Banking BPO Annual Report 2018: Digital Transformation or Digital Washing: Looking Beyond the Hype

Banking and Financial Services (BFS) Business Process Outsourcing (BPO) Annual Report – July 2018: Complimentary Abstract / Table of Contents

Our research offerings for global services

▶ Market Vista™
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

▶ Application Services	▶ Human Resources
▶ BPS | Banking & Financial Services	▶ ITS | Banking & Financial Services
▶ BPS | Healthcare & Life Sciences	▶ ITS | Healthcare & Life Sciences
▶ BPS | Insurance	▶ ITS | Insurance
▶ Catalyst™	▶ IT Services Forecaster™
▶ Cloud & Infrastructure	▶ Locations Insider™
▶ Customer Experience Management Services	▶ PricePoint™
▶ Digital Services	▶ Procurement
▶ Engineering Services	▶ Recruitment & Talent Acquisition
▶ Finance & Accounting	▶ Service Optimization Technologies

Membership information

- This report is included in the following research program(s)
  - **Banking and Financial Services (BFS)**
- **If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com, unitedkingdom@everestgrp.com, or india@everestgrp.com**

More about membership

In addition to a suite of published research, a membership may include

- Price book
- Pinnacle Accelerators
- Data cuts
- Analyst access
- Virtual Roundtables
- Workshops

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

Everest Group® RESEARCH

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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 frameworks
(BFSI segmentation, third-party Business Process Services (BPS) market definition, PEAK Matrix, and market maturity)

2 Primary sources of information
(Annual contractual and operational RFIs, service provider briefings & 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 400+ banking BPO contracts (updated annually)
- Year-round tracking of 25+ banking BPO service providers
- Large repository of existing research in banking BPO
- Dedicated team for banking BPO research, spread over two continents
- Over 20 years' experience of advising clients on banking BPO-related decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

This report is based on various key sources of proprietary information

- Proprietary database of **400+ banking BPO contracts** (updated annually)
- The database tracks the following elements of each contract:
  - Buyer details including size and signing region
  - Contract details including service provider, contract type, TCV & ACV, service provider FTEs, start & end dates, duration, and delivery locations
  - Scope details including share of individual buyer locations being served in each contract, Line of Business (LOB) served, and pricing model employed

- Proprietary database of **25+ banking BPO service providers** (updated annually)
- The database tracks the following for each service provider:
  - Revenue and number of FTEs
  - Number of clients
  - FTE split by different LOBs
  - Revenue split by region
  - Location and size of delivery centers
  - Technology solutions developed

- **Service provider briefings**
  - Vision and strategy
  - Annual performance and future outlook
  - Key strengths and improvement areas
  - Emerging areas of investment

- **Buyer reference interviews, ongoing buyer surveys, and interactions**
  - Drivers and challenges for adopting workplace services
  - Assessment of service provider performance
  - Emerging priorities
  - Lessons learnt and best practices

Service providers assessed

accenture · avaloq essential for banking · Capgemini · CGI · Cognizant · CONCENTRIX A Business Services Company · CONDUENT · DXC.technology · EQUINITI · EXL look deeper. · firstsource · GENPACT · HCL · Hewlett Packard Enterprise · IBM · Infosys · intelenet IMPACT your world · Mphasis Unleash the Next · NIIT technologies · POLARIS live your dream · SUTHERLAND GLOBAL SERVICES · SYNTEL Consider IT Done · TATA CONSULTANCY SERVICES · Tech Mahindra · wipro · WNS Extending Your Enterprise
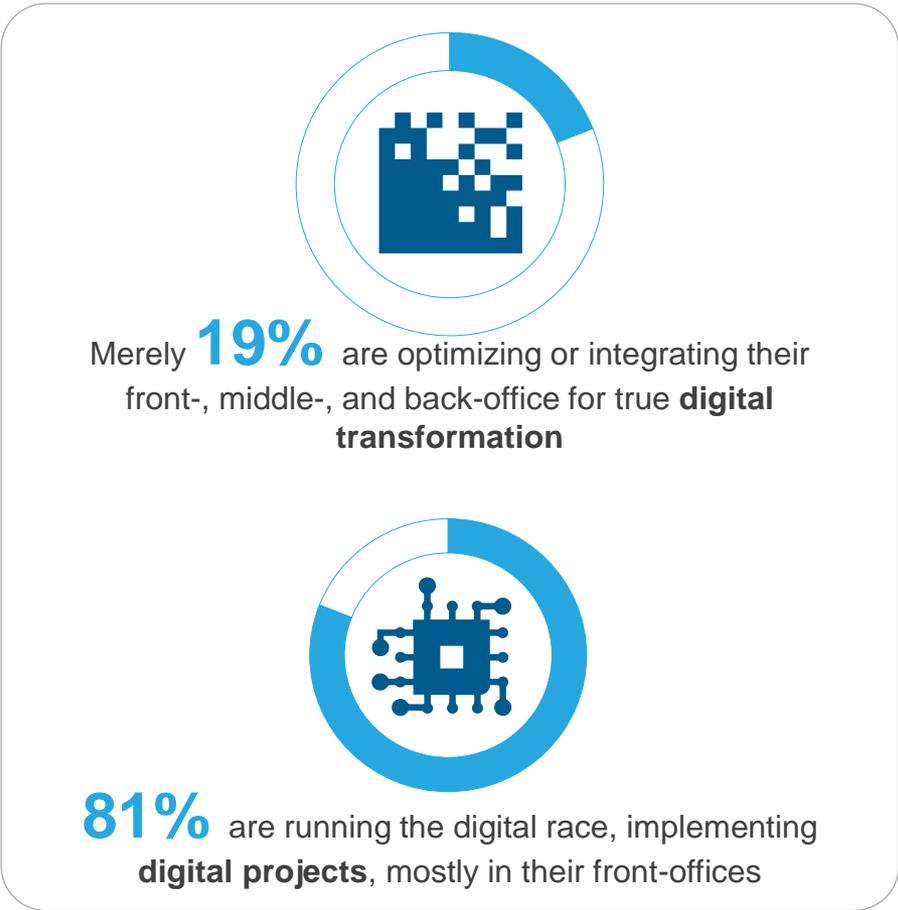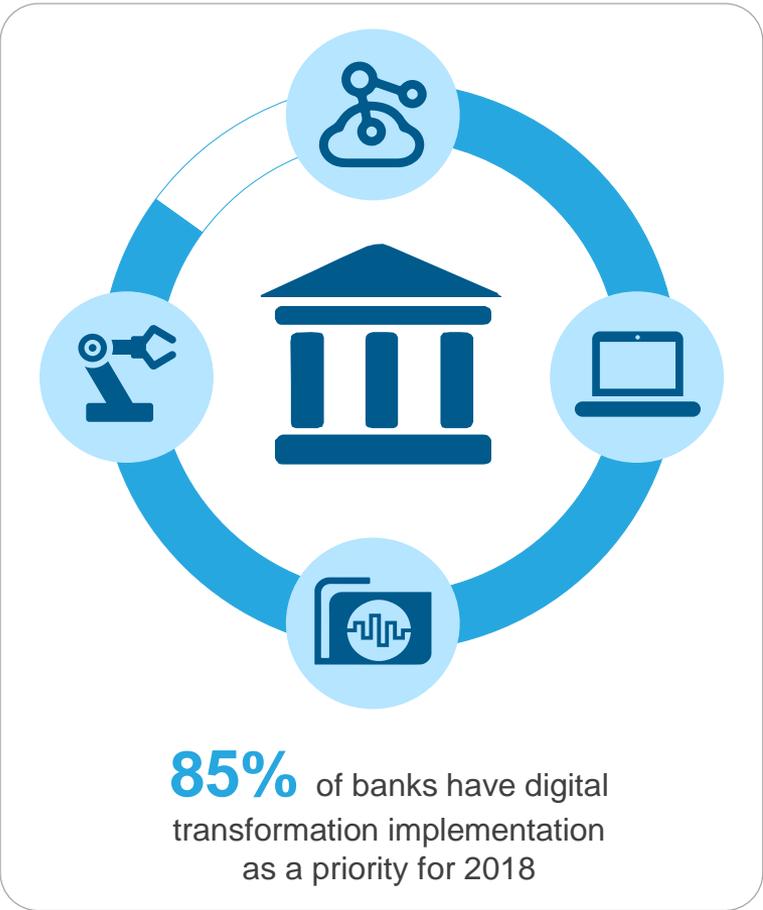
1   Assessment for Accenture, Avaloq, CGI, DXC Technology, Equiniti, IBM, Mphasis, Polaris, and Syntel excludes service provider inputs on this particular study, and is based on Everest Group's estimates which leverage Everest Group's proprietary Transaction Intelligence (TI) database, ongoing coverage, service provider public disclosures, and interaction with buyers

Note: We continually monitor the market and update the above list to include emerging service providers
         The source of all content is Everest Group unless otherwise specified

Confidentiality: 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

85% of banks have digital transformation implementation as a priority for 2018

Merely **19%** are optimizing or integrating their front-, middle-, and back-office for true **digital transformation**

81% are running the digital race, implementing **digital projects**, mostly in their front-offices

Digital washing is prominent in the banking industry as banks implement **digital projects** (mostly on the front-office) without focusing on the back- and middle-office.

Summary of key messages

Key considerations for a successful digital transformation

Align the digital transformation strategy to the operating model, target customers, and focus markets to prioritize investment decisions. Also monitor the change in technology and reassess the strategy

Take one step at a time and set realistic expectations. A modular approach can help in gaining incremental learnings that can be used to avoid potential failures in other implementations

Form a robust governance structure and align the incentives of internal and external stakeholders to the success of the digital transformation for effective change management. Educate and secure talent by upskilling/reskilling to overcome resistance

Plan for risk & compliance requirements well in advance, and base implementation on agile methodologies to incorporate changing regulations and manage data privacy concerns
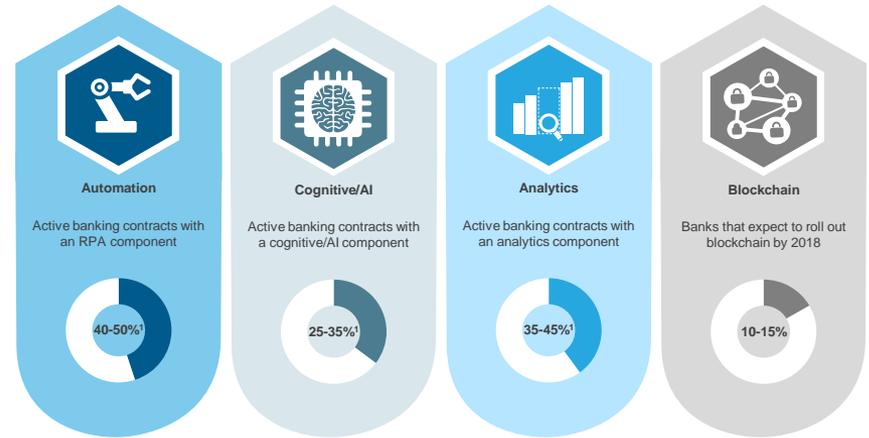
Evaluate the cost, quality, and risk of outsourcing vs. managing technology implementation in-house to make a sound decision. Flexibility and efficiency through participation in a strong ecosystem of FinTechs and service providers will be the key to success

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This study offers two distinct chapters providing a deep dive into key aspects of the Banking BPO market; below are four charts to illustrate the depth of the report
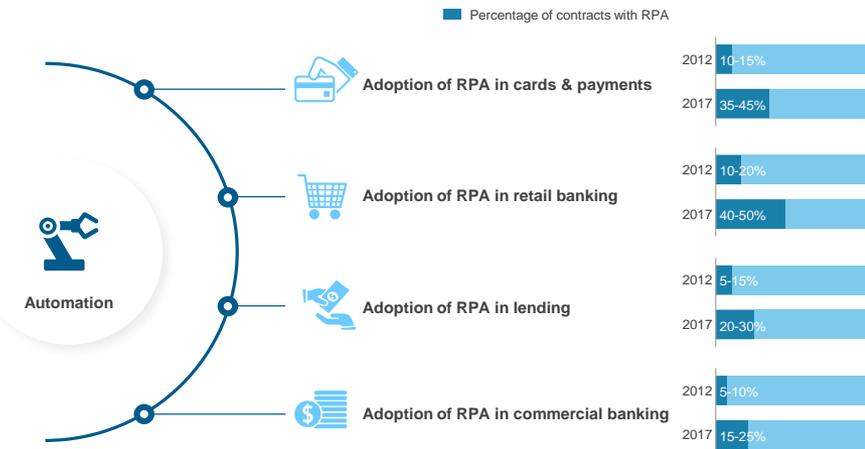
Creating the next breakthrough in digital experience

- - - Actual spend as percentage of total digital spend

Back-office (such as procurement, F&A, and HR) → **Core mid-office** (such as operations & production) → **Market-facing front-office** (such as sales and marketing)

Digital for efficiency
47% of digital spend
- Reduce costs
- Improve productivity
- Transform supply chains

Digital for growth
24% of digital spend
- Engage the customer
- Spawn new businesses
- Scale existing business

Digital enablement
29% of digital spend
- Make digital secure
- Drive agility

Key levers for adopting digital technology

Automation
Active banking contracts with an RPA component
40-50%[1]

Cognitive/AI
Active banking contracts with a cognitive/AI component
25-35%[1]

Analytics
Active banking contracts with an analytics component
35-45%[1]

Blockchain
Banks that expect to roll out blockchain by 2018
10-15%

Transformation level adoption by LOB

■ Percentage of contracts with RPA

Automation

Adoption of RPA in cards & payments
- 2012: 10-15%
- 2017: 35-45%

Adoption of RPA in retail banking
- 2012: 10-20%
- 2017: 40-50%

Adoption of RPA in lending
- 2012: 5-15%
- 2017: 20-30%

Adoption of RPA in commercial banking
- 2012: 5-10%
- 2017: 15-25%

Use cases from the industry

Business problem
- A global bank was looking at opportunities to improve their customer experience as part of the efforts to digitize bank operations
- One of the processes that required to be optimized was customer onboarding, which typically took 16 days for completion
- The bank had several disparate legacy systems that needed to be integrated to optimize the entire customer onboarding process

Solution
- The bank engaged with a smart automation solution provider to optimize the customer onboarding process
- The solution implemented was an enterprise-wide automation platform, which helped to transform the operations of the bank
- The solution included SDA (Service Delivery Automation) capabilities such as RPA, OCR (Optical Character Recognition), workflow, and analytics with a process-centric software subscription model (vs. per robot licensing)

Impact
- The bank reduced the average customer onboarding time from 16 days to nine minutes
- It achieved STP rates of 60-100% across various processes where the solution was implemented
- The customer onboarding process was optimized to be completed when the customer is online and interacting with the bank

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Research calendar – Banking and Financial Services (BFS) – Business Process Outsourcing (BPO)

	Published		Planned		Current release

Flagship BFS BPO reports	Release date
Banking BPO Annual Report 2017: Disruption Does Not Discriminate – Banks Exploring New Technologies to Offset Existing Challenges	September 2017
Capital Markets BPO Service Provider Landscape with PEAK™ Matrix Assessment	September 2017
Banking BPO Service Provider Profile Compendium	September 2017
Mortgage BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2017	November 2017
Banking BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	March 2018
KYC-AML BPO – State of the Market with Services PEAK Matrix™ Assessment 2018	June 2018
Banking BPO Annual Report 2018: Digital Transformation or Digital Washing: Looking Beyond the Hype	**July 2018**
Capital Markets BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	Q3 2018
KYC-AML BPO – Service Provider Profile Compendium	Q3 2018

Thematic BFS BPO reports	
Home Equity Loans – The Next Frontier in Mortgage BPO	May 2015
Risk Management – Looking Beyond the Transactions, Credit Leading the Way	April 2016
Risk Management – US$300 Billion – Enough to Buy Facebook, or Pay for Your Regulatory Mistakes	March 2017
Broking Bad	March 2018
Blockchain: Is it the Silver Bullet?	April 2018

Note: For a list of all BFS BPO reports published by us, please refer to our website page

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Additional BFS BPO research references

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

1. **Banking BPO Annual Report 2017: Disruption Does Not Discriminate – Banks Embracing Digital to Stay Relevant** (EGR-2017-11-R-2320); 2017. This report assists key stakeholders (buyers, service providers, and technology providers) in understanding the changing dynamics in the banking BPO market and identifying the recent trends and future outlook. In this backdrop, this report provides comprehensive coverage of the global banking BPO market including detailed analysis of the market size & growth, buyer adoption trends, solution characteristics, and service provider landscape
2. **Banking BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2018** (EGR-2018-27-R-2591); 2017. This report assists key stakeholders (buyers, service providers, and technology providers) in understanding the changing dynamics of the banking BPO space and helps them identify the recent trends and future outlook. In this backdrop, the report provides comprehensive coverage of the global banking BPO space including detailed analysis of the state of the market, market trends and solution characteristics, service provider landscape, and the future outlook

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

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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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