



## **Finance and Accounting Outsourcing (FAO) Market Update: May 2009 – Preview Deck**

### **Global FAO Supplier Landscape: Differentiate to Get Noticed**

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The multi-process FAO market has grown at nearly 25% CAGR over the last few years and 2008 witnessed new contract signings in excess of US\$3 billion. The supplier landscape is also maturing with 20+ established FAO suppliers capable of providing multi-process FAO services to their clients. The last year has witnessed significant buildup of supplier capability through M&A and, new center opening. Increasing competitive intensity is coupled with lowering differentiation, as the gap between the supplier capabilities of leaders and major contenders continues to reduce.

As suppliers strive towards differentiating themselves, buyers are looking to clearly understand suppliers' current focus and their comparative capabilities across key dimensions

The Global FAO Supplier Landscape research report provides actionable insights through in-depth analyses of shifts in the global FAO supplier landscape. It provides an overview of the FAO market in 2008, examines the supplier positions and market shares, and assesses supplier delivery capability across scale, scope, technology, and delivery footprint. The report also discusses the emerging modes of differentiation in the FAO market.

## Scope

- Proprietary Everest database of 380+ multi-process FAO contracts signed as of November 2008
- The report includes multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in Annualized Contract Value (ACV), and a minimum contract term of 3 years
- Suppliers with multi-process FAO capability including Accenture, ACS, Capgemini, Cognizant, Compass BPO, EDS-HP, EXL Service, Genpact, HCL, HOV services, IBM, iGate, KPIT Cummins, Infosys BPO, Intelenet, Patni, OPI, RMS, Steria, TCS, VWA, Wipro, and WNS

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# Overview and abbreviated summary of key messages

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The Global FAO supplier Landscape provides an overview of the FAO market in 2008 and examines supplier position and market shares, assesses supplier delivery capabilities, and offers Everest's view on implications for buyers and suppliers. The report also includes an additional detailed section on the modes of differentiation being used by suppliers in the FAO market.

## Some of the findings in this report are:

### FAO market overview

- 2008 witnessed the strongest year ever for new FAO spending, despite economic uncertainty
- Everest classifies the 20+ FAO supplier landscape into leaders, major contenders, and emerging players based on a capability-success matrix
- The FAO practice for most suppliers across the three supplier segments is growing at a rate faster than overall company growth, reflecting healthy market fundamentals
- The FAO market also witnessed several strategic investments over the last two years (e.g., HP-EDS acquisition, TCS-CGSL acquisition, Infosys-Philips BPO acquisition, and WNS-Aviva captive acquisition) that positively impact the supplier landscape towards enhanced capability

### Supplier position and market shares

- The top five leaders account for almost 70% of the FAO market in terms of ACV. However, the major contenders, which accounted for 55% of new contracts signed in 2008, are beginning to challenge their dominance. The emerging players feel the squeeze
- Accenture and IBM are the only suppliers with a strong presence across geographies and industries. Most others players have a regional and/or industry bias in the composition of their portfolios
- Even though the overall FAO market is highly competitive, the FAO market by industry, geography, and buyer size is concentrated

# Overview and abbreviated summary of key messages

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## Supplier delivery capability assessment

- Leaders have almost double the advantage in scale, compared to the average for major contenders. The leaders now focus on driving non-linear growth (TCV growth faster than FTE growth rate)
- Even though leaders have a clear advantage in FTE numbers over the other players, the composition of FTEs remains similar across suppliers – ~90% transaction-intensive and ~10% judgment-intensive. Analytics is a fast-emerging area of focus
- Leaders and major contenders have a blended model of offshore+ nearshore delivery while emerging players are still offshore heavy. The expanding globalization of FAO is driving the emergence of Tier-2 and Tier-3 locations

## Modes of differentiation

- Intra-group differentiation is increasingly difficult. The FAO market now sees emergence of three areas for creating a differentiated FAO value proposition
  - Industry-specific FAO offerings where the outsourcing scope includes industry-specific requirements in the “corporate” F&A area along with industry-specific “operational” F&A processes
  - Process-oriented offerings including specialized process solutions (like internal audit, travel & expense) and end-to-end process solutions (like O2C, P2P, R2R)
  - Technology-focused solutions leveraging an add-on tools approach or a platform-based approach

This study offers four distinct chapters providing a deep dive into key aspects of the FAO market; below are four charts to illustrate the depth of the report



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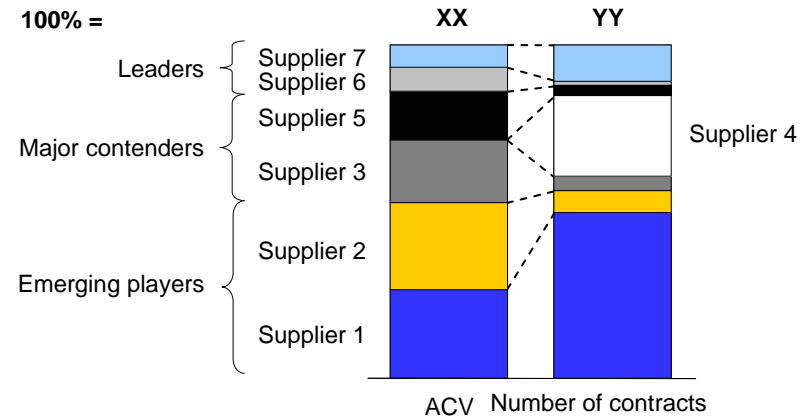
ILLUSTRATIVE

### Delivery capability assessment of suppliers

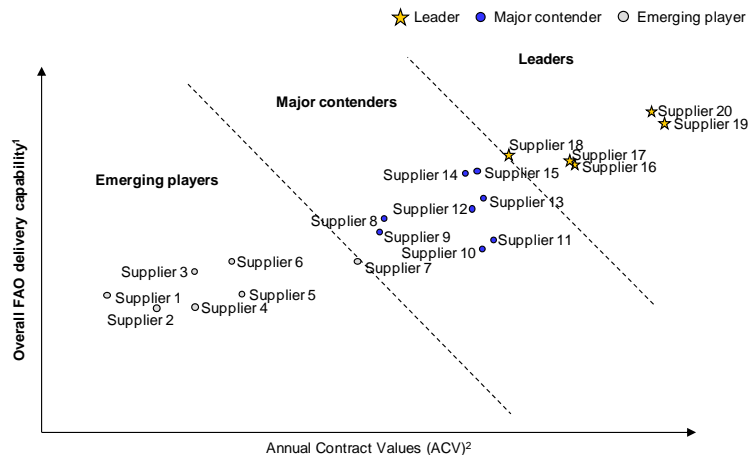
● High ● Medium-high ● Medium

Supplier	Scale	Scope	Technology capability	Delivery footprint	Overall
Supplier 1	●	●	●	●	●
Supplier 2	●	●	●	●	●
Supplier 3	●	●	●	●	●
Supplier 4	●	●	●	●	●
Supplier 5	●	●	●	●	●
Supplier 6	●	●	●	●	●
Supplier 7	●	●	●	●	●
Supplier 8	●	●	●	●	●
Supplier 9	●	●	●	●	●

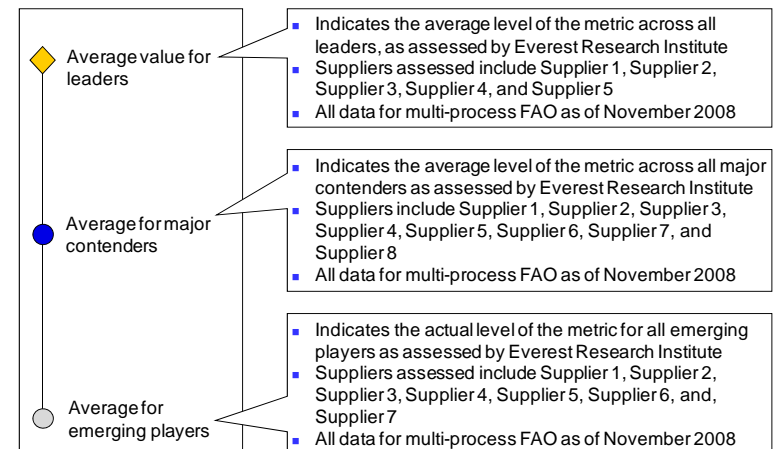
### Global FAO supplier market share



### Supplier capability-success matrix



### Scoring of supplier delivery capabilities by component



Source: Everest Research Institute (2009)

# Appendix: Additional FAO research recommendations



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The following documents are recommended for additional insight on the topic covered in this Research Report.

The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **Finance & Accounting Outsourcing (FAO) Annual Report – Strategically Tackling the FAO Market in 2009: Maximizing Opportunities** (ERI-2009-1-R-0324); 2008. This research includes comprehensive coverage of the 2008-09 FAO market including market size and buyer adoption, current contracts characteristics, and supplier landscape. The report also summarizes the key insights and implications for the stakeholders
2. **Industry-Specific FAO Solutions – Moving Beyond the Bottom-Line** (ERI-2009-1-R-0322); 2009. This research study tracks and analyzes this new development in the FAO market. As the market matures and evolves further, the Everest Research Institute predicts that the industry specificity in FAO offerings will increase especially in the services sector and the Order-to-Cash (O2C) process. Also, industry-specific FAO will emerge as an opportunity for FAO suppliers to create distinctive positioning in an increasingly competitive market
3. **Understanding the Waking Giant: The mid-market and FAO** (ERI-2008-1-R-0279); 2008. The emerging mid-market in FAO presents a new set of challenges and opportunities for both buyers and suppliers. The objective of this report is to assist key stakeholders in understanding the changing dynamics of the mid-market for FAO and help them identify value creation opportunities as well as identify potential risks involved
4. **FAO Market Growth Targets a Broader Value Proposition – A mid year review** (ERI-2008-1-W-0278); 2008. Over the past several years we have seen the market expand its circle of appeal to include a wide-range of industries, geographies, and buyer sizes. Driven by evolving market circumstances, the FAO curve has lasted longer than expected. This whitepaper summarizes the highlights of the FAO market in the first half of 2008 and offers some guidance on what to expect in 2009
5. **Finance & Accounting Outsourcing (FAO) Contract Characteristics** (ERI-2008-1-R-0259); 2008. This research provides a comprehensive coverage of the characteristics of FAO contracts. The report includes detailed analyses of FAO market size and buyer adoption, FAO contract profiles and FAO solution design. Finally, the report discusses key implications for buyers and suppliers

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