



Future of Banking – “Experience First”: Banking ITO Annual Report 2017

Banking, Financial Services, and Insurance (BFSI) IT Outsourcing Annual Report – September 2017: Complimentary Abstract/ Table of Contents

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▶ Application Services

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* Banking, financial services, and insurance

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



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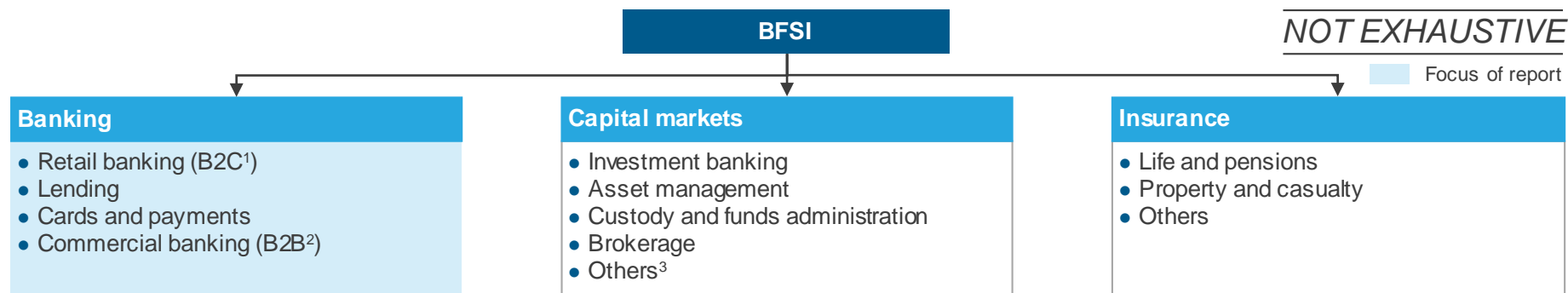
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This report examines the service provider landscape for large (TCV > US\$25 million), annuity-based, multi-year (>3 years) application services relationships in the global banking sector



Digital services

Services in next-generation technologies leveraged by enterprises to enable transformation including social, mobility, analytics, cloud, and others (Artificial Intelligence (AI), Robotics Process Automation (RPA), Internet of Things (IoT), machine-to-machine, etc.)

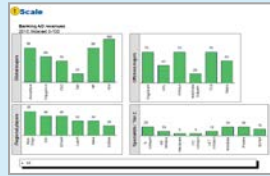
1 Business-to-consumer relationships

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 part of Everest Group's series of reports focused on ITO in BFSI in 2017

IT Outsourcing in BFSI – Annual Report



Each report provides:

- An overview of the application services market for the BFSI vertical, capturing key trends in market size, growth, drivers & 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 and Profiles Compendium



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 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 2016 BFSI-AO PEAK analyses focus on identifying the "Star Performers", i.e., providers with the strongest forward movement over time – both in terms of market success and capability advancements
- Capability profiles of service providers capturing their AO services experience in specific subverticals including details such as AO services capabilities, key investments, proprietary solutions, and technological expertise

- Global Banking
- Global Capital Markets
- Global Insurance
- Risk & Regulatory Compliance in BFS
- Digital Services in Consumer Banking
- Digital Services in Wealth Management
- Digital Services in P&C 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 Europe and the United States and mapping them on Everest Group's APEX Matrix – as Leaders, Optimizers, Innovators, and Aspirants

- APEX Matrix for Digital in North American retail banks
- APEX Matrix for Digital in European retail banks

Everest Group's banking 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 banking (updated annually). 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 by Lines of Business (LoB) – retail banking, credit cards, commercial banking, and lending
 - Scope includes coverage of buyer's 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+ banking AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
 - Major banking AO clients and recent wins
 - Overall revenue
 - Recent banking-related developments
 - Banking AO delivery locations
 - Banking AO service suite
 - Domain capabilities, proprietary solutions, and intellectual property investments

Service providers covered in the analysis



1 Assessment for Accenture, EPAM, Hexaware, and Unisys 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

2 Analysis for DXC Technology includes combined capabilities of CSC and HPE Services

3 Analysis for NTT DATA includes capabilities post integration with Dell Services

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

Background and scope of the research

Disruption in technology is leading to disintermediation in value chain and business model of banks. FinTechs, non-traditional financial service providers, and neo-digital banks are developing new products, services, and business models, impacting front- to back-office functions to compete with traditional banks. Decreasing dependency on branches and increasing adoption of digital channels are forcing traditional banks to adapt to new client processes and reinvent themselves.

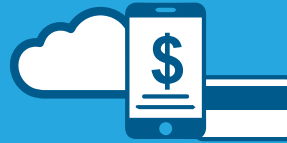
As banks embark on this digital transformation journey, they will move from a banking-as-a-product model to banking-as-a-service model, the signs of which can already be witnessed in Europe where the Payment Service Directive II (PSD2) has mandated banks to open up their core through Application Programming Interfaces (APIs).

Banks are moving toward a plug-and-play model that will allow multiple participants (sellers and buyers) to connect to it to gain value.

In future, banks will become more and more invisible and will be ambient. Link to banking will be integrated in every end-user device / business system and will become part of our lifestyle, similar to Facebook or Google. Banks will become a network of assets and instead of capital, will offer end-to-end customer experiences. As banks move to a banking-as-a-lifestyle model, they will need to reorient themselves to a customer-centric model, which would require changes in business processes, IT architecture, culture, as well as operating model.



In this report, we look at trends in the banking industry and their implication for application services outsourcing.



Future of banking



Implications for enterprises and service providers



Market trends and activity for large AO relationships

Scope of this report



INDUSTRY

Banking (retail banking, commercial banking, credit cards, loans, and mortgages); excludes capital markets and insurance



SERVICES

Application outsourcing



GEOGRAPHY

Global



SOURCING MODEL

Third-party AO transactions; excludes shared services or Global In-house Centers (GICs)

Key takeaways from this report

Pace of technology disruption, changing consumer preferences, and need for banks to come up with new business models are disrupting the current banking landscape

Industry will witness a sea change, as banks move to a co-creation model to combine, package, and offer products/services from banking and allied businesses by orchestrating customer lifecycle

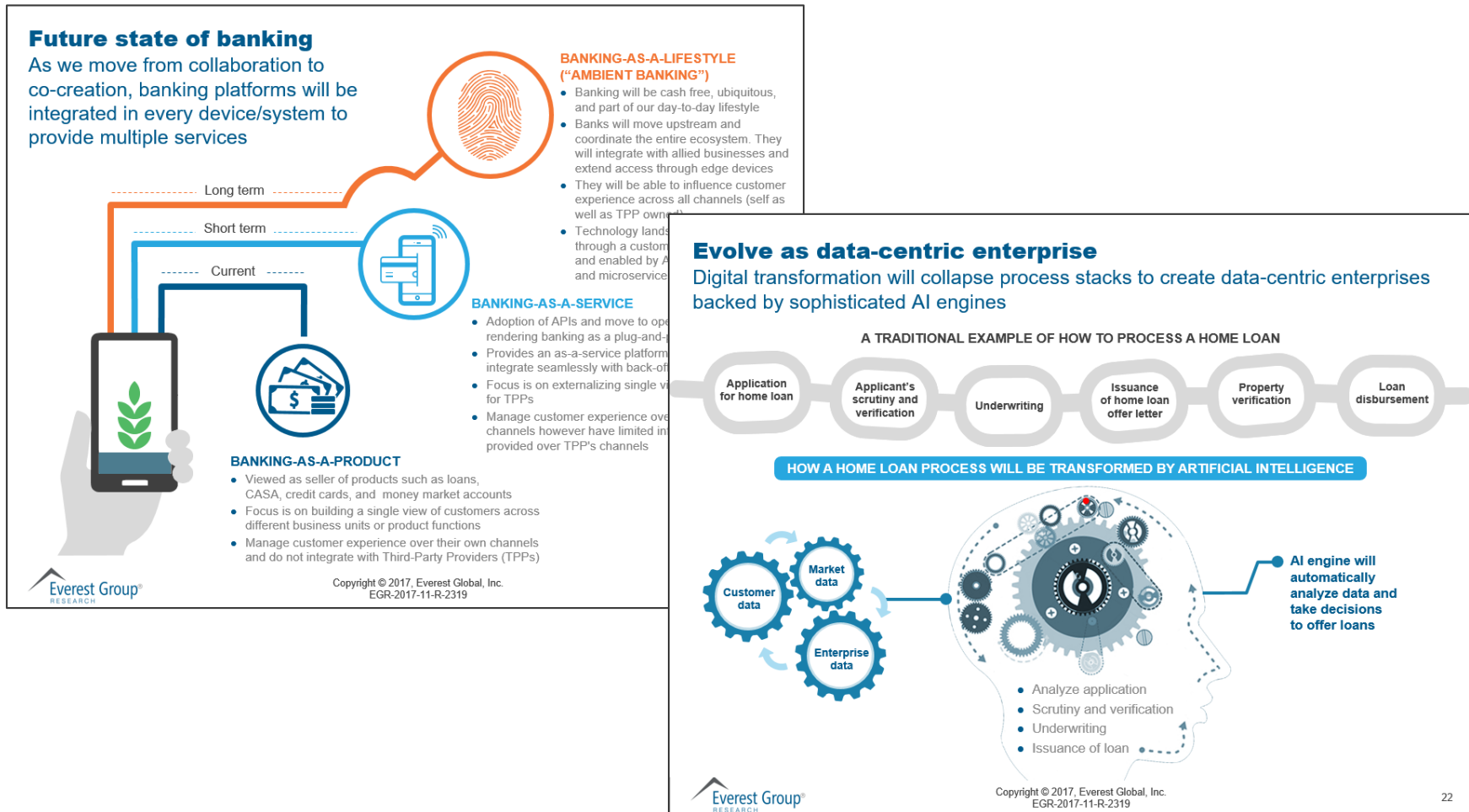
Banks will move away from being perceived as physical structure that offers financial services/products to being an ambient fabric connecting people and businesses

It will require banks to transition from a product-centric approach to a customer-centric model by redesigning the existing IT landscape

The core will evolve from transaction to intelligence centered around customer journeys

Artificial Intelligence (AI), API-enabled open banking architecture, and cloud are the foundations of future banking IT architecture

This report provides a point of view on envisioned future state of banks, current gaps, and technology investments to transform to an experience-provider

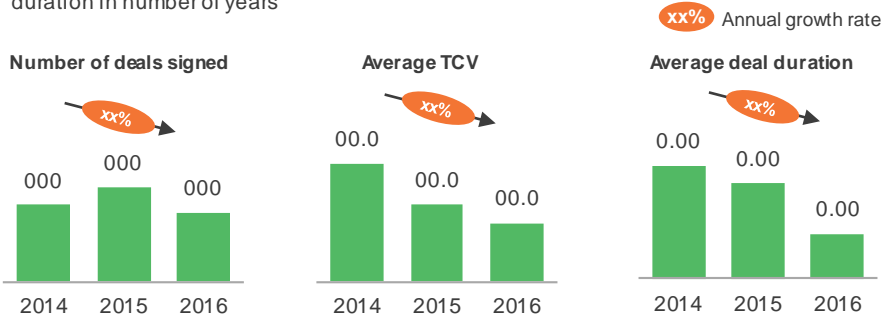


This study also offers deep dive analysis into key aspects of Banking AO deal trends in 2016 and implications for enterprises and service providers

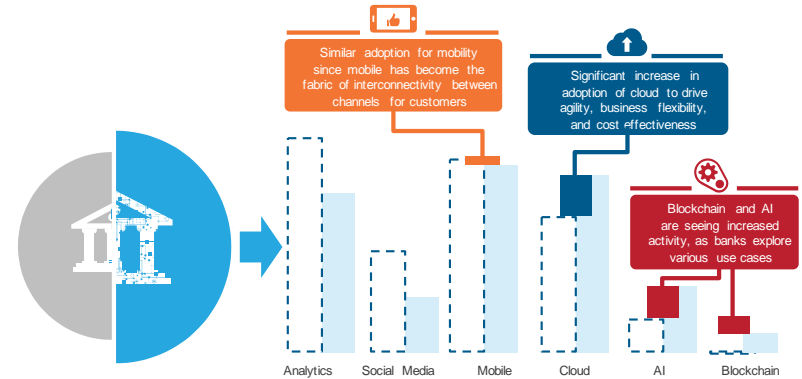
Number of transaction, TCV, and deal duration analysis

Number of transaction, TCV, and deal duration analysis for banking ITO deals signed in 2014-2016¹

2014-2016; Number of transactions, average TCV in US\$ million, and average deal duration in number of years



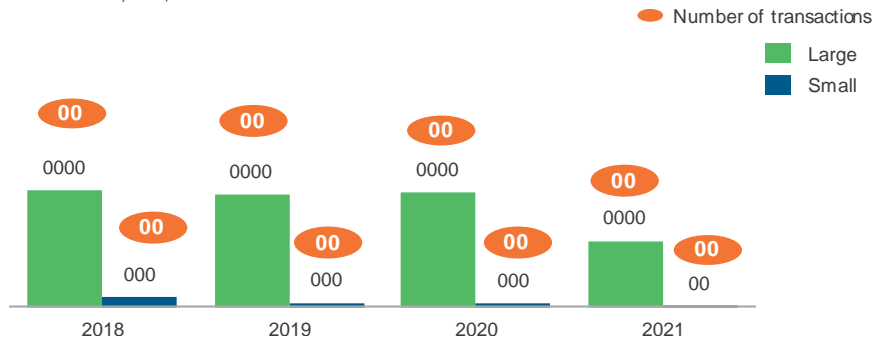
Banking ITO new deal analysis with digital in scope



TCV of ITO banking contracts coming up for renewal

TCV of ITO banking contracts coming up for renewal (large¹ and small)

2018-2021; US\$ million



Implications for IT service providers



Source: Everest Group (2017)

Research calendar – BFSI ITS

Published
 Planned
 Current release

Flagship BFSI ITO reports

Release date

Analytics Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
Mobility Services in Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2016	January 2017
Banking ITO Service Provider Landscape with PEAK™ Matrix Assessment and Profiles Compendium	June 2017
Capital Markets ITO Service Provider Landscape with PEAK™ Matrix Assessment and Profiles Compendium	June 2017
Future of Banking – “Experience First”: Banking ITO Annual Report	September 2017
Insurance, L&P, and P&C Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium	Q3 2017
Capital Markets ITO Annual Report	Q3 2017
Insurance ITO Annual Report	Q3 2017
Risk & Regulatory Compliance in BFS – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q3 2017
Digital Services in Consumer Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in Wealth Management – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Services in P&C Insurance – Service Provider Landscape with PEAK Matrix™ Assessment 2017	Q4 2017
Digital Effectiveness in North American Retail Banking – APEX Matrix™ to Identify the Digital Banking Leaders 2017	Q4 2017

Thematic BFSI ITO reports

Release date

FinTechs in Payments – Top 40 Trailblazers	May 2017
InsurTechs Envisioning the Future of Insurance – Top 40 Trailblazers	May 2017
Digital Force Multiplier – A Cloud Adoption Story in Banking and Financial Services: Public Cloud First	August 2017

Note: For a list of all BFSI ITO reports published by us, please refer to [website here](#)

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 Global Banking – Service Provider Landscape with PEAK Matrix™ Assessment 2017 and Profiles Compendium** ([EGR-2017-11-R-2232](#)); 2017. 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 2016 with regards to such large banking AO deals
2. **Digital Force Multiplier – A Cloud Adoption Story in Banking and Financial Services: Public Cloud First** ([EGR-2017-11-R-2315](#)); 2017. This report analyses top 15 BFS enterprises across four geographies (Australia, Europe, the United Kingdom, and the United States) to understand the role of cloud technology in enhancing the digital experience. These BFS enterprises have been mapped on Everest Group's proprietary assessment framework. The research also includes a detailed study and profiles of leading cloud service providers and their offerings catering to the needs of BFS enterprises.
3. **FinTechs in Payments – Top 40 Trailblazers** ([EGR-2017-11-R-2172](#)); 2017. In this report, we analyze current state of FinTech adoption, drivers of growth, investment trends, key areas of disruption within the payments value chain, and 40 leading FinTechs that stood out from a list of around 125

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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