Business Process Services Delivery Automation (BPSDA) – State of the Market Report – 2017

Service Optimization Technologies (SOT) & Business Process Services (BPS) Market Report – November 2017 – Complimentary Abstract

EGR-2017-13-PD-2405

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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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* Banking, financial services, and insurance

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Background of the research

Background of the research

- The Business Process Services (BPS) market is being buffeted by strong winds of change. Multiple digital elements are disrupting the status quo on both the demand- and supply- side of the market – enterprises are expecting not only cost reduction but also next-generation benefits from their BPS relationships and service providers are recognizing that they need to pivot quickly from the traditional labor arbitrage-driven model to a digital-powered one to provide those benefits to their buyers
- One of the most potent digital levers enabling this transformation is Service Delivery Automation (SDA). A spectrum of SDA solutions is being deployed by service providers to help buyers attain certain key benefits – higher speed, improved accuracy, enhanced customer experience, and reduced cost, among others
- In this research, we analyze the dynamics of SDA in BPS along the following dimensions:
  - BPSDA market overview
  - BPSDA solution characteristics
  - BPSDA service provider landscape
  - The future and how to prepare for it

Scope of this research

We focus on Business Process Service Delivery Automation (BPSDA) solutions, containing a services component, offered by prominent BPS providers operating in this space.

- **Services:** Business Process Services (BPS)
- **Geography:** Global
- **Service providers:** 18 leading broad-based BPS providers

Principles of Service Delivery Automation (SDA)

1 Automation – at its most basic level – must utilize technology to replace a series of human actions. Correspondingly, not all technologies provide automation, and replacing a single human action with technology (e.g., a mathematical equation in a spreadsheet) is not automation. At the same time, automation can be done by degrees, but some steps will still require human intervention.

2 Much automation is already embedded in software systems (e.g., linking client information across marketing and supply chain systems); however, since it is part of the normal feature-functionality of a system, it is generally not considered as automation, but a simply more powerful system(s).

3 Automation for IT is very different to for business processes:

- In IT, automating is generally addressed by improving the core functionality and is handled by the IT system management tools. Further, these activities are owned by central IT, which is naturally incented to create more efficient IT operations. RPA and AI complement and enhance what is already available in ITSM systems
- In business processes, system limitations are generally much more difficult to overcome, and follow a process that stretches across many systems in the organization. As such, the business case for significant system change is generally unappealing. Finally, the benefits of improved processes accrue to the business and are hard to quantify with a ROI that can motivate central IT groups to invest their resources

4 Service delivery automation can be accomplished by combining multiple technologies. For example, traditional Business Process Management (BPM) technologies can be further enhanced by combining with newer UI/robotic process tools. Cognitive computing, although in its infancy, represents the next horizon, as automation not only replicates human behavioral characteristics while executing judgment-intensive IT and business processes, but also creates the potential to spawn new businesses for IP-owners and enterprises.

Everest Group's SDA Spectrum

SDA includes a spectrum of automation solutions for delivering global services

High / Low (Human involvement, Intelligence); Maturity / Future tech

	Ability to handle input data type	Processing approach	Ability to learn	Context awareness	Approach	Illustrative examples
Robotic Desktop Automation (RDA)	Structured only	Deterministic	No	Minimal	Human triggers	NICE, Pega, Softomotive, UiPath
Robotic Process Automation (RPA)	Structured and semi-structured	Deterministic	No	Minimal	Orchestrated process automation	Automation Anywhere, Blue Prism, Jidoka, NICE, Redwood, Softomotive, UiPath, WorkFusion
Autonomics	Structured and semi-structured	Deterministic	No	Yes, but limited to its computing environment	Distributed computing	Ayehu, IPsoft IPcenter, Syntel SyntBots, Thoughtonomy, WorkFusion
Narrow Artificial Intelligence (AI)	All types of data including unstructured	Probabilistic	Yes, but in specific areas	Yes, but limited to a particular domain	Cognitive computing (machine learning, deep learning, and NLP)	Arago, Automation Anywhere, Celaton, IBM Watson, Infosys Nia, IPsoft Amelia, Loop AI, RAGE Frameworks, RAVN, TCS Ignio, Wipro HOLMES, WorkFusion,
General AI	All types of data including unstructured	Probabilistic	Yes, across multiple areas	Yes, across multiple domains and similar to human brain	Advances in deep learning	NA

Note: In this report we have referred to rules-based / deterministic SDA solution (i.e. RDA, RPA, and Autonomics) collectively as RPA, unless specified otherwise

Scope of the research

We focus on business process automation solutions, containing a services component, offered by prominent BPS providers operating in this space

	Focus of this report	Not in scope
1 Services	Business process services	IT services
2 Supplier ecosystem	BPS providers	SDA Independent Software Vendors (ISV) Specialist system integrators
3 Sourcing model	Software (in-house or third-party) + associated implementation services	Stand-alone software license

Note: Please refer to the appendix section (pages 57-59) for more details

Everest Group's BPSDA research is based on three key sources of proprietary information

1

Everest Group's proprietary database of BPSDA capability of 18 providers
The database, developed through a comprehensive RFI exercise, tracks each service provider's capability along elements such as:

- Clients with BPSDA deployments, BPSDA proof of concepts, cost savings, case studies, FTE release rate, and BPSDA bots deployed
- BPSDA client portfolio across buyer sizes, geographies, industries, and BPS segments
- BPSDA vision and strategy, top BPSDA solutions, their value propositions, development mode, and RPA and AI features
- Technology partners and collaborations with academic institutes
- Investments specific to SDA
- Engagement & commercial models
- BPSDA Full Time Employees (FTEs) and their split by scope of services

2

- **Service provider briefings and demonstrations**
  - Detailed briefings and demos with service providers for a comprehensive view of their solutions
  - Vision and strategy for BPSDA
  - Current state of the market
  - Opportunities and challenges
  - Expected direction of movement in the industry
  - Emerging areas of investment (e.g., focus on artificial intelligence and cognitive solutions)

3

Buyer surveys and interactions
Surveys and one-on-one executive-level interviews of reference buyers were undertaken to get their feedback on service providers' BPSDA offerings and their performance in delivering BPSDA solutions. The surveys/interviews focus on aspects such as:

- Deployment details such as scale, business function, type of automation, and services scope
- Drivers of automation and emerging priorities
- Overall performance of the provider including strengths and improvement areas
- Service provider performance across elements such as driver satisfaction, RPA & AI expertise, flexibility in engagement & commercial model, implementation & integration, and proactiveness

Service providers covered in the analysis

Accenture, Capgemini, Cognizant, Conduent, EXL, Genpact, HCL, Hexaware, HGS, IBM, Infosys, Intelenet, Mphasis, NTT Data, Sutherland, Syntel, Wipro, WNS

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

Overview and abbreviated summary of key messages

This report will assist key stakeholders (enterprises, service providers, and technology providers) understand the dynamics of the BPSDA market and identify the upcoming trends. This report provides a comprehensive coverage of the global service delivery automation market from the purview of business process services and analyzes it across various dimensions such as market overview, buyer adoption trends, solution characteristics, service provider landscape, and future implications of SDA on the BPS industry as well as how to prepare for it.

Some key elements and findings of the report are:

BPSDA market overview

- SDA is witnessing rapid growth in adoption at more than 80% while the BPS spend impacted by SDA grew by more than 180%
- F&A and contact center emerged as the leading areas of application of SDA in BPS, followed by banking and insurance. BFSI industry accounts for the majority of the clients with SDA deployments
- However, the penetration as well as the scale of deployment of BPSDA is low, given the nascent nature of the market. Also, only about 15% of SDA deployments in BPS have an AI component – the majority are RPA deployments. Moreover, customer satisfaction with BPSDA is rather low

Solution characteristics and service provider landscape

- The characteristics of the BPSDA solutions of providers has been described along four dimension: talent, shoring model, solution development approach, and engagement & pricing model
- Accenture and Conduent have the most number of clients with BPSDA deployments by far. They are followed by Capgemini, Cognizant, Genpact, IBM, and Wipro
- Providers' success differs across BPS segments. Competitive intensity is high in all other high potential areas except contact center, which is heavily dominated by Conduent
- Everest Group classifies BPSDA solution providers on the Everest Group PEAK Matrix™ into the three categories of Leaders, Major Contenders, and Aspirants

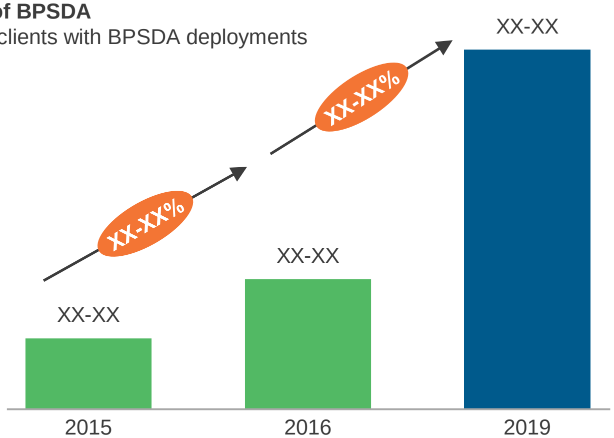
Solution characteristics and service provider landscape

- SDA is likely to significantly impact the BPS industry in the near- to medium-term along five dimensions – service provider revenue & margin, pricing model, shoring model, talent model, and contract composition
- In the face of this disruption, enterprises should adopt a set of best practices to ensure success with BPSDA. Service providers must develop robust strategies to ride the wave of BPSDA disruption and back those strategies with smart investments

The study offers three distinct chapters providing an assessment of BPS providers' automation capabilities, their key strengths & areas of improvement, and the competitive landscape

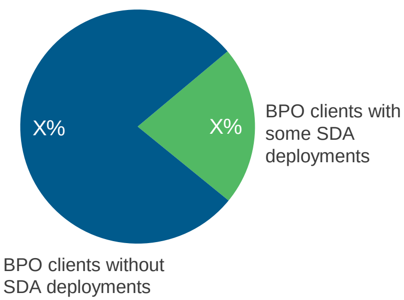
Adoption of BPSDA

Adoption of BPSDA
Number of clients with BPSDA deployments

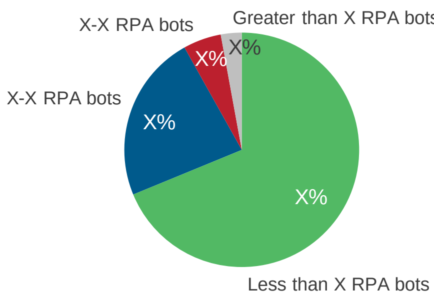


Depth and breadth of adoption of SDA in BPS

Penetration of SDA in BPS
Number of BPO clients

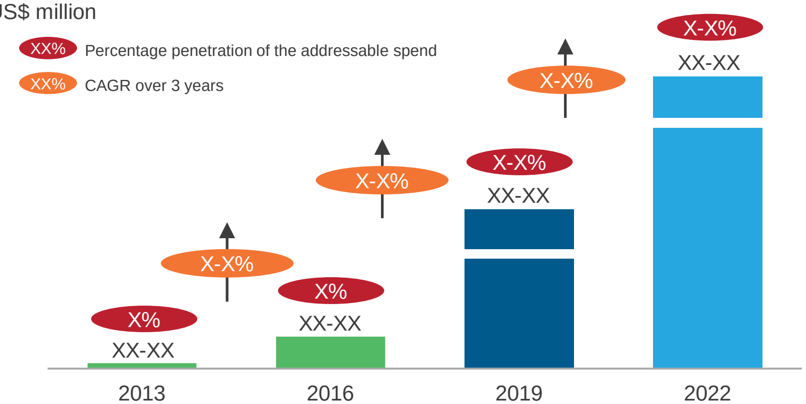


Scale of SDA in BPS (Share of clients with BPSDA deployments by no. of RPA bots)



BPS spend impacted by RPA

BPS spend impacted by RPA
US$ million



Future implications of SDA on the BPS industry

1 Revenue and margin
- In the short term, SDA is likely to dampen growth in service provider revenue due to cannibalization. Margins will be adversely affected due to SDA investments
- However, in the long term, as advanced automation enables scope expansion and demands premium, revenue growth and margin will rise

2 Pricing model
- SDA will encourage adoption of output- and outcome-based pricing models as opposed to the traditional input-based pricing model
- SDA will also spur gainsharing constructs based not only on factors such as cost reduction through FTE elimination but also factors such as better governance, improved compliance etc.

3 Talent model
- SDA will thin the bottom layer of the delivery pyramid. The talent model will become middle-heavy
- It will be imperative to upskill resources for more judgment-intensive tasks, and strengthen focus on domain expertise during recruitment
- It is also likely to reduce attrition as people are freed from working on repetitive tasks

4 Shoring model
- Enterprises that are averse to offshoring due to political or regulatory pressures may view SDA as a valid alternative, especially for transactional processes
- Service providers may also see an opportunity to use offshore capacity released by SDA to deliver more judgment-intensive processes from offshore locations

5 Contract composition
- As SDA transitions from being assisted systems to unassisted ones and automation becomes the norm for transactional tasks, the share of work managed by technology is likely to rise dramatically
- This is expected to raise the average share of technology in the BPS contract value by more than two times by 2022

Research calendar – Service Optimization Technologies (SOT)

Published | Planned | Current release

Flagship SOT reports	Release date
Robotic Process Automation (RPA) - Technology Vendor Landscape with FIT Matrix Assessment	December 2016
Robotic Process Automation (RPA) – Technology Vendor Profile Compendium	December 2016
Robotic Process Automation (RPA) – Technology Vendor State of the Market Report	February 2017
Business Process Services Delivery Automation (BPSDA) – Service Provider Landscape with PEAK Matrix™ Assessment 2017	July 2017
Business Process Services Delivery Automation (BPSDA) – Service Provider Profile Compendium 2017	September 2017
Artificial Intelligence in Global Services – State of the Market Report – 2017	October 2017
Business Process Services Delivery Automation (BPSDA) – State of the Market Report – 2017	**November 2017**

Thematic SOT reports	
Business Case for Robotic Process Automation (RPA) in Global In-house Centers (GICs)	September 2016
The Service Delivery Automation (SDA) Journey	September 2016
IT Application Services Automation: Think Benefits, Not Costs	November 2016
Rise of Automation in P&C Insurance	January 2017
Pushing the Dial on Business Process Automation	May 2017
Talent Model and Location Hotspots for Service Delivery Automation (SDA) Center of Excellence (CoE)	July 2017
Experience and Learnings from RPA Implementation in GICs	Q4 2017
Creating Business Value Through Next-Generation Smart Digital Workforce	Q4 2017

Note: For a list of all Service Optimization Technologies (SOT) reports published by us, please refer to our website page

Additional SOT research recommendations

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. **Business Process Services Delivery Automation (BPSDA) – Service Provider Landscape with PEAK Matrix™ Assessment 2017** (EGR-2017-13-R-2243); 2017. This report uses Everest Group's proprietary PEAK Matrix to assess and evaluate automation capabilities of service providers in the business process services space across two key dimensions, market impact and vision & capability. It also includes market share analysis of service providers and Everest Group's remarks on service providers highlighting their key strengths and development areas, with specific focus on automation
2. **Business Process Services Delivery Automation (BPSDA) – Service Provider Profile Compendium 2017** (EGR-2017-13-R-2346); 2017. This report provides accurate, comprehensive, and fact-based snapshots of BPSDA offerings and capabilities of 18 leading broad-based service providers. Each profile includes company overview, recent acquisitions & partnerships, offering structures, delivery capabilities, clients portfolio mix, technology solutions, measure of capabilities across PEAK Matrix dimensions, and key strengths and areas of improvement for the service providers
3. **Artificial Intelligence in Global Services – State of the Market Report 2017** (EGR-2017-13-R-2397); 2017. There is growing interest among organizations about Artificial Intelligence (AI) technologies, given that it is an enabler for intelligent automation in global services. However, it is a relatively new field and many organizations are still in the early education and adoption stages of maturity. This report helps bring about a better understanding of the AI market from the purview of global services. In particular, it includes a holistic definition of AI, buyer adoption trends, learnings from early adopters and a deep-dive into the AI technology vendor landscape
4. **Robotic Process Automation (RPA) - Technology Vendor Landscape with FIT Matrix Assessment – Technologies for Building a "Virtual Workforce"** (EGR-2016-13-R-2030); 2016. This report uses Everest Group's proprietary FIT Matrix™ to assess and rate RPA technology vendors on the various dimensions of their market impact and vision & capabilities. It also includes Everest Group's remarks on vendors, highlighting their key strengths & areas of development as well as insights into advances in RPA technologies, operating models, capabilities of different platforms, and commercial models

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

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