Everest Group
RESEARCH

Topic: IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2014

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Market Report: July 2014 – Preview Deck

EGR-2014-11-PD-1175

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- Benchmarking | Pricing, delivery model, skill portfolio
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- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
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- 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

- Strained revenue growth, low interest rates, rise of digital consumers, and growing pressure of regulatory compliance continued to adversely affect the profitability of banks in 2013. This has forced global banks to rethink and reinvent their business models as well as technological priorities. As a result, 2013 saw strong return of discretionary spend – led by investments in development of specific applications for regulatory compliance, risk management, channel-specific initiatives (social, mobile, etc.), and customer analytics

- Consequently, the service provider competitive landscape is also intensifying as service providers continue to ramp up their capabilities, invest in innovative technologies, form alliances, and acquire strategic targets to address the growing and complex technology needs of banks and financial institutions

- 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 2014, 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 (cards, retail banking, lending, and commercial banking); excludes insurance and capital markets
- **Services:** Large (TCV > US$25 million), multi-year (>3 years), and annuity-based application outsourcing
- **Geography:** Global
- **Service providers:** Includes 28 leading banking AO service providers (list given 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

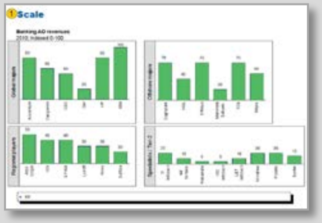
Consulting
- IT strategy / operations consulting
- Business consulting
- Infrastructure consulting
- Infrastructure rollouts

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 2014

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 2014 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, credit cards, lending, retail banking, and commercial banking)
  - 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 25+ 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], Atos, Capgemini[1], Cognizant, CGI, CSC, Dell Services, Endava, EPAM, HCL, Hexaware Technologies, HP[1], IBM[1], IGATE, ITC Infotech, Infosys, L&T Infotech, Luxoft, Tech Mahindra, Mindtree, Mphasis, Polaris, Softtek, Syntel, Tata Consultancy Services, Unisys, Virtusa, Wipro

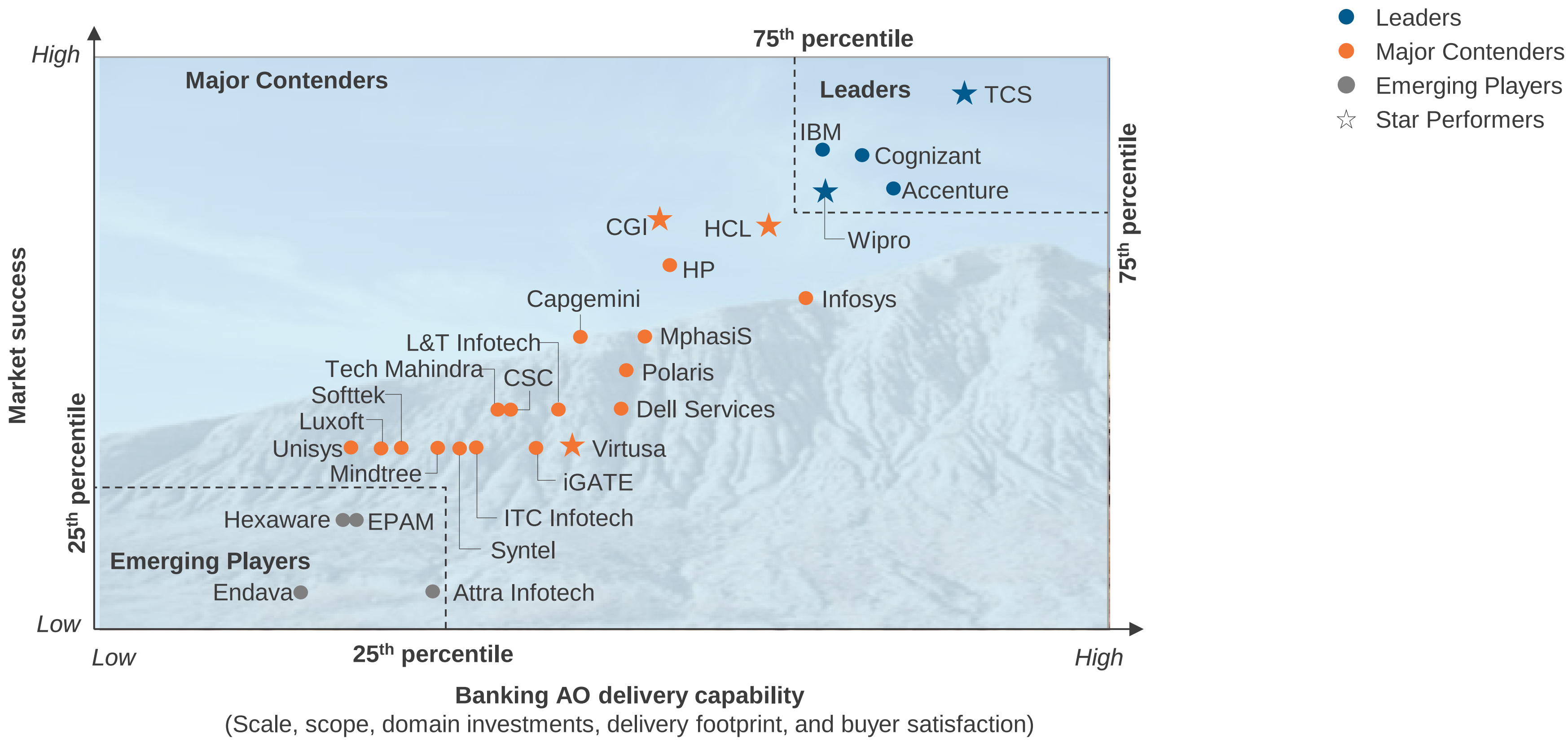
1 Assessment for Accenture, Capgemini, HP, and IBM excludes service provider inputs, and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with banking buyers

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 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, and IBM 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 (2014)

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 –Leaders, Major Contenders, and Emerging Players. Additionally, this year's report focuses on identifying the 2014 "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 2014 **"Star Performers"** analysis • Market success characteristics (transaction activity)
Emerging service provider trends	**Analysis of each of the categories on Everest Group PEAK Matrix –Leaders, Major Contenders, and Emerging Players across the following themes:** • Regulatory and risk management • Analytics • Mobility • Cloud and social media

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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

- Retail banking witnessed the highest ITO activity among banking lines of business. In terms of geographic scope, Europe led the ITO market, followed by North America
- Application maintenance emerged as the top AO subfunction for most provider categories, followed by custom application development, testing, and ERP
- Offshore majors and regional players have the highest buyer satisfaction levels

Banking AO PEAK clusters' characteristics

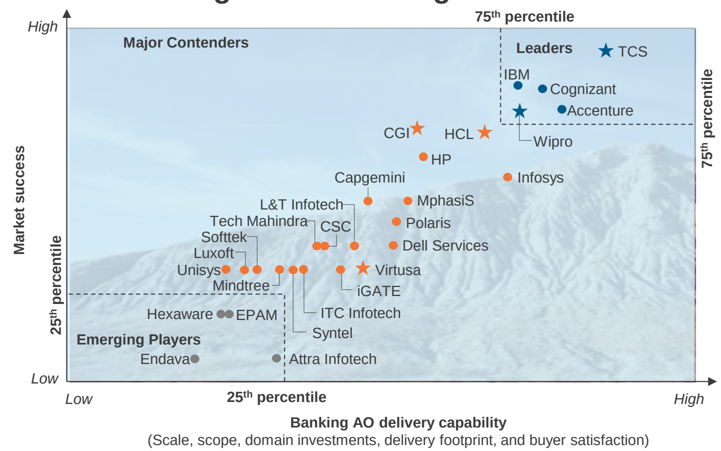
- ACV of large banking AO deals for offshore majors is ~2.5 times of global majors
- Leaders expanded their ACV share in 2013; Major Contenders significantly expanded market share in terms of number of deals
- Leaders have the highest market share for banking AO services in North America, APAC, and Latin America. Major Contenders derived majority of their revenue from the European banking industry
- The share of multi-scope contracts increased in banking AO. All provider categories are capitalizing on the trend of integrated AO/IO/BPO deals

Emerging service provider trends

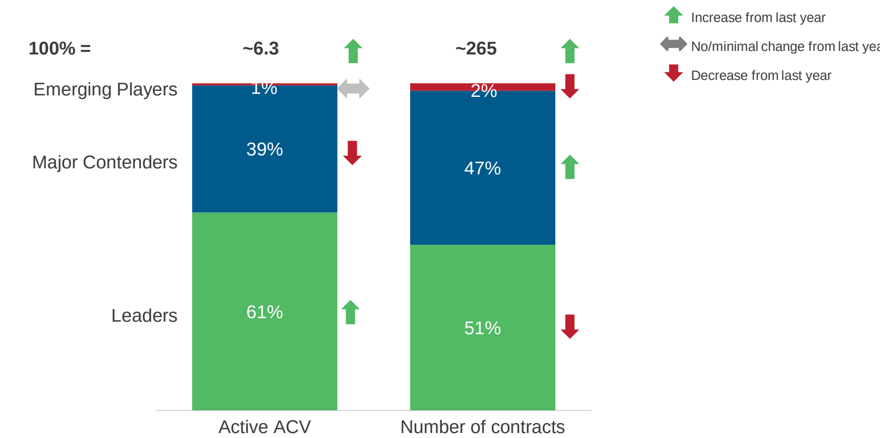
- Regulatory and risk management, analytics, and mobility solutions witnessed high adoption levels in 2013, as banks continued to focus on managing regulatory compliance and enhancing customer experience
- Social media and cloud witnessed lower activity compared to other technology themes

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



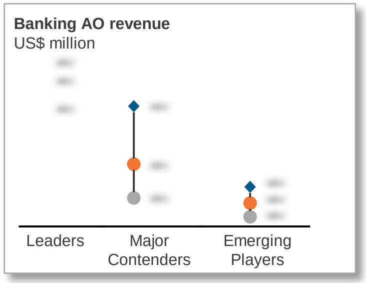
Banking AO market share by provider segment

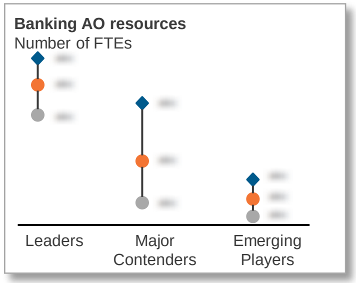


Service provider capability assessment dashboard

Service provider	Delivery capability					Market success
	Scale	Scope	Domain investments	Delivery footprint	Buyer satisfaction	
Global majors						
Accenture	●	◑	●	●	◑	◕
Capgemini	◕	◔	◑	◑	N/A[1]	◑
CSC	◑	◔	◑	◑	N/A[1]	◔
Dell Services	◑	◑	◔	◑	◕	◔
HP	◑	◕	◑	◕	N/A[1]	◑
IBM	●	◑	◕	●	◑	◕
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 (2014)

BFSI ITO research calendar

Published | Current

Topic	Release date
IT Application Outsourcing (AO) in Insurance – Service Provider Profile Compendium	January-2014
Webinar Deck: State of the Global Services Market: 2014 Predictions	January-2014
IT AO in Capital Markets – Service Provider Profile Compendium	February-2014
Mobile Banking Adoption Trends	May-2014
Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance	June-2014
IT Outsourcing in Banking – Annual Report 2014: The Return of the King	June-2014
IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix^{TM} Assessment 2014	July-2014
IT Outsourcing in Banking – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Insurance – Annual Report 2014	Q3-2014
IT Outsourcing in Insurance – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
IT Outsourcing in Insurance – Service Provider Profile Compendium 2014	Q3-2014
IT Outsourcing in Capital Markets – Annual Report 2014	Q4-2014
IT Outsourcing in Capital Markets – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4-2014
IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014	Q4-2014

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 2014: The Return of the King** (EGR-2014-11-R-1145)**:** 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 2014 with regards to such large banking AO deals

2. **Regulatory Compliance in Banking and Capital Markets – All About Good Data Governance (**EGR-2014-11-R-1134**):** This report provides an overview of regulatory compliance related IT outsourcing in banking and capital markets. It captures key regulations in this space along with their business, technology, and sourcing implications. The report captures key adoption trends and growth in value/volume of regulatory compliance related transactions, and key regulatory compliance-related investments by service providers. Finally, the report provides insights into evolving trends in the market and implications for buyers and service providers

3. **Mobile** b**anking Adoption Trends (**EGR-2014-11-R-1109**):** This report provides an overview of the global mobile banking and payments market, including mobile payment transaction volume, number of users, and degree of investments in mobility. It also includes region-wise adoption trends in mobile banking and payments across North America, Europe, Middle East and Africa, Asia Pacific, and Latin America along with an in-depth analysis of the mobile banking apps launched by the top American, European, and APAC banks

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- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- 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

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