



FINANCIAL SERVICES PRACTICE
CEB TOWERGROUP

Technology Analysis Extract*

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Outsourcing

Vendor Analysis

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Executive Summary

Vendor Analysis Scope & Methodology

In response to feedback from our membership, CEB TowerGroup developed this analysis product to identify key components of an outsourcing investment decision and effectively compare outsourcing vendors. The basis of our process comes from the knowledge that investment decisions revolve around the benefit to the end user and enterprise of a firm rather than the service, application, or infrastructure offering alone.

This analysis is tailored to reflect the needs of the end user, to diagnose the outsourcing attributes particular to a firm, and to effectively identify vendors that align with the firm's needs. To that end, CEB TowerGroup conducted a series of interviews and surveys with financial services executives, industry experts, and vendors regarding outsourcing. The results of this research formed the basis of our anatomy and informed the proprietary five point rating system on which we scored vendors.

Current Market & Future Investment

Western firms focusing on cutting costs: After slow economic recovery, US banks remain challenged to preserve margins as cost pressure from regulations and technology upgrades increase. Intensification of the European sovereign debt crisis reversed the small economic recovery the began in 2010. To reign in spending, US banks slashed 60,000 jobs in 2011, a 165% increase over 2010.

Financial Services Institutions are turning to outsourcing: To reign in costs while maintaining the integrity and efficiency of daily operations, Financial Services Institutions (FSIs) are increasingly using outsourcing service providers. More than one third of finance CEOs expect to outsource a business process in the next twelve months. As outsourcing needs increase, emerging market outsourcers are gaining market share. India's outsourcing industry expects double-digit growth in 2012, and Eastern Europe has nearly doubled its outsourcing revenue in the last 2 years.

Outsourcing will continue to grow as a component of FSIs' IT budget: CEB TowerGroup estimates that outsourcing will account for 23% of the financial industry's total IT spending by 2015, a 5% increase from 2011. As spending grows, best practice BFSI-Vendor relationships will incorporate true collaboration between parties, tying a portion of compensation to business results. Competing on low costs in commoditized services will no longer be a primary source of competitive advantage for outsourcers. We expect knowledge management and innovation to be the next key service offerings for progressive outsourcers.

Executive Summary

Vendor Landscape and Rankings

The selection process centered around those vendors with mature products, globally recognized innovation and multiple large-scale installations with major financial services institutions. Only vendors with active partnerships with financial institutions were featured in this report. This analysis includes: Accenture, Birlasoft, Broadridge, Capgemini, Cognizant, Convergys, CSC, eClerx, Genpact, HCL, IBM, Infosys, L&T Infotech, Mahindra, Polaris, Softtek, Syntel, TCS, West, Wipro, and WNS.

By combining our qualitative and quantitative data from interviews with industry experts, financial institutions and vendors, CEB TowerGroup identified 24 attributes that define a “best-in-class” outsourcer. These attributes are grouped into four categories that highlight a firm’s user and enterprise needs. Vendor rankings are based on our proprietary five point rating scores on each of the 24 “best-in-class” attributes. The top vendors were designated as key performers based on their composite scores in each of the technology categories below.

Best-in-Class Vendor Categories

Financial services executives investing in outsourcing should use the Diagnostic Anatomy on page 11 to select the vendor that best aligns with their firm’s needs and business objectives.

- **Service Offering** includes those attributes that determine the breadth and scope of services a vendor is able to offer within their chosen lines of business and markets. *Leaders are Broadridge, Cognizant, IBM, Infosys, and TCS.*
- **Client Engagement** includes those attributes that influence the enterprise’s ability to grow their business while limiting their exposure to external risk. *Leaders are Birlasoft, Accenture, Cognizant, HCL Technologies, and TCS.*
- **Thought Leadership** includes those attributes that shape a vendor’s ability to innovate and deliver exceptional business results to clients. *Leaders are Wipro, Cognizant, Convergys, HCL Technologies, and TCS.*
- **Vendor Resources** include those attributes that affect the quality of a vendor’s services and ability to provide continuous improvement. *Leaders are Accenture, Capgemini, IBM, and WNS.*

Analysis Overview

Mission Statement: The CEB TowerGroup outsourcing analysis process provides a customer-driven, transparent, and unbiased review designed to drive informed business decisions.

- **Current Market:** Provides a view of industry and customer changes.
- **Future Investment:** Forecasts outsourcing spend and identifies emerging trends and innovations.
- **Vendor Landscape:** Provides an overview of key vendors, product features, and market position.
- **Vendor Rankings:** Highlights best-in-class attributes and shows a comparative perspective of leading outsourcing vendors.

Current Market

- ❑ **Market Drivers:** Assess changes in the industry and customer behavior

Future Investment

- ❑ **Spend Forecast:** Benchmark your future outsourcing spend
- ❑ **Emerging Trend Landscape:** Pinpoint emerging innovations in Outsourcing

Vendor Landscape

- ❑ **List of Players:** Identify key technology firms and their products
- ❑ **Diagnostic Anatomy:** Choose your investment priorities
- ❑ **Vendor Profiles:** Understand the key differentiators between outsourcers

Vendor Rankings

- ❑ **“Best-in-Class” Vendors:** See the top vendors based on our anatomy categories
- ❑ **Ranking Methodology:** Review the key components of an investment decision

Current Market



Future
Investment



Vendor
Landscape



Product
Rankings

Unable to grow revenue in adverse economic conditions, Western financial institutions focused on cost cutting measures to improve bottom line results.

- Western banks traditionally had much higher operating costs than their emerging market counterparts.
- To reign in spending, US banks slashed over 60,000 job cuts in 2011, the most of any private sector industry, a 165% increase from 2010.

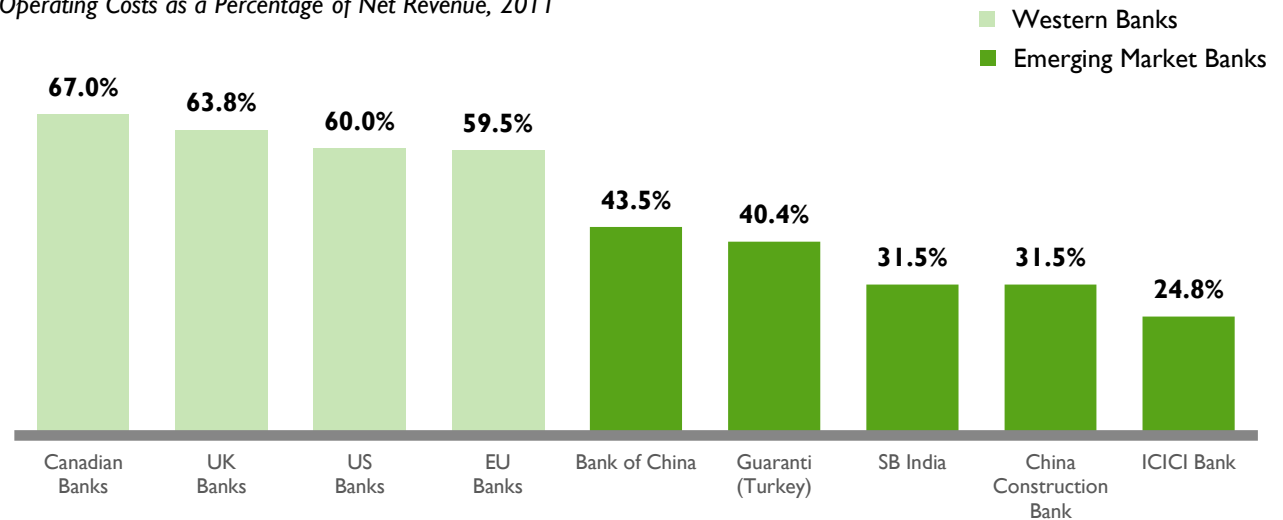
**Rod Nelsestuen,
Research Director**

“Despite cost cutting in several areas, most banks will not be able to significantly shift their cost curve downward without significant operational reengineering and restructuring.”

Western Financial Firms Cut Jobs to Improve Margins

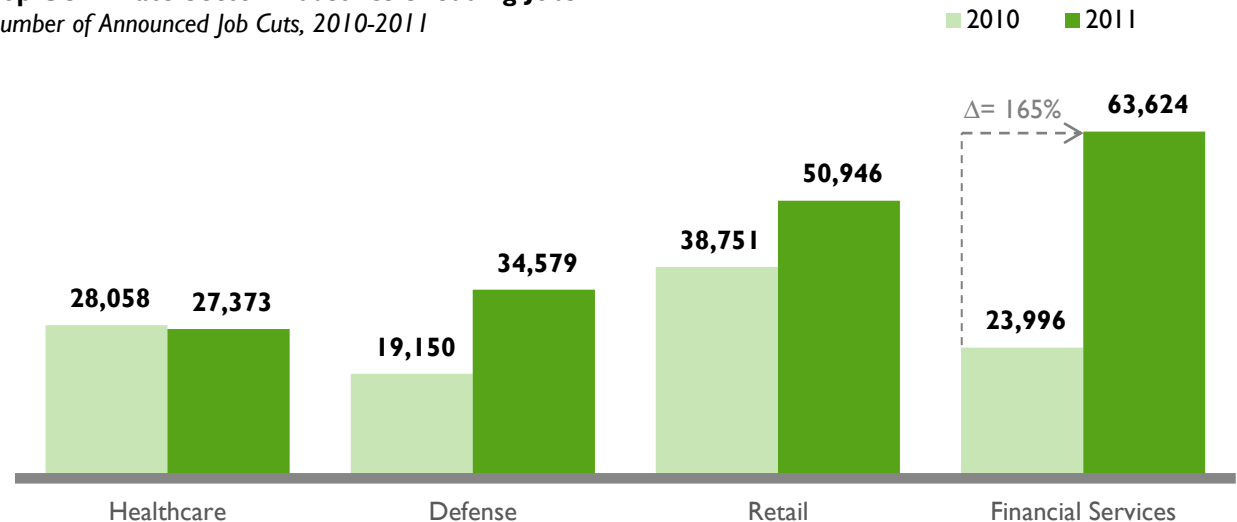
Operating Ratios at Global Banks

Operating Costs as a Percentage of Net Revenue, 2011



Top US Private Sector Industries Shedding Jobs

Number of Announced Job Cuts, 2010-2011





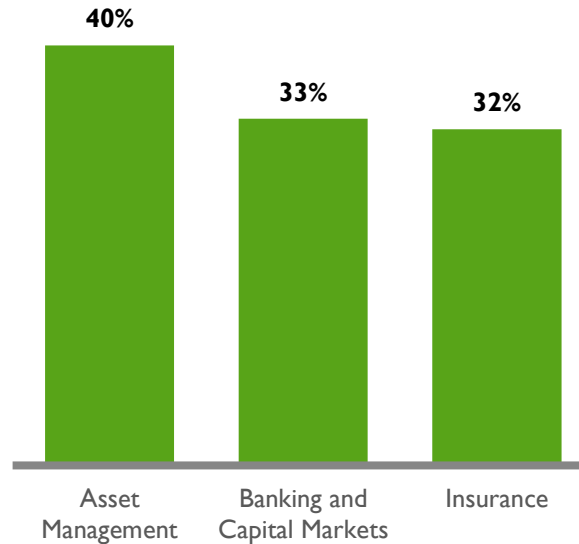
Financial institutions increasingly turn to outsourcing service providers to reign in costs while maintaining the integrity and efficiency of daily operations.

- More than one third of finance CEOs expect to outsource a business process in the next 12 months.
- More than half of financial executives expect outsourcing to increase as a component of IT spend by 2016.

Seeking Cost Savings Through Outsourcing Providers

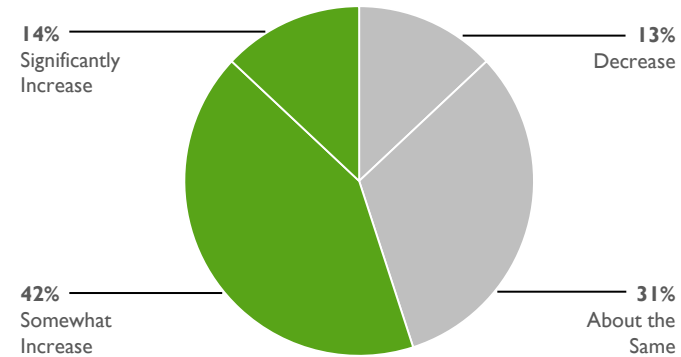
Finance CEOs Planning to Outsource Business Process Within Next 12 Months

Percentage of Respondents, 2012



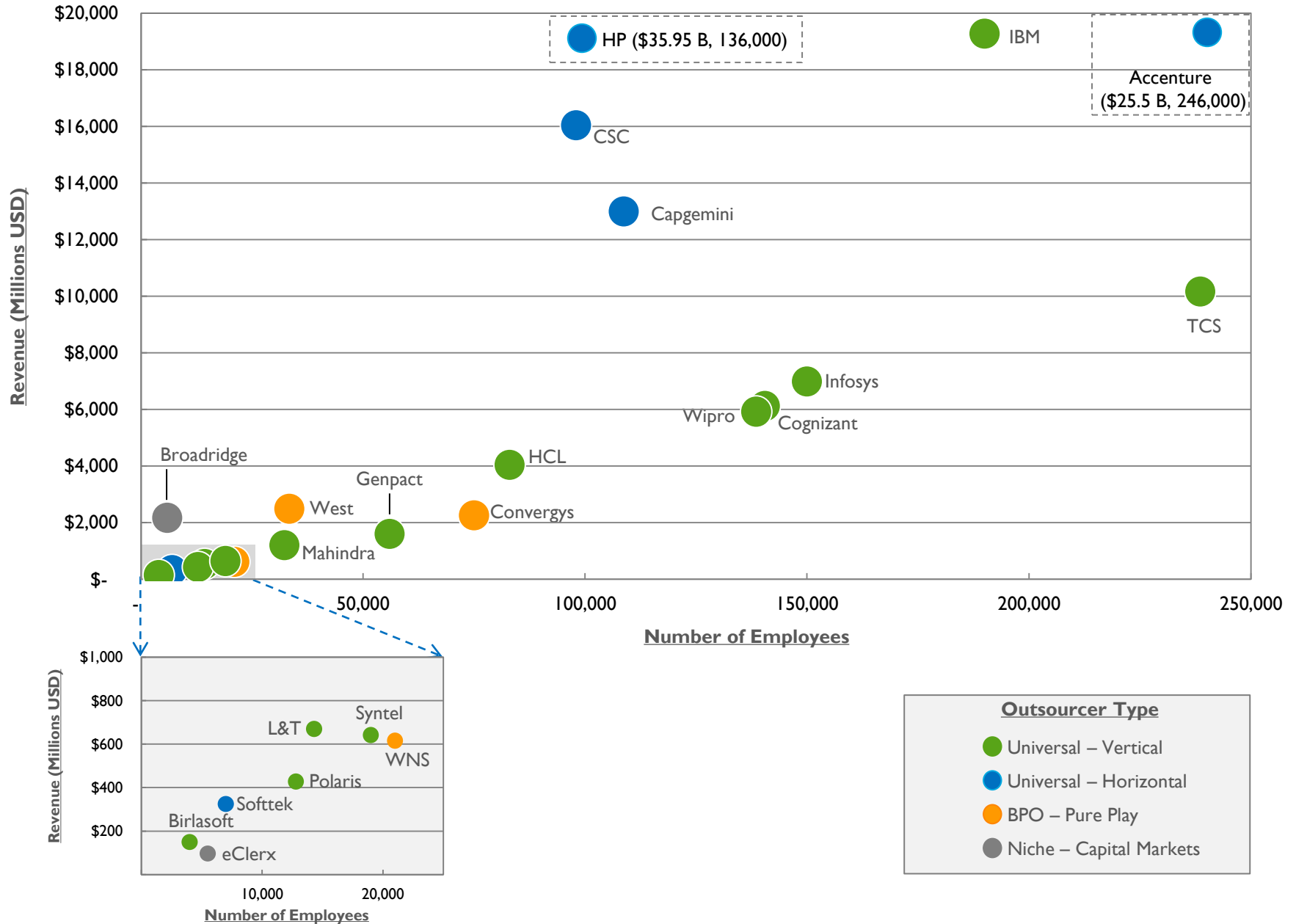
Finance Executives' Expectations on Outsourcing

Percentage of Respondents, 2012



N = 163

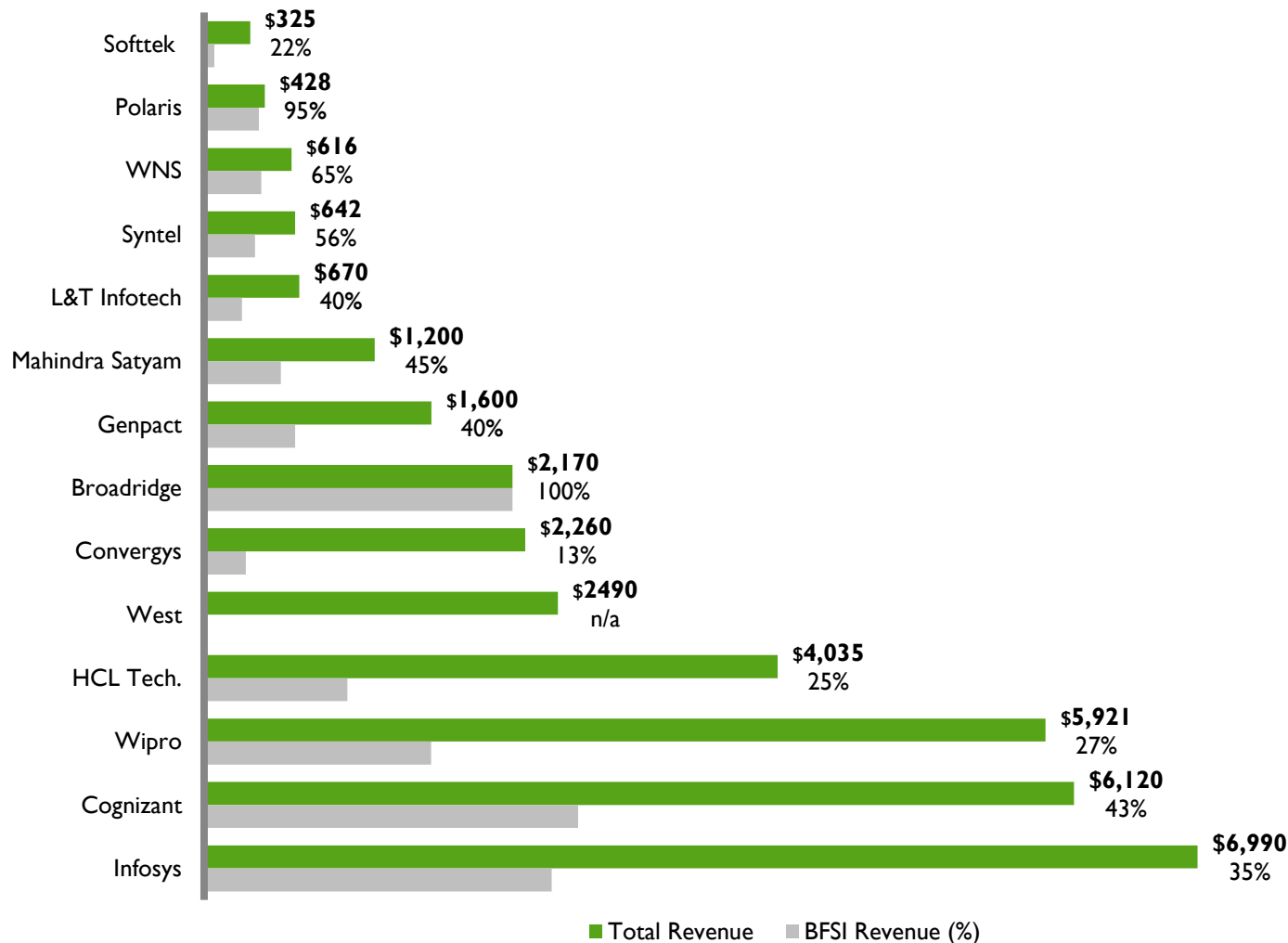
Outsourcing: Vendor Landscape



Outsourcing: Industry Revenue Overview

Outsourcing Vendors

Revenue In Millions USD, 2011



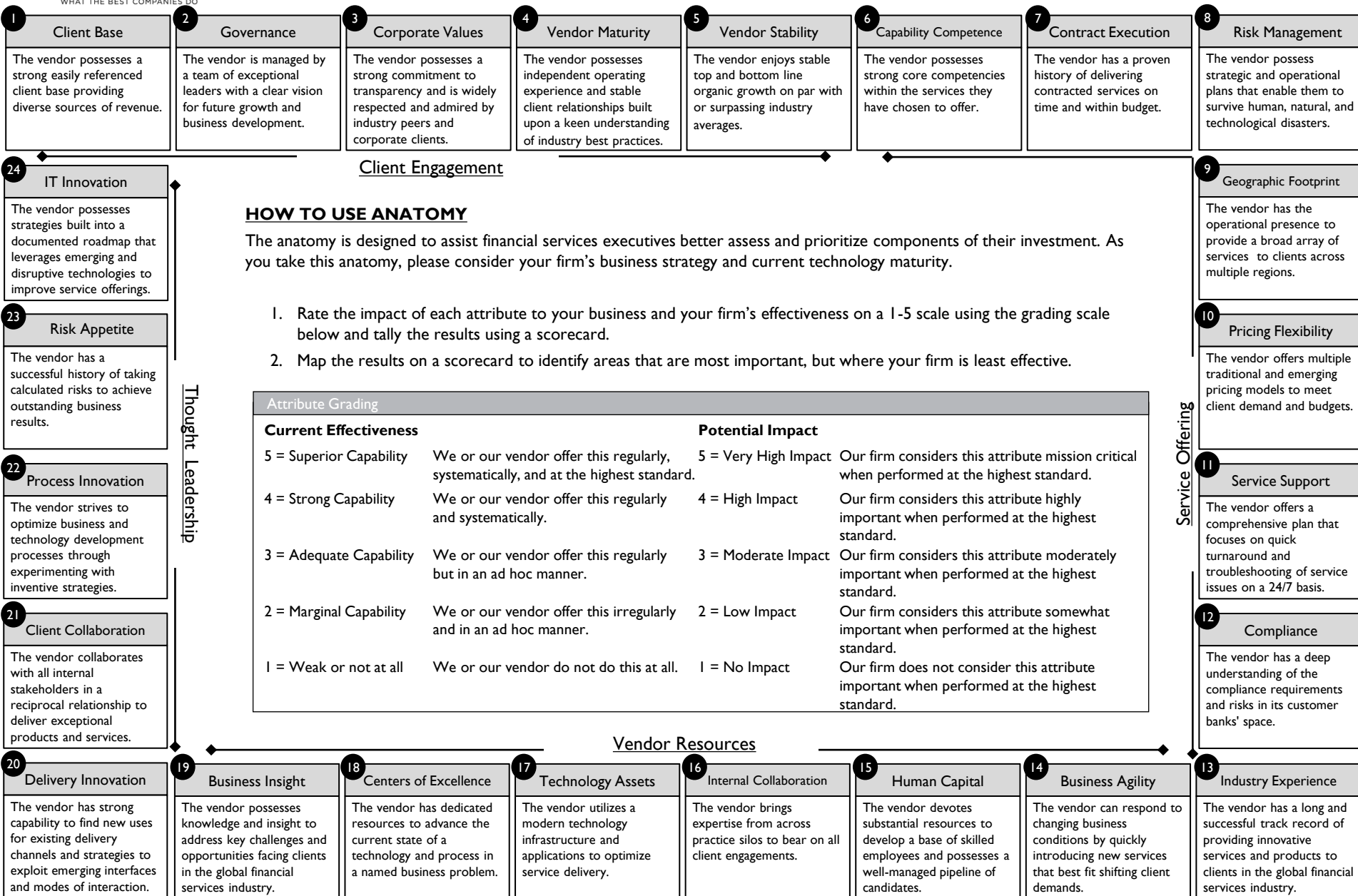
Mega Vendors >\$10 B

- HP ES: \$35.95B
- Accenture: \$25.5B
- IBM GBS: \$19.28B
- CSC: \$16.0B
- Capgemini: \$13.0B
- TCS: \$10.17B

Small Vendors <\$200 M

- Birlasoft: \$150 M
- eClerx: \$97.5M

Outsourcing Diagnostic Anatomy





Score Your Outsourcing Needs With the Anatomy Scorecard:

Financial services executives should complete the scorecard using the branch sales and service anatomy diagnostic tool.

Outsourcing Diagnostic Anatomy Scorecard

<u>Attribute Categories</u>	<u>Alignment Attributes</u>	<u>Potential Impact</u>	<u>Importance of Improvement</u>
Client Engagement	1. Client Base		
	2. Governance		
	3. Corporate Values		
	4. Vendor Maturity		
	5. Vendor Stability		
Service Offering	6. Capability Competence		
	7. Contract Execution		
	8. Risk Management		
	9. Geographic Footprint		
	10. Pricing Flexibility		
	11. Service Support		
	12. Compliance		
	13. Industry Experience		
Vendor Resources	14. Business Agility		
	15. Human Capital		
	16. Internal Collaboration		
	17. Technology Assets		
	18. Centers of Excellence		
	19. Business Insight		
Thought Leadership	20. Delivery Innovation		
	21. Client Collaboration		
	22. Process Innovation		
	23. Risk Appetite		
	24. IT Innovation		

Source: CEB TowerGroup Research



Map Your Outsourcing Needs:

Financial services executives should map their attribute scores from rating their impact and effectiveness on the Outsourcing Diagnostic Anatomy Scorecard.

Outsourcing Diagnostic Anatomy Scorecard (continued)

Potential Impact	5 =Very High					
	4 =High		Area of Focus			
	3 = Moderate					
	2 =Low					
	1 =No Impact					
		1 =Weak	2 = Marginal	3 = Adequate	4 =Strong	5 = Superior
		Current Effectiveness				

Source: CEB TowerGroup Research

Key Statistics

Range of Offerings:

Specific and deep in investor communications and growing securities processing business

HQ: Lake Success, NY

Employees: 5,900

Revenue: \$2.17 Billion

Revenue Growth: -2%

Other Areas of Focus:

Technology Solutions, Centers of Excellence, Professional Services and Consulting

Industry Segments

Capital Markets

Retail Banking

Commercial Banking

Cards & Payments

P&C Insurance

L&A Insurance

Offered

Not Offered

Broadridge

Corporate Profile

Broadridge began as the former Brokerage Services division of Automatic Data Processing, Inc. and was spun off as an independent public company in March 2007. Broadridge provides technology and outsourcing solutions for the financial service industry including investor communications, securities processing and operations outsourcing. The company's operations outsourcing solutions leverage a processing staff with deep domain expertise and industry experience and specialize in performing operational functions of broker-dealers.

Vendor Highlights:

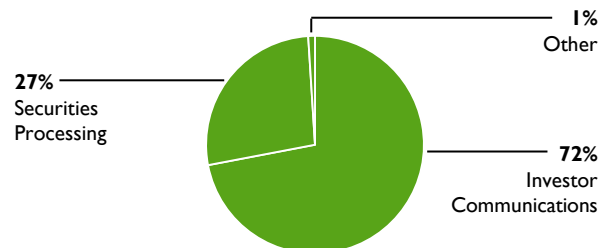
- **Capital Markets Focus:** Broadridge leverages 50 years of capital markets experience, proprietary technology and global infrastructure to offer a wide array of technology and outsourcing solutions. The company also offers a range of securities operations and asset servicing functions along with full finance and administrative support.
- **Technology Innovation:** Broadridge continues its leadership position providing capital markets technology innovation across the entire investment lifecycle for securities operations, asset servicing and investor communications. Offerings include but are not limited to *Mobile ProxyVote*, *Virtual Shareholder Meeting* and *Operational Risk Management*.
- **Offshore Capabilities:** Broadridge has effectively transferred its domain expertise to its offshore locations, enabling them to deliver high quality services from low cost markets.

CEB TowerGroup View:

Overall, Broadridge's dedication to the financial services industry and innovation through its focused financial industry offerings delivers strong business insight. Broadridge's strongest offering in outsourcing is through their market-leading investor communication line of business. The company's unique operations outsourcing solution for broker-dealers continues to garner a high-level of acceptance in the marketplace. Broadridge's recent initiative to provide BPO services on non-proprietary platforms will also sustain the growth of this offering by making the company more competitive and demonstrate greater flexibility in how it provides services. CEB TowerGroup expects that Broadridge will continue to improve its market position through ongoing innovation and flexible pricing methodologies.

Revenue Distribution by Service

Percentage of Total Revenue, 2011





We base our rankings on the top products in each overall category according to our proprietary scoring methodology.

- Broadridge owns the market for corporate actions BPO and is aggressively pursuing securities processing BPO.
- Broadridge is developing an experienced risk management team that goes beyond mere service provision and provides deeper insight for client business activities.
- Broadridge is a leader in compliance knowledge and operational application through deep understanding of requirements, regulations, and associated risks as they apply to BFSI industry.

Source: CEB TowerGroup Research

Selecting Best-in-Class Vendors

Best-in-Class Categories

Anatomy Attributes

Best-in-Class Vendors*

Service Offering

includes those attributes that determine the breadth and scope of services a vendor is able to offer within their chosen lines of business and markets.

Capability Competence
Contract Execution
Risk Management
Geographic Footprint
Pricing Flexibility
Service Support
Compliance
Industry Experience

BROADRIDGE

COGNIZANT
IBM
INFOSYS
TCS

Client Engagement

includes those attributes that influence the enterprise's ability to grow their business while limiting their exposure to external risk.

Client Base
Governance
Vendor Maturity
Vendor Stability

BIRLASOFT
ACCENTURE
COGNIZANT
HCL TECHNOLOGIES
TCS

Vendor Resources

include those attributes that affect the quality of a vendor's services and ability to provide continuous improvement.

Business Agility
Human Capital
Internal Collaboration
Technology Assets
Centers of Excellence
Business Insight

ACCENTURE
CAPGEMINI
IBM
WNS

Thought Leadership

includes those attributes that shape a vendor's ability to innovate and deliver exceptional business results to clients.

Delivery Innovation
Client Collaboration
Process Innovation
Risk Appetite
IT Innovation

COGNIZANT
CONVERGYS
HCL TECHNOLOGIES
TCS
WIPRO

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