



Topic: Finance and Accounting Outsourcing (FAO) Annual Report 2014 – Transformational Agenda to Combat Reducing Stickiness

Finance and Accounting Outsourcing (FAO)
Annual Report: May 2014 – Preview Deck

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Background and methodology of the research

Background of the research

The FAO market remained buoyant and witnessed moderate growth of 7-8% in 2013. The year witnessed a significant rise in share of contracts signed in market growth as buyers switched their service providers to sign new contracts. The value proposition for FAO is growing beyond cost, to focus on transformation and enabling world-class performance. The FAO solution landscape is also evolving to drive this cost+ agenda. Robotic automation and embedded analytics are emerging as disruptive approaches in driving F&A transformation.

In this study, we analyze the global multi-process FAO market in 2013. We focus on

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

The scope of analyses includes:

- Third-party FAO deals
- 900+ multi-process FAO deals signed as of 2013 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, Dell, EXL, 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

Table of contents (page 1 of 2)

Topic	Page no.
Introduction and overview	6
Summary of key messages	13
Section I: Market overview and buyer adoption trends	17
• Summary	18
• Market size and growth	19
• FAO contractual activity	20
• Growth drivers	21
• Adoption trends by	
– Buyer location	23
– Buyer size	25
– Buyer industry	26
– Sourcing method	27
Section II: Value proposition and solution characteristics	28
• Summary	29
• Value proposition of FAO	30
– Robotic automation	31
– Analytics	32
• FAO solution characteristics	
– Process scope	33
– Technology	40
– Global sourcing	42
– Pricing	44

Table of contents (page 2 of 2)

Topic	Page no.
Section III: Service provider landscape	45
• Summary	46
• FAO service provider landscape and categorization	47
• Service provider market share	48
• FAO-focused investments	51
Section IV: Outlook for 2014	53
Appendix	56
• List of publicly-announced FAO contracts	57
• Glossary of terms	59
• FAO research calendar	61
• References	62

Overview and abbreviated summary of key messages

(page 1 of 2)

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 2014. 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, solution characteristics, and service provider landscape.

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

Market size and buyer adoption

- The multi-process FAO market remained buoyant and witnessed moderate growth of ~8% to reach US\$4.6 billion in ACV
- In contrast to previous years, inorganic growth contributed significantly to market growth in 2013. Contract terminations also increased in 2013.
- The spurt in new contracts and their terminations were driven by a surge in deal switching as buyers ended their incumbent pacts and signed with new providers.
- Large market organizations in the United States continue to be the principal adopters of FAO. However, growth is being driven by Asia Pacific, primarily led by India and Australia
- SMB buyers, especially in North America and APAC, are also driving growth in FAO adoption
- Adoption of competitive-bidding route is rising. However, role of advisors is decreasing and getting limited to large deals with complex requirements

Overview and abbreviated summary of key messages

(page 2 of 2)

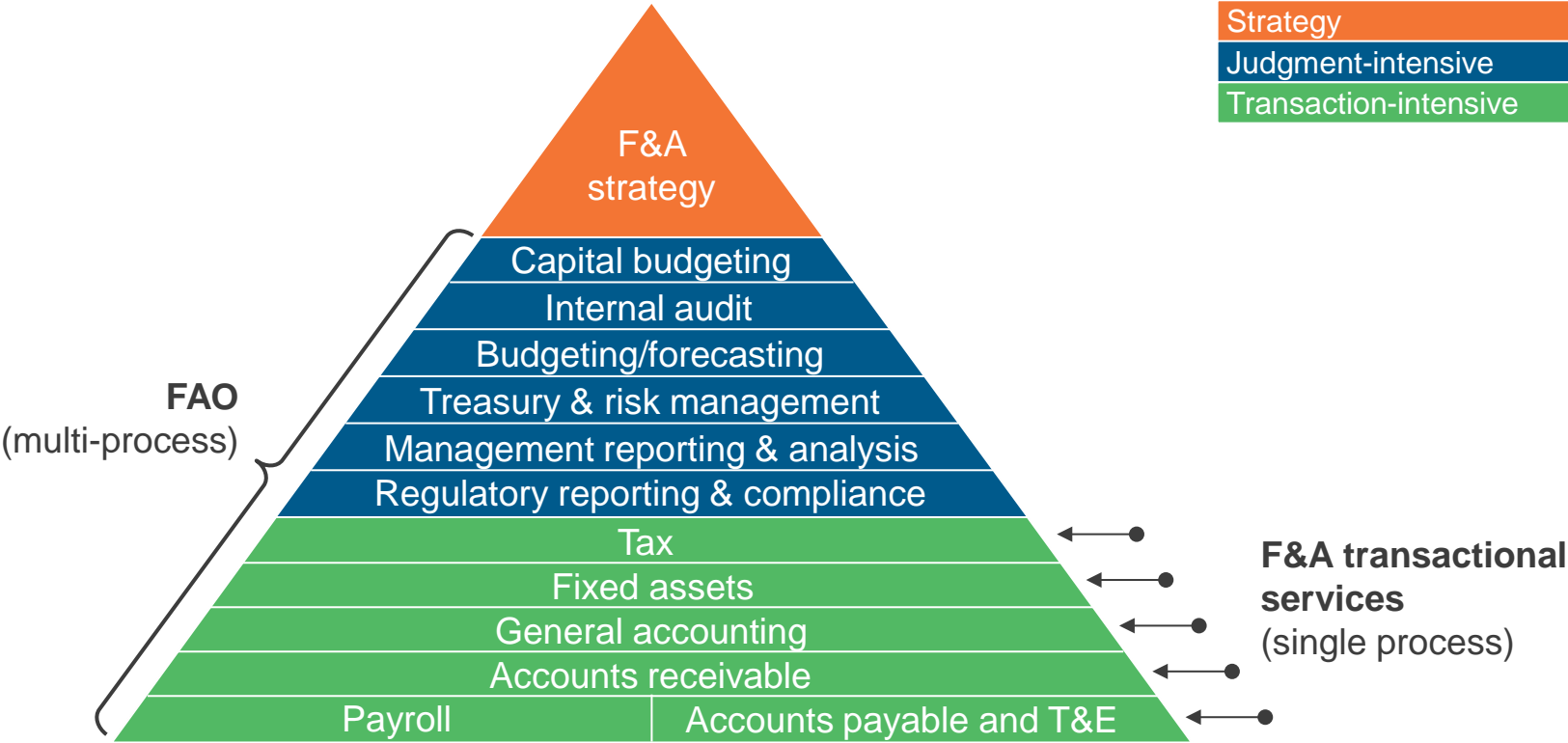
Value proposition and solution characteristic

- FAO value proposition is moving beyond labor arbitrage to drive business and/or strategic impact. The FAO solution landscape is also evolving to support the transformational agenda
- Judgment-intensive processes are being adopted in a phased manner
- The scope definition is evolving along three broad themes – end-to-end process driven approach, industry-specificity, and expansion into adjacent functions
- Analytics adoption is moving beyond theory to successful high-impact examples.
- Robotic automation emerged as a disruptive technology solution to drive benefits across multiple dimensions – cost savings, efficiency, accuracy, scalability, and compliance
- Service providers are making investments in onshore locations to create a balanced delivery model
- With increasing maturity, buyers are moving to a hybrid pricing model (a mix of input- and output-/outcome-based models)

Service provider landscape

- Indian-heritage IT+BPO providers witnessed maximum growth in 2013 (26%)
- Service provider investments in 2013 were primarily focused on technology including tools/platforms, analytics, and robotic automation

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

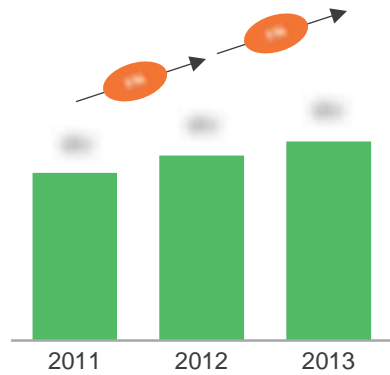


- Everest Group's analyses include multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in Annualized Contract Value (ACV), and a minimum contract term of three years
- Everest Group's analyses include all FAO contracts signed as of 2012. The current sample set for the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

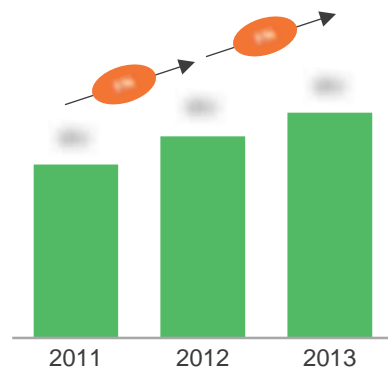
This study offers four distinct chapters providing a deep dive into key aspects of the FAO market; below are four charts to illustrate the depth of the report

FAO market growth

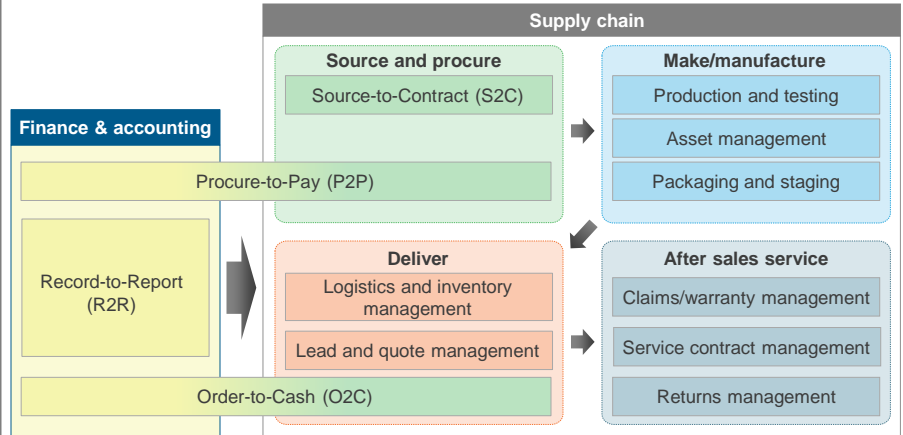
Multi-process FAO active ACV
US\$ billion



Multi-process FAO cumulative TCV
US\$ billion

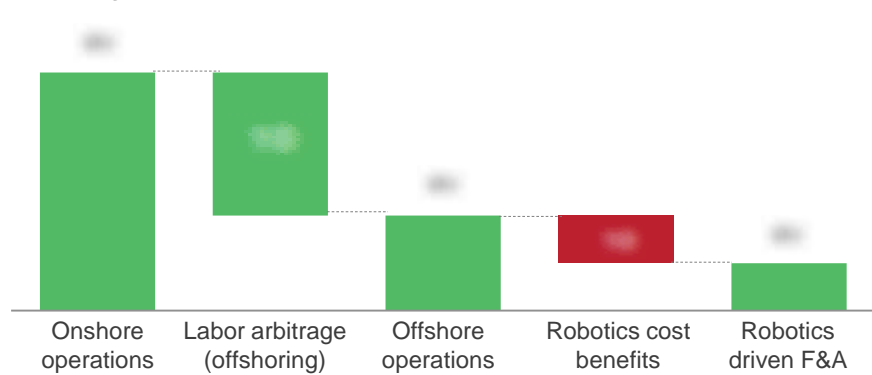


Evolving FAO definition



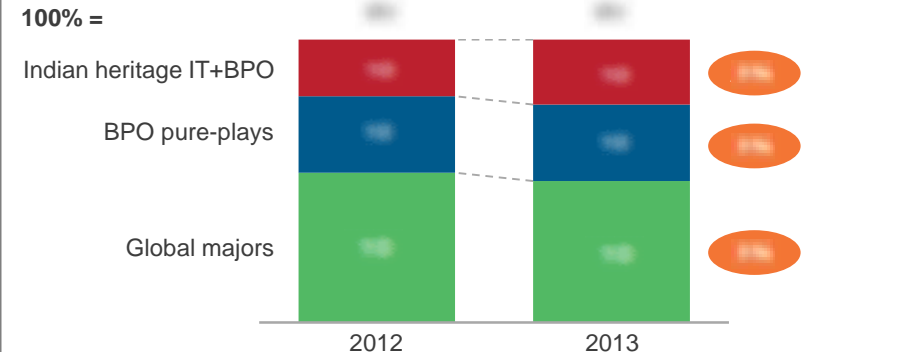
Solution trends

Impact of automation on F&A cost
Percentage



Service provider landscape

FAO service provider segment market size and growth
2013; US\$ billion



Source: Everest Group (2014)

FAO research calendar

■ Published ■ Current

Topic	Release date
FAO – Service Provider Compendium 2013	October-2013
Global Location Insights: Sun Is Rising in the "Middle" East	October-2013
Analytics Business Process Services (BPS) - Deciphering the Analytics Code	November-2013
Growth of horizontal BPO in LATAM	February-2014
Finance and Accounting Outsourcing (FAO) – Annual Report 2014	May-2014
FAO – Service Provider Landscape with PEAK Matrix Assessment 2014	Q2-2014
FAO – Service Provider Compendium 2014	Q2-2014
(Procure-to-Pay) P2P – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
Evaluation of BPaaS solutions for FAO/PO/HRO	Q3-2014
The convergence of FAO, PO, and SCM functions	Q4-2014
(Record-to-Report) R2R – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4-2014
(Order-to-Cash) O2C – Service Provider Landscape with PEAK Matrix Assessment 2014	Q4-2014

Additional FAO research references

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

1. **Finance and Accounting Outsourcing (FAO) - Annual Report 2013: Increasing Market Maturity Driving Cost+ Value Proposition** ([EGR-2013-1-R-0865a](#)); 2013. This research includes comprehensive coverage of the FAO market including market size and trends, buyer adoption, solution characteristics, and service provider landscape
2. **Analytics Business Process Services (BPS) – Deciphering the Analytics Code** ([EGR-2013-10-R-1002](#)); 2013. This report provides a comprehensive understanding of an analytics solution with a focus on the business process services aspect. It analyzes the analytics business process services market across various dimensions such as market size, current and expected market growth, value proposition and key business drivers, challenges in adoption, buyer adoption trends, solution characteristics, and service provider landscape.
3. **Growth of BPO in Latin America across F&A, HR, and Procurement** ([EGR-2014-3-R-1050](#)); 2014. This report examines the Latin American BPO market across F&A, HR, and procurement and focuses on the growth, contractual activity, and adoption trends in the market. It also provides insights into the value proposition and solution characteristics of Latin America-focused contracts

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