# IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2015: Rise of the Challengers

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Market Report: June 2015 – Preview Deck


EGR-2015-11-PD-1479

# Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
- **BFSI[1] Information Technology**
- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
- **Cloud & Infrastructure**
- **Global Sourcing**
- **Locations Insider™**
- **PricePoint™**
- **Finance & Accounting**
- **Procurement**
- **Human Resources**
- **Recruitment Process**
- **Contact Center**
- **Transaction Intelligence**

**Custom research capabilities**

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

**Subscription information**

- The full report is included in the following subscription(s)
  - BFSI ITO
- 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**

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1 Banking, financial services, and insurance



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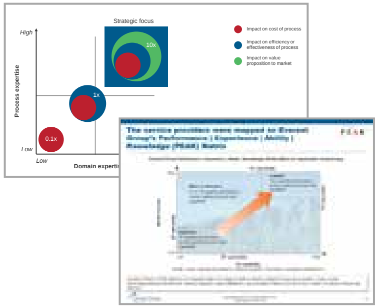
# Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

### 1 Robust definitions and framework

(PEAK Matrix, market maturity, and technology adoption/investment)

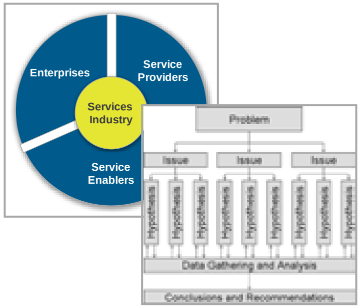


### 2 Primary sources of information

(Annual, contractual and operational RFIs, service provider briefings and buyer interviews, and web-based surveys)

### 3 Diverse set of market touchpoints

(Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership)




### 4 Fact-based research

(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)

- Proprietary contractual database of 500+ large active BFSI AO contracts (updated annually)
- Year-round tracking of 25+ BFSI AO service providers
- Dedicated team for BFSI IT outsourcing research, spread over two continents
- Over 20 years of advising BFSI clients on ITO and BPO decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

# Background and scope of the research

**Background of the research**

- Rise of digital consumers, need for business agility, growing costs of regulatory compliance, and threat from non-banking competitors in areas such as payments were the key challenges faced by banks in 2014. Banks are aligning their technology priorities around cost containment, efficiency, risk & compliance management, and transformation. Banks continued to invest in development of specific applications for regulatory compliance, risk management, channel-specific initiatives (social, mobile, etc.), and customer analytics

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

- In this research, we analyze the capabilities of 30 leading AO service providers, specific to the global banking sector. These providers were mapped on the 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 Aspirants on Everest Group banking AO PEAK Matrix
  - "Star Performers" of 2015, 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, commercial banking, credit cards, loans, and mortgages); excludes capital markets and insurance
- **Services:** Large (TCV > US$25 million), multi-year (>three years), and annuity-based application outsourcing
- **Geography:** Global
- **Service providers:** Includes 30 leading banking AO service providers (list given on page 9)

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

*NOT EXHAUSTIVE*

Focus of report: Banking; IT Application Outsourcing (AO)

**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)**
- Application development
- Application 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

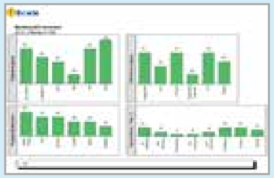
**Digital Services**

Services in next-generation technologies leveraged by enterprises to enable transformation including social, mobility, analytics, cloud, and others (artificial intelligence, robotics process automation, internet of things, machine-to-machine, etc.)

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 the Everest Group's series of reports focused on ITO in BFSI in 2015

## IT Outsourcing in BFSI – Annual Report



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 break-outs of the market, emerging themes, key areas of investment, and implications
- Key movements in volumes/values of AO transactions, evolving trends, market dynamics, and emerging priorities of buyers in the last 12 months

- Global Banking
- Global Capital Markets
- Global Insurance

## IT Outsourcing in BFSI – Service Provider Landscape

Each report provides:
- Assessment of service provider landscape in AO services and mapping of providers on Everest Group's PEAK Matrix – as Leaders, Major Contenders, and Aspirants
- Benchmarking scale, scope, domain investments, and delivery footprint of each provider's BFSI-AO practice along with comparative evaluation of their BFSI-AO capabilities
- The 2015 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with strongest forward movement over time – both in terms of market success and capability advancements

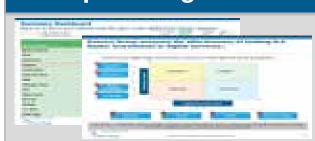
- **Global Banking**
- Global Capital Markets
- Global Insurance
- Banking and Capital Markets (BCM) in Europe
- Insurance in Europe
- Mobility in BCM
- Mobility in Insurance
- Analytics in BCM
- Analytics in Insurance
- Risk and regulatory compliance in BCM

## BFSI ITO – Service Provider Profile Compendium

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 and delivery footprint

- Global Banking
- Global Capital Markets
- Global Insurance

## Enterprise Digital Effectiveness with APEX Matrix



Two reports as part of an "open source" evaluation of the digital effectiveness of the largest retail banks in UK and the U.S. and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in the U.S. retail banks
- APEX Matrix for Digital in UK retail banks

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

**1**

- Everest Group's proprietary database of 500+ 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 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], Atos, Birlasoft, Capgemini[1], Cognizant, CGI, CSC[1], Dell Services, endava[1], epam, GENPACT, HCL, Hexaware[1], hp[1], IBM[1], IGATE, ITC Infotech, Infosys, L&T Infotech, Luxoft, Tech Mahindra, Mindtree, Mphasis[1], Polaris, Softtek, Syntel, Tata Consultancy Services, Unisys, virtusa, Wipro

1 Assessment for Accenture, Capgemini, CSC, Endava, Hexaware, HPES (HP Enterprise Services), IBM, and Mphasis 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

# This report contains insights on the banking AO service provider landscape, focusing on large-sized contracts

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, Aspirants, 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:**

**PEAK Matrix characteristic for banking AO**

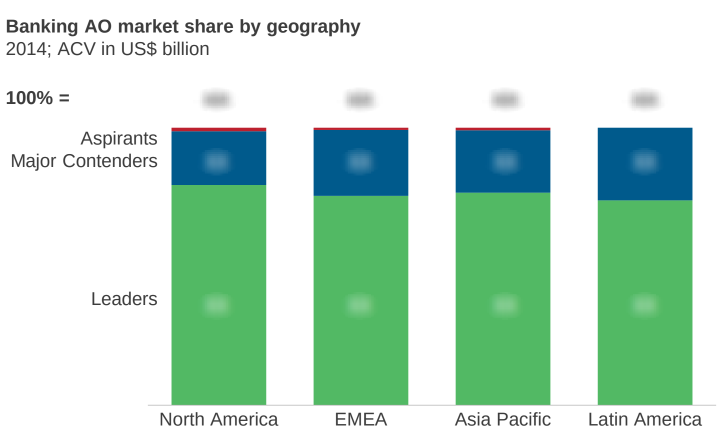
- Retail banking continued to witness the highest ITO activity among banking lines of business
- Application maintenance retained its position as top AO subfunction followed by custom application development and testing
- Europe led the banking AO demand, followed by North America
- Leaders expanded their market share in terms of number of deals and active ACV; aspirants increased the average ACV value by growing their existing accounts
- ACV of large banking AO deals for Leaders was ~7 times that of Major Contenders
- Leaders accounted for ~80% of the new deals signed in 2014 and dominated major geographies in terms of market share
- Major Contenders focused on serving small-sized buyers(revenue < US$10 billion) while Leaders were successful in winning more deals with large-sized buyers (revenue > US$50 billion)
- Aspirants stood out with the highest share (28%) of FTEs in nearshore locations
- Share of deals with global-scope declined for Leaders and Major Contenders, reflecting the trend towards local- / regional-scope
- Leaders and Major Contenders reported an increase in the number of large banking AO-only contracts

**Implications for buyers and service providers**

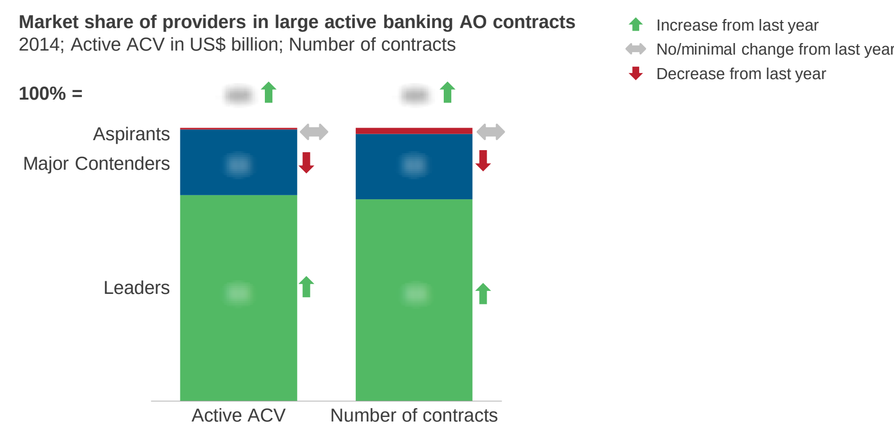
- Banking organizations globally are focusing on a triple mandate of run, manage, and change the bank which are translating into efficiency, compliance, and transformation initiatives
- Banking buyers need to invest in an integrated digital transformation strategy
- With the competition in the banking service provider landscape intensifying, service providers need to articulate the value of digital investments by developing proof of concepts, offer innovative pricing model, and provide client with predictability and flexibility in engagements

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

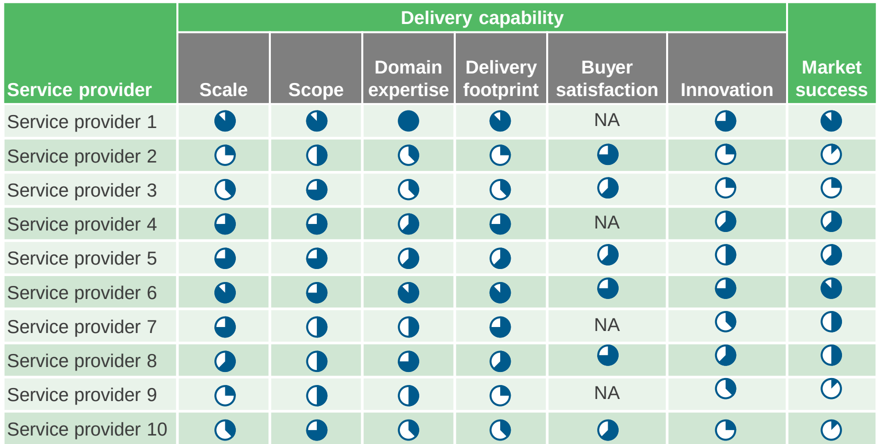
## Banking AO market share by geography



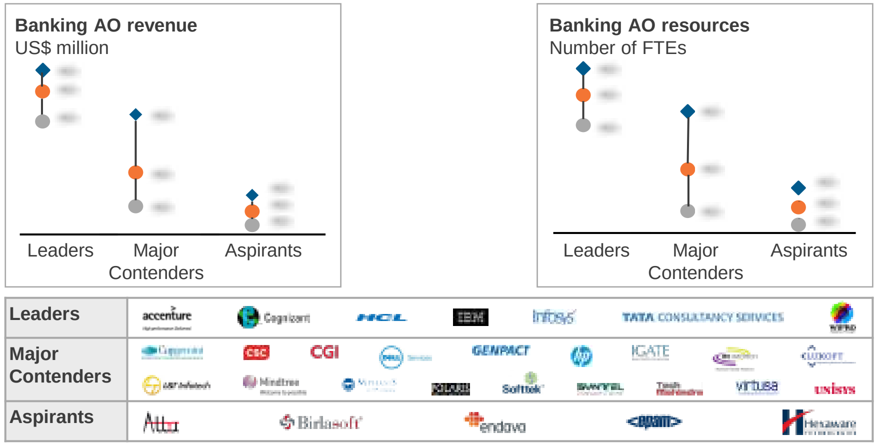

## Banking AO market share by provider segment




## Service provider capability assessment dashboard




## Banking AO scale by provider segment




Source: Everest Group (2015)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# BFSI ITO research calendar (page 1 of 2)

Published | Current

| Topic | Release date |
|---|---|
| IT Outsourcing in Capital Markets – Service Provider Profile Compendium 2014 | January 2015 |
| IT Outsourcing (ITO) in Insurance – Service Provider Profile Compendium 2014 | February 2015 |
| Demand Trends in Mid-Tier and Super-regional Banks in the United States | April 2015 |
| IT Outsourcing in Banking – Service Provider Landscape with PEAK Matrix Assessment 2015: Rise of the Challengers | June 2015 |
| IT Outsourcing in Banking – Annual Report 2015 | Q2 2015 |
| Enterprise digital effectiveness – APEX Matrix for digital in U.S. retail banks 2015 | Q3 2015 |
| Enterprise digital effectiveness – APEX Matrix for digital in UK retail banks 2015 | Q3 2015 |
| IT Outsourcing in Global Capital Markets – Annual Report 2015 | Q3-2015 |
| IT Outsourcing in Global Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015 | Q3-2015 |
| IT Outsourcing in Global Banking – Service Provider Profile Compendium 2015 | Q3-2015 |
| IT Outsourcing in Banking and Capital Markets in Europe – Service Provider Landscape with PEAK Matrix ™ Assessment 2015 | Q3-2015 |
| IT Outsourcing in Global Insurance – Annual Report 2015 | Q3-2015 |
| IT Outsourcing in Global Insurance – Service Provider Landscape with PEAK Matrix ™ Assessment 2015 | Q3-2015 |
| Mobility in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix™ Assessment 2015 | Q3-2015 |
| Mobility in Global Insurance – Service Provider Landscape with PEAK Matrix ™ Assessment 2015 | Q3-2015 |

# BFSI ITO research calendar (page 2 of 2)

Published | Current

| Topic | Release date |
|---|---|
| Social media adoption trends in insurance sector | Q3-2015 |
| IT Applications Outsourcing in Capital Markets – Service Provider Profiles Compendium – 2015 | Q4-2015 |
| Analytics in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix$^{TM}$ Assessment 2015 | Q4-2015 |
| IT Outsourcing in Insurance in Europe – Service Provider Landscape with PEAK Matrix $^{TM}$ Assessment 2015 | Q4-2015 |
| Analytics in Global Insurance – Service Provider Landscape with PEAK Matrix$^{TM}$ Assessment 2015 | Q4-2015 |
| Cloud Adoption in the Banking and Capital Markets Sectors | Q4 2015 |
| Social media adoption trends in insurance sector | Q4-2015 |
| Payments trends in Global banking, capital markets, and insurance sector | Q4-2015 |
| Risk and regulatory compliance in Global Banking and Capital Markets – Service Provider Landscape with PEAK Matrix$^{TM}$ Assessment 2015 | Q4-2015 |

# 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. **Demand Trends in Mid-Tier and Super-regional Banks in the United States** (EGR-2015-11-R-1436). This report provides an overview of the varying business priorities of banks in the United States, with a focus on mid-tier and super-regional banks. The report analyses the challenges confronting the U.S. banking sector, business priorities for mid-tier and super-regional banks, unaddressed technology needs of banks in this segment, and key account activities depicting the current service provider relationships and scope

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 banking 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 & 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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## About Everest Group

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