Q3-2013
IT Outsourcing in Insurance – Annual Report 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2013	Q4-2013
IT Outsourcing in Insurance – Service Provider Profile Compendium 2013	Q4-2013

Additional research references

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

1. **IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation** (EGR-2013-11-R-0893)**:** This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012 with regards to such large banking AO deals

2. **Analytics in Banking: War is Ninety Percent Information** (EGR-2013-11-R-0888): This report provides a comprehensive understanding of the analytics services industry with focus on banking domain. Analytics adoption in the banking industry is covered in depth, exploring various aspects such as market size, key drivers, recent analytics initiatives, and challenges. The report also analyses the trends in analytics deals for various banking subverticals (cards, retail, commercial, and lending) and evaluates analytics capabilities of 20+ service providers in the banking space

3. **IT Application Outsourcing (AO) in Capital Markets Annual Report – Change is the Only Constant** (EGR-2012-11-R-0766): This report provides an overview of the Application Outsourcing (AO) market for the capital markets industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012, with regards to such large capital markets AO deals

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