Banking, Financial Services, and Insurance (BFSI) Outsourcing
Report: June 2011 – Preview Deck

Topic: Application Outsourcing in Banking – PEAK Into the Evolving Service Provider Landscape

Background and scope of the research

Background of the research
The Banking, Financial Services, and Insurance (BFSI) industry is one of the largest adopters of IT application outsourcing (AO) services. To cater to this large market segment, a number of service providers of varying scales and capabilities have developed capabilities to deliver AO services to BFSI companies.

As mature BFSI buyers seek to optimize their portfolio of AO services, they are signing larger contracts with a fewer number of service providers. Further, as BFSI buyers drive further consolidation in response to their business requirements, the capability of service providers to undertake and deliver large-sized AO engagements has become a factor of prime importance.

In this research, we analyze the capabilities of over 20 leading AO service providers specific to the global banking sector. These providers have been mapped on the Everest **Performance | Experience | Ability | Knowledge (PEAK) Matrix**, which is a composite index of a range of distinct metrics related to a provider's capability and market success. In this report we focus on:

- The landscape of service providers focused on the banking AO market
- Assessment of the service providers' capability on a variety of dimensions
- Characteristics of the Leaders, Major Contenders, and Emerging Players on the Everest PEAK Matrix
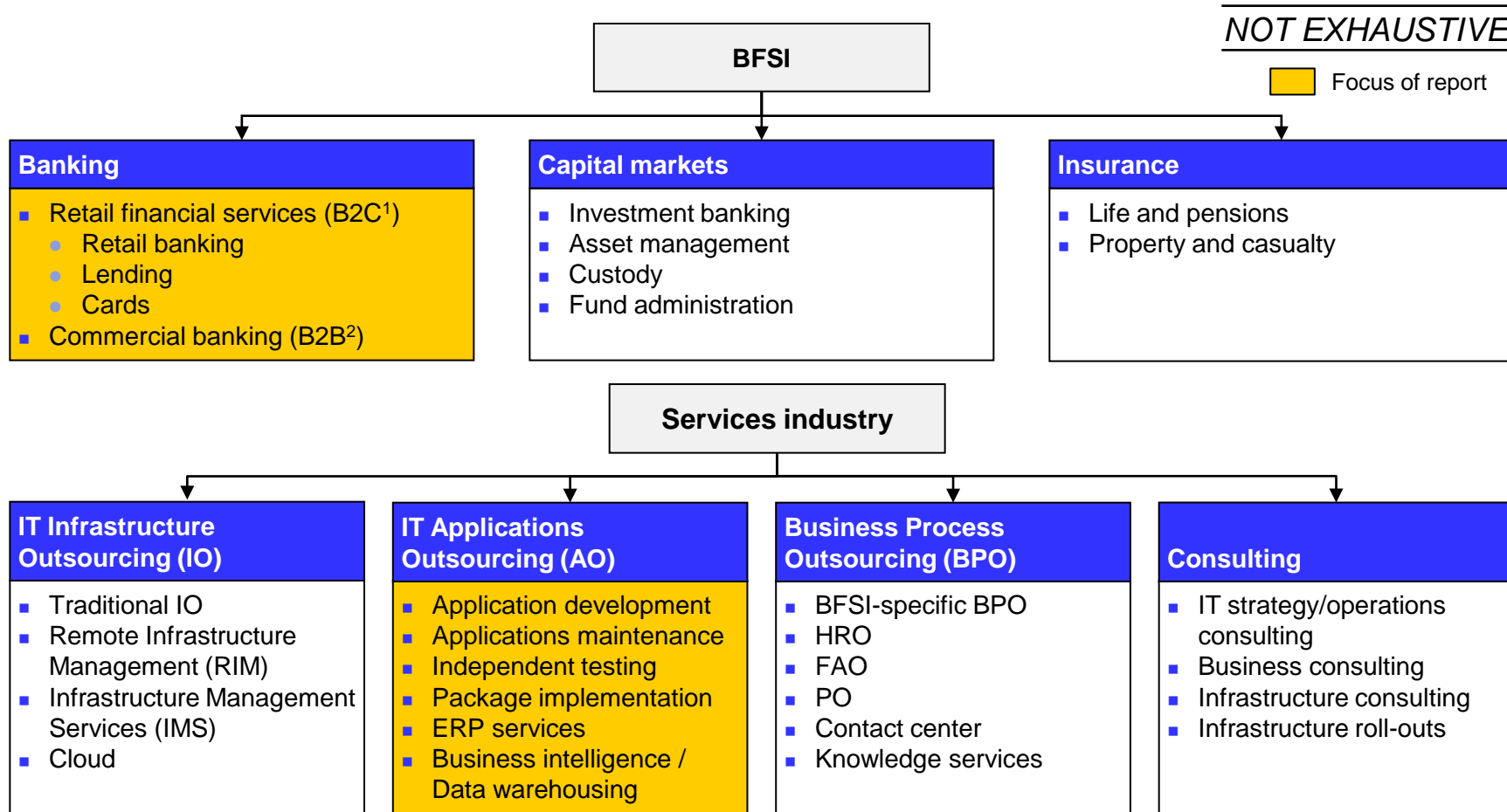- Implications for banking buyers and service providers

Scope of this report:
- **Industry:** Banking (retail banking, wholesale banking, credit cards, loans and mortgages); **excludes** capital markets and insurance
- **Services:** Large (TCV >US$25 million), multi-year (>3 years), annuity-based applications outsourcing
- **Geography:** Global
- **Service providers:** 22 leading banking AO service providers (list included on page 7)

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

NOT EXHAUSTIVE

BFSI

🟨 Focus of report

Banking
- Retail financial services (B2C[1])
  - Retail banking
  - Lending
  - Cards
- Commercial banking (B2B[2])

Capital markets
- Investment banking
- Asset management
- Custody
- Fund administration

Insurance
- Life and pensions
- Property and casualty

Services industry

IT Infrastructure Outsourcing (IO)
- Traditional IO
- Remote Infrastructure Management (RIM)
- Infrastructure Management Services (IMS)
- Cloud

IT Applications Outsourcing (AO)
- Application development
- Applications 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 roll-outs

This report analyzes capabilities of service providers for IT Applications Outsourcing in the banking sub-vertical with a focus on large (TCV >US$25 million), annuity-based multi-year (>3 years) relationships

1 Business-to-consumer relationships
2 Business-to-business relationships

This report is a part of Everest Group's series of nine reports focused on applications outsourcing in BFSI in 2011

Market Trends in IT Applications Outsourcing Services

- Each report provides an overview of the application outsourcing market for the specific banking / capital markets / insurance sub-vertical
- The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders

Banking

Capital markets

Insurance

Service Provider Landscape: IT Application Outsourcing Services

Each report provides:
- Mapping of service providers on Everest's capability matrix i.e., Performance | Experience | Ability | Knowledge (PEAK) Matrix for the specific sub-vertical
- Assessment of service providers based on delivery capability and market success in establishing large AO contracts with financial institutions

Banking

Capital markets

Insurance

Service Providers' Profiles Compendium: IT Application Outsourcing services

Capability profiles of service providers capturing their AO services experience in specific sub-verticals. Each service provider profile includes:
- Service provider overview: Details of AO services capabilities, key investments, proprietary solutions, technological expertise
- Functional/Line of Business (LoB) focus
- Transactions overview for application services offerings
- Delivery footprint

Banking

Capital markets

Insurance

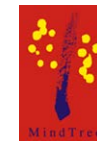# Everest's BFSI research is based on two key sources of proprietary information

1

- Proprietary Everest database of **~345** large, multi-year AO contracts within BFSI (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 for banking, capital markets, and insurance, and by Lines of Business (e.g., retail banking, credit cards, loans and mortgages)
  - Scope includes coverage of buyer geography as well as functional activities
  - Global sourcing, including delivery locations and level of offshoring

2

- Proprietary Everest database of **operational capability of 20+ BFSI AO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - Key leaders
  - Major BFSI AO clients and recent wins
  - Overall revenues, 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 · Atos Origin · CGI · Cognizant · Capgemini · CSC · Dell Services · HCL · hp · IBM · Hexaware Technologies · L&T Infotech · Infosys · ITC Infotech · Luxoft · MindTree · NESS · POLARIS · WIPRO · SYNTEL · Softtek · TATA Consultancy Services
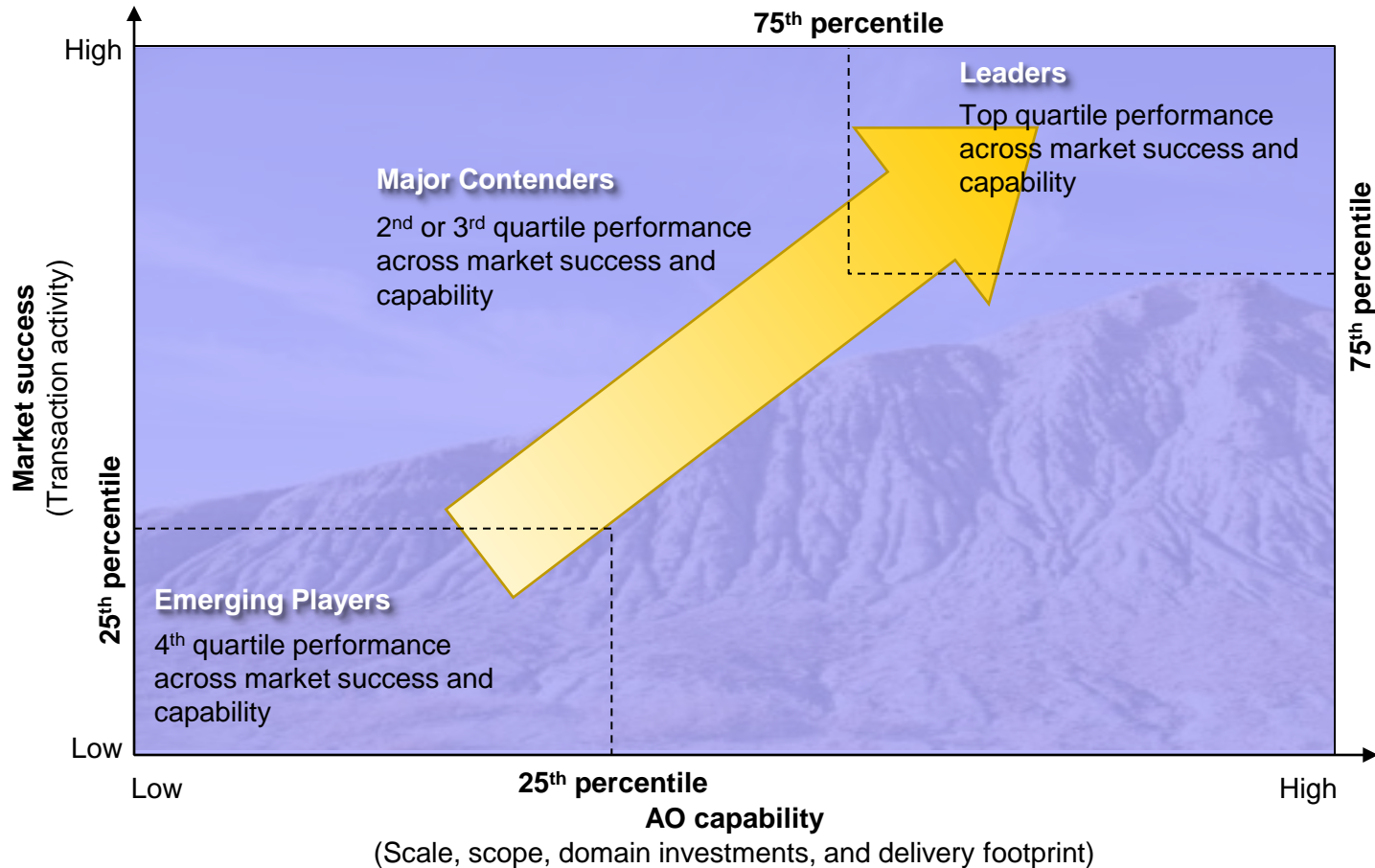
Note: We continuously monitor market developments and track additional service providers beyond those included in the analysis

Confidentiality: The Everest Research Institute takes our confidentiality pledge very seriously. Any information we collect, that is contract specific, will be presented back to the industry only in an aggregated fashion

The service providers have been mapped on the Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix

Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix for Application Outsourcing

75th percentile

High

Leaders
Top quartile performance across market success and capability

Major Contenders

2nd or 3rd quartile performance across market success and capability

75th percentile

Market success
(Transaction activity)

25th percentile

Emerging Players

4th quartile performance across market success and capability

Low

Low   25th percentile   High

AO capability
(Scale, scope, domain investments, and delivery footprint)

The Everest PEAK is a composite index of a range of distinct metrics related to a service provider's scale, scope, technology/domain investments, delivery footprint, and resultant market success in the context of a given outsourcing function

This report is structured across three key sections, each containing insights on the banking AO service provider landscape, focusing on large-sized contracts

Analysis dimensions

Banking AO service provider landscape

Analysis of individual service provider capability and service provider groups across the following dimensions:
- Scale
- Scope
- Domain investments
- Delivery footprint
- Market success

Banking AO PEAK characteristics

Analysis of each of the categories on the Everest PEAK Matrix – 'Market Leaders', 'Major Contenders', and 'Emerging Players'
- Commentary on capabilities of each service provider
- Delivery capability characteristics (Scale, Scope, Domain investments, and Delivery footprint)
- Market success characteristics (Transaction activity)

Implications for key stakeholders

Implications of trends on buyers and service providers

Overview and abbreviated summary of key messages

The report provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various providers on Everest's PEAK matrix. The report further examines the distinctive characteristics of different service provider clusters i.e., Leaders, Major Contenders, Emerging Players, 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:

Banking AO service provider landscape

- The service provider landscape for banking AO services comprises four major categories of providers - global majors, offshore majors, Tier-2 Indian providers, and regional players
- While global and offshore majors bank on their broader presence (across various geographies and serving multiple clients), Tier-2 Indian providers focus on growing their share within specific accounts. Regional players, expectedly, are successful in serving clients in target geographies
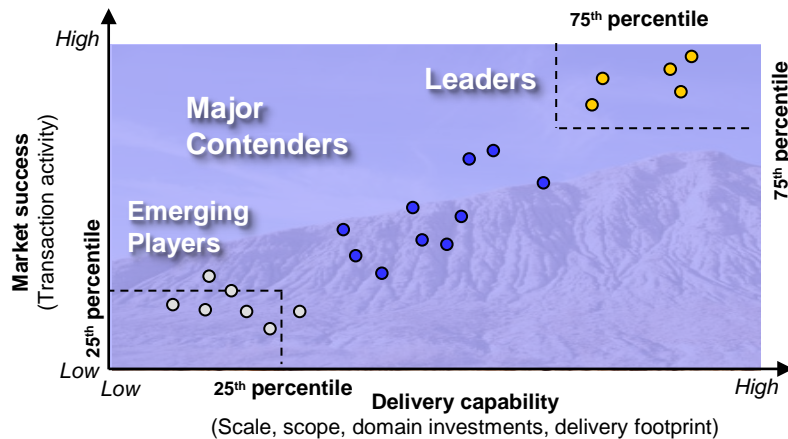
Banking AO PEAK clusters' characteristics

- Leaders account for a majority of industry revenues from large banking AO deals and dominate transaction activity
- Major Contenders are investing in growth initiatives and through a combination of organic and inorganic investments will continue to challenge the Leaders in select market segments
- Emerging Players have focused on growing their business by developing deep relationships in specific accounts/clients

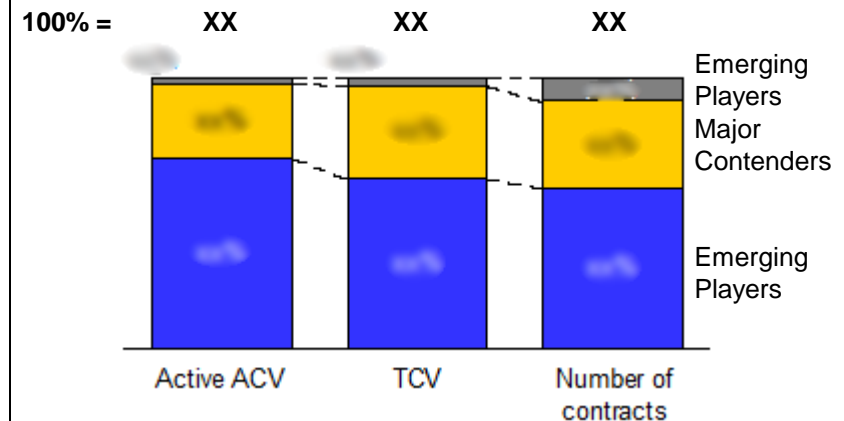**Implications for key stakeholders**

- The evolving service provider landscape in banking AO services provides a diverse set of options for banking majors and creates opportunities for unlocking value as contracts come up for renewal
- As buyer-driven portfolio consolidation accelerates, M&A activity among the service providers to build capabilities will continue to drive change in the landscape and create challenges for the Leaders in the near future

This study offers three distinct chapters providing a deep dive into key aspects of the banking AO service provider landscape; below are four charts to illustrate the depth of the report
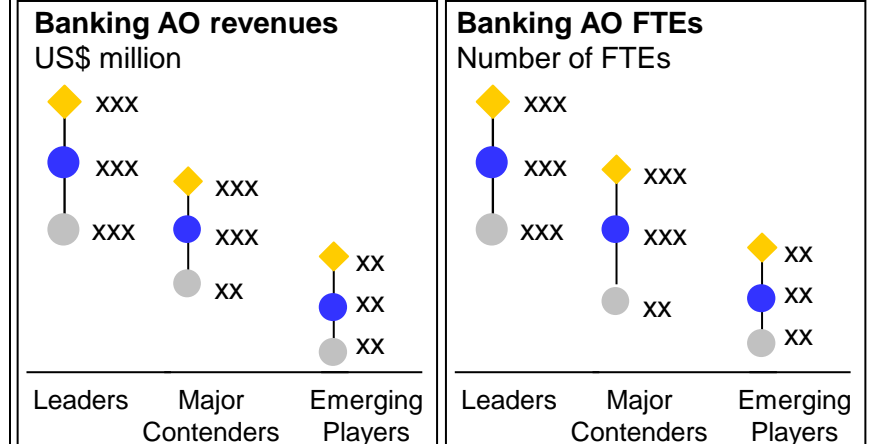
PEAK Matrix for large sized banking AO

Market success (Transaction activity)

High / Low

Leaders

Major Contenders

Emerging Players

75th percentile

25th percentile

Delivery capability
(Scale, scope, domain investments, delivery footprint)

Low — 25th percentile — High

Banking AO market share by service provider segment

100% = XX XX XX

Emerging Players
Major Contenders
Emerging Players

Active ACV | TCV | Number of contracts

Service provider capability assessment dashboard

Service provider	Scale	Scope	Domain investments	Delivery footprint
Service provider category 1				
Provider 1	●	●	●	●
Provider 2	◑	◑	◑	◑
Provider 3	◑	◑	◑	◑
Provider 4	◔	◑	◑	◑
Service provider category 2				
Provider 1	◑	●	◑	◑
Provider 2	◑	◑	◑	◑
Provider 3	◑	●	●	◑
Provider 4	●	●	●	◑

Banking AO scale by provider segment

Banking AO revenues
US$ million

xxx / xxx / xxx / xxx / xxx / xx / xx / xx / xx

Leaders | Major Contenders | Emerging Players

Banking AO FTEs
Number of FTEs

xxx / xxx / xxx / xxx / xxx / xx / xx / xx / xx

Leaders | Major Contenders | Emerging Players

Source: Everest Research Institute (2011)

This report also provides specific details on each service provider's distinctive characteristics, and capabilities, in the banking AO services space

Emerging Players (page 1 of 2)

While most of the 'Emerging Players' lag behind the market leaders and major contenders in terms of scale of operations, they have acquired some key clients in the banking AO space…

Service provider	Comments
Provider 7	
Provider 8	
Provider 9	
Provider 10	

Source: Everest Res

Major Contenders (page 1 of 2)

Major Contenders have been successful in establishing their stronghold in select regional pockets, functional areas, or sub-verticals…

Service provider	Comments
Provider 4	
Provider 5	
Provider 6	

Source: Everest Re

Leaders (page 1 of 2)

'Leaders' are characterized by their breadth of capability in banking AO services, proprietary products/platforms, highly scaled operations…

Service provider	Comments
Provider 1	• Among the largest BFSI AO services providers globally; derives over US$ x.x billion in revenues from BFSI (across all service lines) • Key services offerings in the banking AO space include service A, service B, solution C, LoB DEF related tools, solutions on XYZ themes, and XXX • ABC Financial Solutions is Accenture's core banking solution for universal banking • Extensive offshore delivery footprint in over XX countries
Provider 2	• Established offshore major with a strong focus on the BFSI industry; derives over US$x.x billion in revenues from BFSI • Developed banking relationships which allowed provider to achieve distinctive growth in the banking AO segment • Strong focus on 'XYZ frameworks' for banking LoB A, LoB B, LoB C, service D; proprietary solutions for xxx • High offshore leverage with majority of delivery resources concentrated in Country A; delivery presence in ~XX other offshore countries
Provider 3	• Has a wide portfolio of IT and BPO services for banking sector clients • Marked success in winning big multi-year AO contracts with large-sized banking buyers • Strong capability in serving XX banking LoBs including XXX, YYY, ZZZ, across all AO sub-functions including AAA, BBB, CCC, and DDD • Extensive delivery footprint in over XX offshore countries worldwide

Source: Everest Research Institute (2011)

Actionable insights on banking AO scale, breadth of offerings, domain investments and market success for each service provider on the PEAK

Everest BFSI Outsourcing research calendar

■ Published   ■ Current   ■ Upcoming

Topic	Goals of the research	Release date
Global lending BPO across credit cards, consumer loans, and commercial loans	The market size and potential of the global lending BPO by business segment and function. Adoption trends measured across buyer size and geography. Maturity of lending BPO sub-functions across business segments. Prevalence of various sourcing models. The lending BPO service provider landscape across business segments	January-2011
FS BPO Service provider profile compendium	Snapshots of 14 service providers playing in the FS BPO segment. Each 4-5 page service provider profile provides a comprehensive picture of their service suite, scale of operations, technology landscape, recent developments, and delivery locations across all financial services segments including banking, capital markets, and insurance	March-2011
Global sourcing in FS BPO – Significant Traction, Yet Tremendous Potential	Coverage across retail banking, capital markets, and insurance. Offshore leverage through shared services and third-party outsourcing by financial services organizations. Potential offshorability and current offshore adoption of value chain elements for each business segment. Mature and emerging delivery locations and associated value proposition	April-2011
Market Trends for IT application services in *Banking*	Provides an overview of the application services market for the banking vertical , capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders	June-2011

Published | Current | Upcoming

RESEARCH INSTITUTE

Topic	Goals of the research	Release date
Service provider landscape for IT application services in *Banking*	Provides a comprehensive assessment of the service provider landscape in AO services for banking and maps various suppliers on Everest's capability matrix	June-2011
Service providers' capability assessment (profiles compendium) for IT application services in *Banking*	Profiles of service providers capturing their IT AO capability in banking	Q2-2011
Insurance BPO market overview	This report explores the market size, growth, adoption trends, value drivers, process scope, technology landscape, delivery locations, and service provider landscape in the insurance BPO market	Q2-2011
Global third-party BPO service provider landscape in Capital Markets	Coverage across investment banking, asset management, and custody and fund administration. Service provider segments and assessment of scale and scope of offerings. Role of global sourcing and technology. Individual service provider profiles	Q3-2011

■ Published **■ Current** **■ Upcoming**

Topic	Goals of the research	Release date
Market Trends for IT application services in *Insurance*	Provides an overview of the application services market for the insurance vertical , capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders	Q3-2011
Service provider landscape for IT application services in *Insurance*	Provides a comprehensive assessment of the service provider landscape in AO services for insurance and maps various suppliers on Everest's capability matrix.	Q3-2011
Service providers' capability assessment (profiles compendium) for IT application services in *Insurance*	Profiles of service providers capturing their IT AO capability in insurance	Q3-2011
Market Trends for IT application services in *Capital Markets*	Provides an overview of the application services market for the capital markets vertical, capturing key trends in market size, growth, drivers and inhibitors, adoption trends, regional/functional break-outs of the market, emerging themes and key areas of investment, and implications for key stakeholders	Q3-2011

	Published		Current		Upcoming

Topic	Goals of the research	Release date
Service providers' capability assessment (profiles compendium) for IT application services in *Capital Markets*	Profiles of service providers capturing their IT AO capability in capital markets	Q3-2011
Service provider landscape for IT application services in *Capital Markets*	Provides a comprehensive assessment of the service provider landscape in AO services for capital markets, and maps various suppliers on Everest's capability matrix	Q3-2011

Additional research references

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

1. **IT Applications Outsourcing in Banking – Trends and Future Outlook** (ERI-2011-11-R-0566): This report provides an overview of the application outsourcing (AO) market for banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over 3 years in duration). The report analyzes key trends in market size and growth, demand drivers, adoption and scope trends, emerging themes, key areas of investment, and implications for key stakeholders, with regards to such large banking AO transactions

2. **Outsourcing Landscape in France: Global Sourcing and Service Provider Assessment** (ERI-2011-2-R-0541): This report provides an overview of the outsourcing market in France across market size and growth, key adoption trends, future industry outlook; and provides an in-depth analysis of the service provider landscape with a focus on the capabilities of the top-10 market leaders

3. **Role of Global Sourcing in FS BPO – Significant Traction, Yet Tremendous Potential** (ERI-2011-10-R-0529): Beyond arbitrage, several other factors including access to new talent pools, risk diversification, and operational flexibility are driving financial services organizations to push the global sourcing envelope. This report examines the various global sourcing trends in FS BPO, across banking, capital markets, and insurance

4. **Global Lending BPO Across Credit Cards, Consumer Loans, and Commercial Loans** (ERI-2011-10-R-0494): As financial services companies come out of one of the most tumultuous periods, this report provides key trends and insights into the global lending BPO across credit cards, consumer loans (including mortgages), and commercial loans across various dimensions such as market size and buyer adoption, prevalent and emerging sourcing models, and changing service provider landscape

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

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About Everest Group

Everest Group is an advisor to business leaders on next generation global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.

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