



Topic: Finance and Accounting Outsourcing (FAO) – Annual Report 2013: Increasing Market Maturity Driving Cost+ Value Proposition

Finance and Accounting Outsourcing (FAO)
Annual Report: May 2013 – Preview Deck

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Background and methodology of the research

Background of the research

The global multi-process FAO market witnessed a moderate growth of 10% in 2012, showing signs of a mature and stable market. Beyond cost reduction process improvement, standardization and scalability/flexibility drove FAO adoption, emphasizing a cost+ value proposition. Moreover, market adoption moved beyond the traditional markets to cover under penetrated markets as well.

In this study, we analyze the global multi-process FAO market in 2012. We focus on

- Market size and buyer adoption
- Value proposition and buyer satisfaction assessment
- Solution characteristics across contract size, process scope, technology, industry alignment, global sourcing, pricing structures, and performance metrics
- FAO service provider landscape covering service provider's market shares and areas of investments

The scope of analysis includes:

- Third-party FAO deals; it does not include shared services or captives
- 800+ multi-process FAO deals signed as of 2012 with a minimum of two F&A processes, over US\$1 million in ACV, and a minimum contract term of three years
- Coverage across 20+ FAO service providers with multi-process capability including Accenture, Aditya Birla Minacs, Aegis, Capgemini, Cognizant, Datamatics, EXL Services, Genpact, HCL, HP, IBM, iGATE, Infosys, IQ BackOffice, NCO, Quattro, Serco, Sutherland Global Services, TCS, Wipro, WNS, Xchanging, and Xerox
- Global survey and one-on-one executive-level buyer interviews to understand how organizations perceive their FAO engagements

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Overview and abbreviated summary of key messages

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This report assists key stakeholders (buyers, service providers, technology providers) understand the changing dynamics of the FAO market and help them identify the trends and outlook for 2013. The report provides a comprehensive coverage of the global FAO market including detailed analysis on market size and growth, buyer adoption trends, FAO value proposition and buyer satisfaction, solution characteristics, and service provider landscape.

Some of the findings in this report, among others, are:

Market size and buyer adoption

- The global multi-process FAO market grew at a rate of 10% to reach ACV of US\$4.3 billion
- Over 65% of the ACV growth in 2012 was contributed by contract extensions/renewals
- Europe witnessed the maximum increase in FAO adoption. Share of mid-market and small buyer segments also increased significantly in 2012
- Buyers are increasingly adopting non-advisor-led competitive bidding route for sourcing F&A services

Value proposition and buyer satisfaction

- Cost+ value proposition is driving the FAO market
- Service provider performance is up-to-the-mark against the metrics important to FAO buyers, resulting in high satisfaction levels. However, buyer organizations have highlighted some areas of improvements for service providers to work upon
- Buyers continue to adopt a phased approach to F&A outsourcing. Adoption of end-to-end process-driven approach is on the rise

Overview and abbreviated summary of key messages

(page 2 of 2)

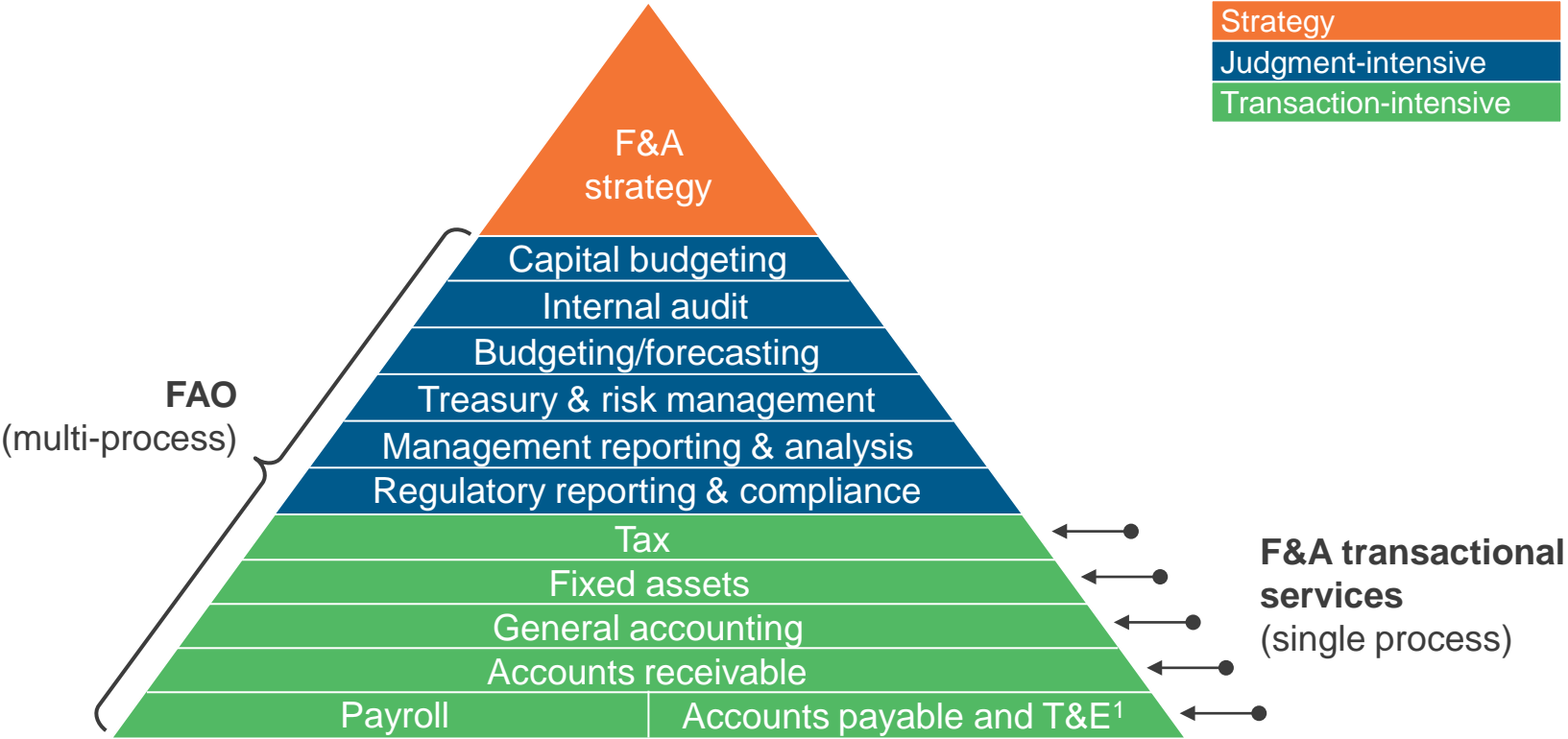
Solution characteristics

- Analytics and risk management & compliance are emerging as new areas of interest in the market
- With respect to the industry alignment, F&A services are increasingly getting industry-specific
- India continues to be the predominant hub of offshore delivery, providers are striving to build a balanced onshore-nearshore-offshore model
- Technology augmentation model becoming the prevalent approach, platform-based solutions are also gaining traction. Service providers are also creating F&A specific mobility solutions

Service provider landscape

- The competition in the FAO market continues to rise. The share of top three service providers reduced from 68% in 2002 to ~50% in 2012

Everest Group’s research is guided by a framework that distinguishes multi-process FAO from single process finance and accounting (F&A) transactional services



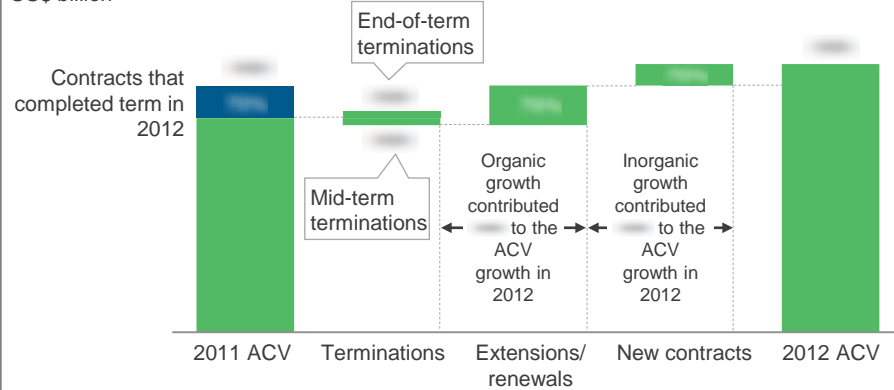
- Everest Group’s analyses include multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in Annualized Contract Value (ACV), and a minimum contract term of three years
- Everest Group’s analyses include all FAO contracts signed as of 2012. The current sample set for the report includes 800+ multi-process FAO contracts

1 Defined in Appendix

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

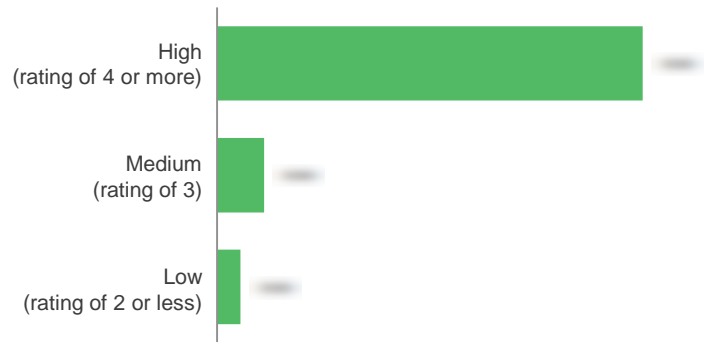
FAO market growth

Components of FAO ACV growth in 2012
US\$ billion



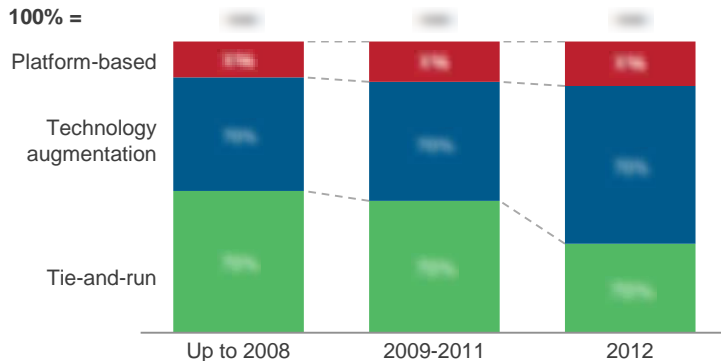
FAO buyer satisfaction

Satisfaction levels of FAO buyers
Percentage of responses from FAO buyers



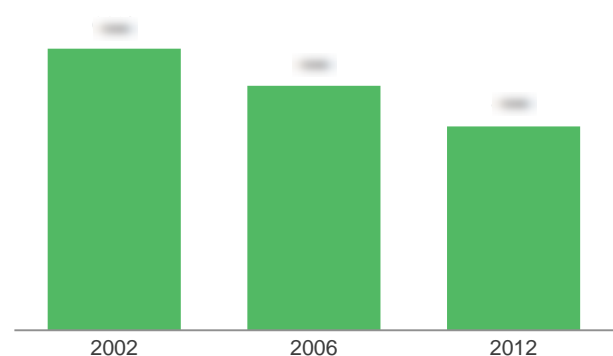
Solution trends

Adoption of technology models in FAO contracts
Number of contracts



Service provider landscape

Market share of top three FAO service providers over time
Percentage of market size (active ACV in US\$ billion)



Source: Everest Group (2013)

FAO research calendar

■ Published
 ■ Current

Topic	Release date
Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting	October-2012
Unlocking Value From End-to-End Process Outsourcing: Focus on Order-to-Cash (O2C)	January-2013
Procure-to-Pay (P2P) Outsourcing: Unlocking Value from End-to-End Process Outsourcing	February-2013
FAO – Annual Report 2013: Increasing Market Maturity Driving Cost+ Value Proposition	April-2013
FAO – Service Provider Landscape with PEAK Matrix Assessment 2013	Q2-2012
FAO – Service Provider Compendium 2013	Q2-2012
Role of Analytics in FAO	Q3-2012
Growth of Horizontal BPO in LATAM	Q3-2012
Implications of IFRS Conversion in the United States on FAO	Q4-2012
Evaluation of BPaaS Solutions for FAO/PO/HRO	Q4-2012

Additional FAO research references

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

1. **Finance and Accounting Outsourcing (FAO) Annual Report 2012: The FAO Market – Signaling Towards Maturity** ([EGR-2012-1-R-0680a](#)). In this research, we review the global multi-process FAO market in 2011 and provide guidance on the market's direction in 2012. We focus on market size and buyer adoption trends, FAO value proposition, contract characteristics across process scope, technology, global sourcing, pricing structures, and FAO service providers landscape covering service providers' market shares and areas of investments
2. **Record-to-Report (R2R) Outsourcing – Moving Beyond General Accounting** ([EGR-2012-1-R-07054](#)); 2012. This report looks at outsourcing of the judgment intensive F&A processes, Financial Planning & Analysis, regulatory reporting and compliance. Record-to-Report, Order-to-Cash, and Procure-to-Pay cover the entire F&A function as three end-to-end processes
3. **Order-to-Cash (O2C) – Creating a Top-line Impact** ([EGR-2013-1-R-0816](#)); 2013. Similar to the R2R report, this report looks at outsourcing a separate end-to-end F&A process called Order-to-Cash, covering mostly the transactional activities within the function on the customer side

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