Everest Group PEAK Matrix™ for Order-to-Cash (O2C) BPO Service Providers

Focus on Infosys
February 2015

Everest Group

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M A T R I X

Introduction and scope

Everest Group recently released its report titled "<u>Order to Cash (O2C) BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2014</u>". This report analyzes the changing dynamics of the O2C BPO landscape and assesses service providers across several key dimensions.
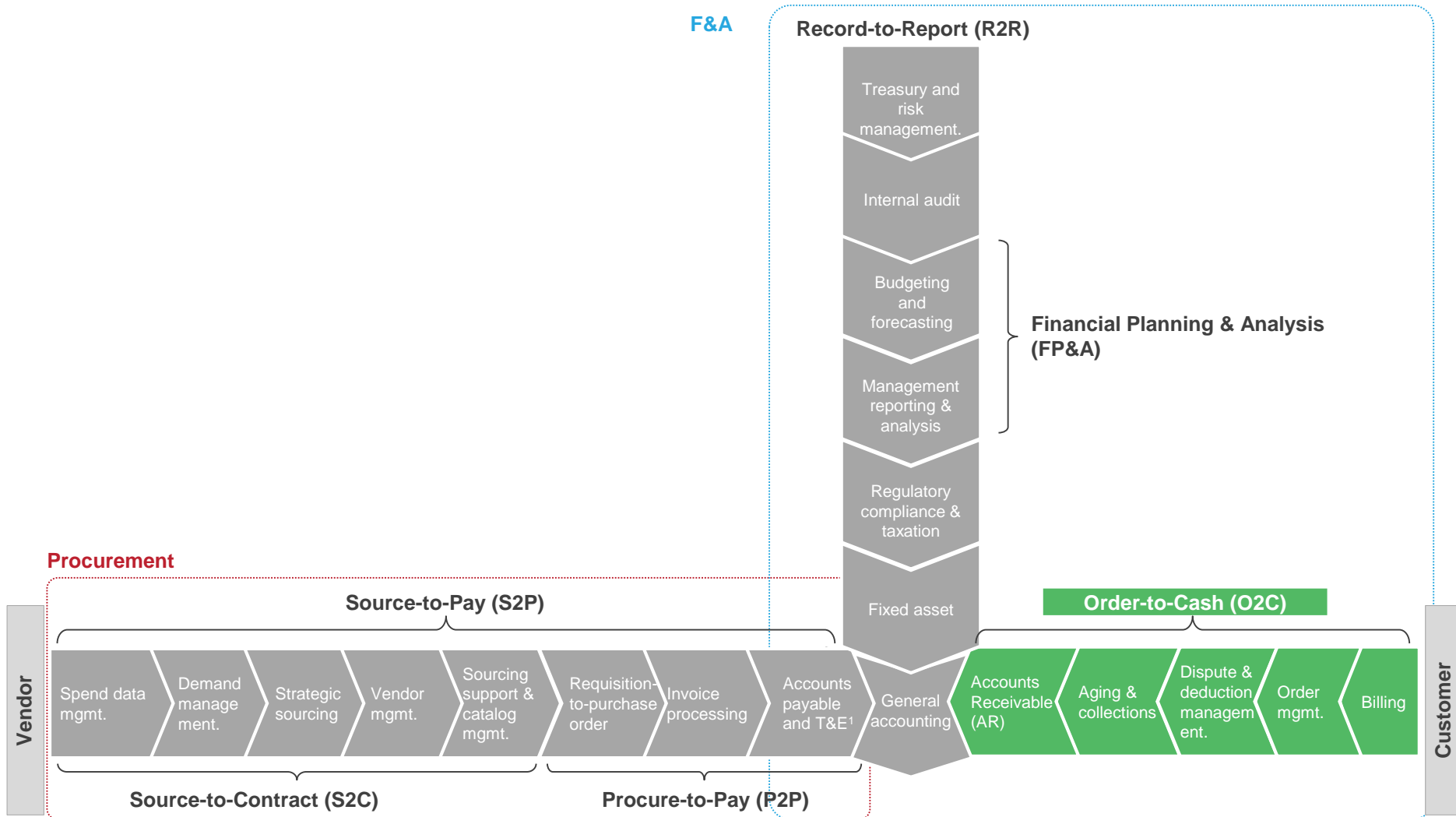
As a part of this report, Everest Group released its classification of 24 service providers on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for O2C BPO into Leaders, Major Contenders, and Emerging Players. The PEAK Matrix is a framework that provides an objective, data-driven, and comparative assessment of O2C BPO service providers, based on their absolute market success and delivery capability.

Based on the analysis, **Infosys emerged as a Leader**. This document focuses on Infosys' O2C BPO experience and capabilities. It includes:
● Infosys' position on the O2C BPO PEAK Matrix
● Detailed O2C BPO profile of Infosys

Buyers can use the PEAK Matrix to identify and evaluate different service providers. It helps them understand the service providers' relative strengths and gaps. However, it is also important to note that while the PEAK Matrix is a useful starting point, the results from the assessment may not be directly prescriptive for each buyer. Buyers will have to consider their unique situation and requirements, and match them against service provider capability for an ideal fit.

Everest Group has an integrated view of the procurement and F&A value chain and clearly distinguishes between different end-to-end processes

F&A

Record-to-Report (R2R)

- Treasury and risk management.
- Internal audit
- Budgeting and forecasting
- Management reporting & analysis
- Regulatory compliance & taxation
- Fixed asset
- General accounting

Financial Planning & Analysis (FP&A)

Order-to-Cash (O2C)

- Accounts Receivable (AR)
- Aging & collections
- Dispute & deduction management
- Order mgmt.
- Billing

Procurement

Source-to-Pay (S2P)

- Spend data mgmt.
- Demand management.
- Strategic sourcing
- Vendor mgmt.
- Sourcing support & catalog mgmt.
- Requisition-to-purchase order
- Invoice processing
- Accounts payable and T&E[1]

Source-to-Contract (S2C)

Procure-to-Pay (P2P)

Vendor

Customer

1 Travel & expenses

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3

O2C is an end-to-end business process with links to multiple functions beyond F&A

Quote-to-order (sales function)
Production (manufacturing)
Order fulfillment (supply chain function)
Billing/invoicing to AR (finance & accounting function)

Inquiry → Quotation

Manufacturing → Scheduling → Logistics

Order-to-cash

Order-to-invoice

Invoice-to-cash

1 Order management

2 Billing

3 Dispute resolution & deduction management

5 Accounts receivable ← 4 Aging & collections

6 Analytics & reporting

Note: This is an illustrative process flow. Actual process flow may vary across companies or industries
Source: Everest Group (2015)

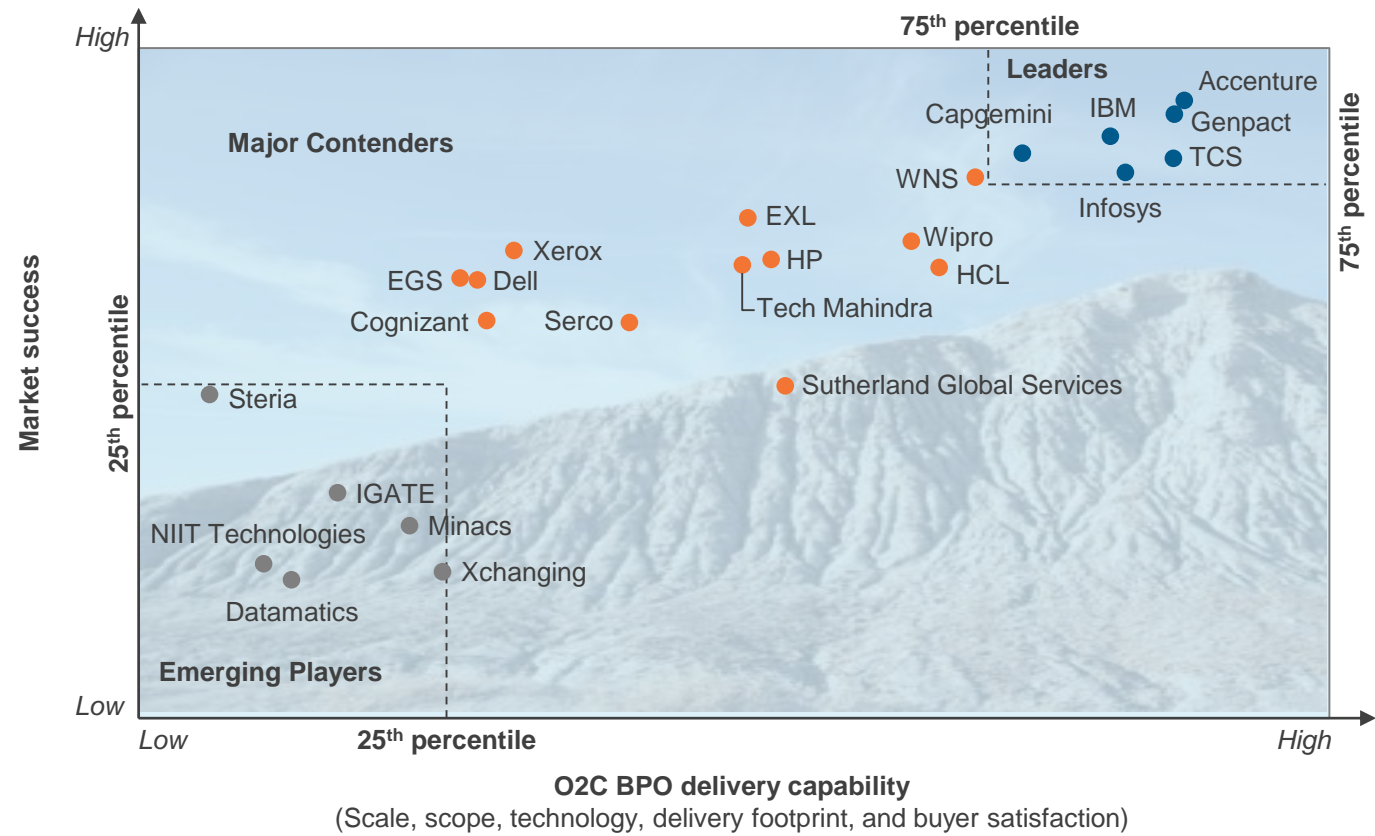# Everest Group has an in-depth understanding of the entire O2C cycle

Legend: ■ Transaction-intensive ■ Judgment-intensive

O2C value chain

1 | Order management
- **Credit analysis:** Credit history of customers, setting credit limits, credit hold process, and credit reviews
- **Account set-up:** Setting up new accounts
- **Order receipt & entry:** Receiving via hard copy, web, voice mail, and inbound calls; entry into the order management systems
- **Order administration:** Change, cancellation, expedite, and hold

2 | Billing
- **Manual billing:** Generate customer bills
- **Exception management:** For product-based automated billing
- **Document management:** Mailing of invoices or sending via Electronic Data Interchange (EDI) to customers
- **Customer billing inquiries:** Queries related to price, delivery of goods/services, quantity, etc.

3 | Dispute resolution & deduction management
- **Dispute resolution:** Interacting with internal stakeholders to resolve customer disputes; if valid, raise credit notes; if not, go back to customers and collect
- **Verify and resolve deductions:** Short pays, volume discounts, shipping returns, etc.
- **Root cause analysis:** Enable root cause identification and correction

4 | Aging & collections
- **Preparation of aging report**
- **Dunning:** Send reminder letters to customers after specific time intervals
- **Follow-up actions:** First, second, and final phone calls; NBP letters
- **Bad debt write-offs:** Irrecoverable debts written-off to bad debts accounts, based on approval

5 | Accounts receivable
- **Cash receipt and application:** Receiving cash (lockbox/wires etc.), applying cash, resolving unapplied cash, and bank reconciliation
- **Processing adjustments, accruals, refunds, etc.:** Retrievals, adjustments, rebates calculation & accruals, balance confirmation, reinvoicing, and customer refund

6 | Analytics & reporting
- **Reporting/dashboard on process metrics:** Days sales outstanding, past dues; cash collected; dilution management, etc.
- **Business analysis:** Trending of customers, dilution types, self pay, auto cash algorithms, credit research, cash forecast, etc.

- Everest Group's analyses include FAO contracts signed as of 2013 with in-scope O2C processes (will be called as broad-based O2C contracts henceforth)
- The current sample set for the report includes 1,600+ broad-based O2C BPO contracts of which 670+ are active

Everest Group PEAK Matrix – 2014 O2C BPO market standing

Performance | Experience | Ability | Knowledge

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for O2C BPO

- Leaders
- Major Contenders
- Emerging Players

Market success (vertical axis, Low to High)

- 75th percentile
- **Leaders**
  - Accenture
  - Capgemini
  - IBM
  - Genpact
  - TCS
  - WNS
  - Infosys
- **Major Contenders**
  - EXL
  - Xerox
  - EGS
  - Dell
  - HP
  - Wipro
  - HCL
  - Cognizant
  - Serco
  - Tech Mahindra
  - Sutherland Global Services
- **Emerging Players**
  - Steria
  - IGATE
  - NIIT Technologies
  - Minacs
  - Xchanging
  - Datamatics

25th percentile / 75th percentile

O2C BPO delivery capability
(Scale, scope, technology, delivery footprint, and buyer satisfaction)

Source: Everest Group (2015)

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O2C BPO services overview

Company overview
Infosys is an IT services, consulting, and business solutions organization. Infosys has extensive experience in delivering end-to-end F&A services. The solutions offered by Infosys incorporate both its process and technology expertise. An Everest Group PEAK Matrix Leader in PO and FAO services, Infosys has clients in all major buyer locations, namely North America, Europe, and Asia Pacific

Key leaders
Anup Uppadhayay, CEO & MD, Infosys BPO
Anantha Radhakrishnan, SVP & Global Head of Enterprise Services, Business Transformation, and Technology services
Vinay Gopal Rao, AVP & Strategic Business Practice Head – F&A
Bharath Vasudevan, AVP & Strategic Business Practice Head – S&F and HRO

Headquarter: Bengaluru, India
Website: www.Infosysbpo.com

Scale of operations
Number of O2C BPO FTEs over time

	>4,500	~5,200	~5,300
	2011	2012	2013
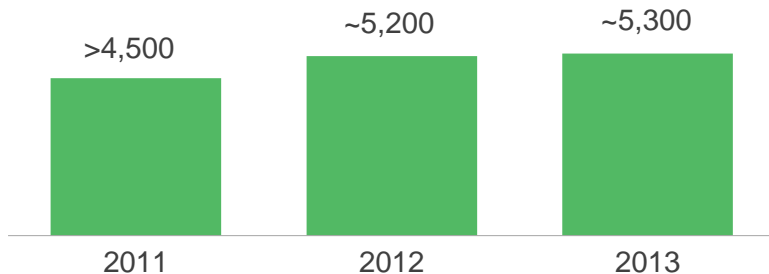
O2C BPO process-wise scale

Legend: ■ >2,000 FTEs ■ 500-2,000 FTEs ■ <500 FTEs

Accounts Receivable (AR)	Aging & collections	Dispute & deduction management	Order management	Billing
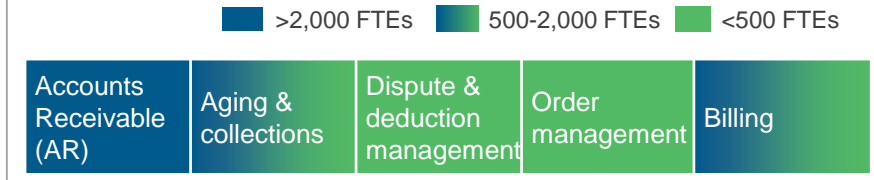
Market success assessment

Global O2C BPO market share
Percentage (2013)

Number of contracts	Annualized Contract Value (ACV)	Total Contract Value (TCV)
5-6%	6-8%	5-6%
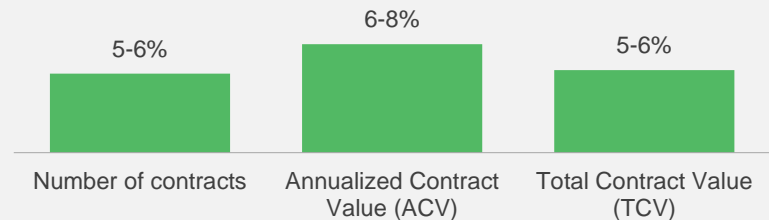
Global O2C BPO market share over time
Percentage share by ACV

2011	2012	2013
4-5%	5-6%	7-8%

Source: Everest Group (2015)
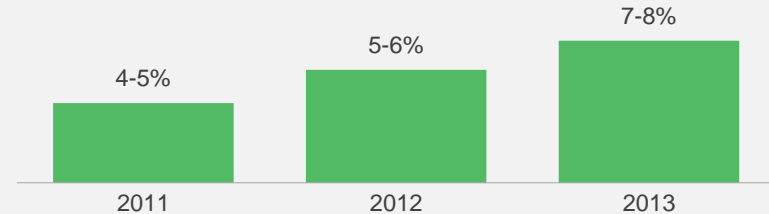
Comparison of Infosys' O2C BPO service aspects to industry practices

Process scope
- Infosys has a higher share of O2C BPO focussed contracts (~34%) as compared to industry average (~23%)
- As much as 75% of Infosys' O2C BPO contracts include process components beyond AR. This is significantly better than the industry average (50-55% of the contracts are with components beyond AR)
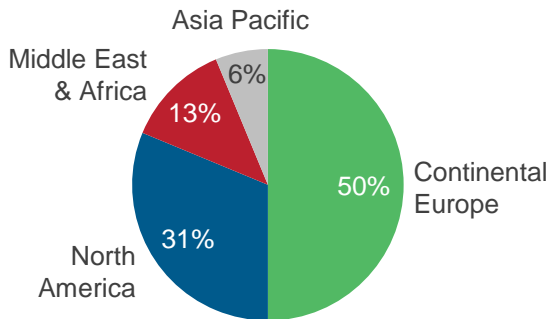
Technology leveraged
- Infosys is ahead of most of the providers in terms of overall technology leverage for O2C BPO
- It has solutions corresponding to each of the processes with O2C operations, i.e., Infosys AR reconciliation management (IARM), Infosys Collections and Cash Management (ICDM), Infosys Order Management System(IOMS), and Infosys Cash Application Solution (ICAS)
- However, similar to a few other providers, Infosys can get into partnerships with vendors such as of CoAction for integrated solutions

Pricing model
- The pricing methodology of Infosys' O2C BPO contracts is evolving slower than the industry
- Nearly 20% of the contracts in the industry have transaction-based pricing methodology. The frequency of inclusion in case of Infosys is <10%
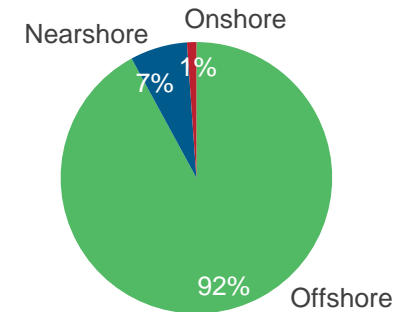
O2C BPO deal split by signing region[1]
2013

- Asia Pacific 6%
- Middle East & Africa 13%
- Continental Europe 50%
- North America 31%

O2C BPO FTE split by buyer industry[1]
2013

- Other professional services 10%
- Media 5%
- Manufacturing & retail 24%
- Hi-tech & telecom 61%
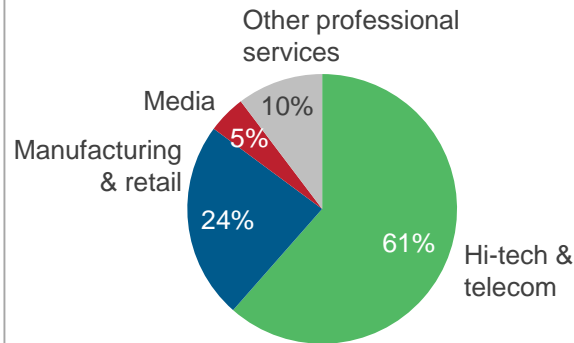
O2C BPO FTE split by sourcing location
2013

- Nearshore 7%
- Onshore 1%
- Offshore 92%

1   Everest Group estimates based on contractual and operational information till December 2013
Source: Everest Group (2015)

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Everest Group assessment

Assessment dimension	Rating	Remarks
Scale	●	One of the largest FTE scales; however, behind some Leaders in terms of number of contracts
Scope	●	Balanced capability across subprocesses and geographies; however, scope exists for diversification in terms of industries served
Technology capability	●	Leader in terms of technology leverage with tools covering the entire scope of O2C services
Delivery footprint	◕	FTE-split across regions is skewed towards offshore locations; number of regions[2] leveraged is lesser than other Leaders
Buyer satisfaction	◕	Buyer satisfaction somewhat lower than other Leaders; there is scope for improvement in implementation satisfaction

Delivery capability assessment[1] ◔ Low ◑ Medium ◕ Medium-high ● High

Infosys is a Leader on the Everest Group PEAK Matrix for O2C BPO

Market success (25th percentile – 75th percentile)

O2C BPO delivery capability
(Scale, scope, technology, delivery footprint, and buyer satisfaction)
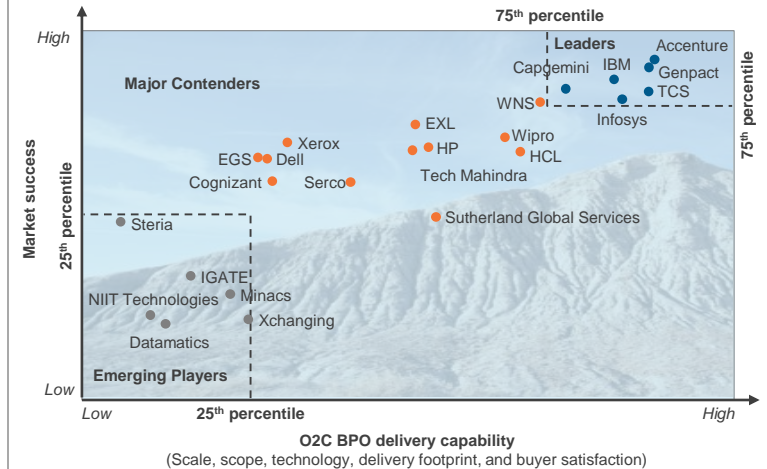
Overall remarks
- Infosys has over 5,000 O2C BPO FTEs and over 50 O2C BPO clients. With this, Infosys has been positioned as a Leader on Everest Group's O2C BPO PEAK Matrix
- Technology is the key differentiator for Infosys' O2C BPO services. The service provider has solutions across the entire scope of O2C operations
- Infosys is a well-diversified service provider in terms of processes, and geographies served. However, there is opportunity for Infosys to expand the coverage of the industries served
- Infosys has higher instances of output-based pricing as compared to the industry. However, it is behind other service providers in terms of leveraging outcome-based pricing models

1   Everest Group estimates based on contractual and operational information till December 2013
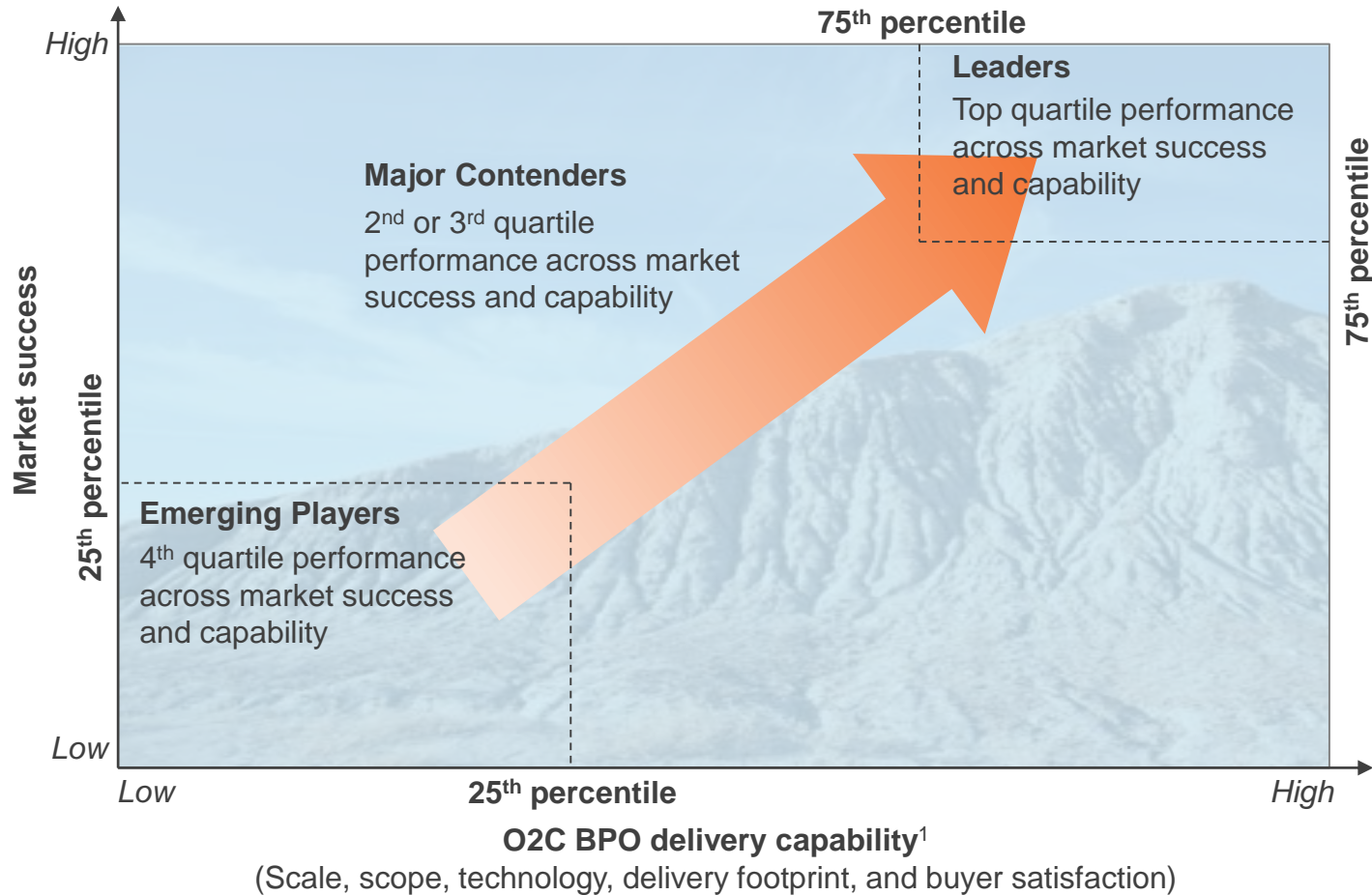2   North America, Latin America, United Kingdom, Western Europe, Eastern Europe, India, Southeast Asia, Middle East & Africa, and Australia & New Zealand
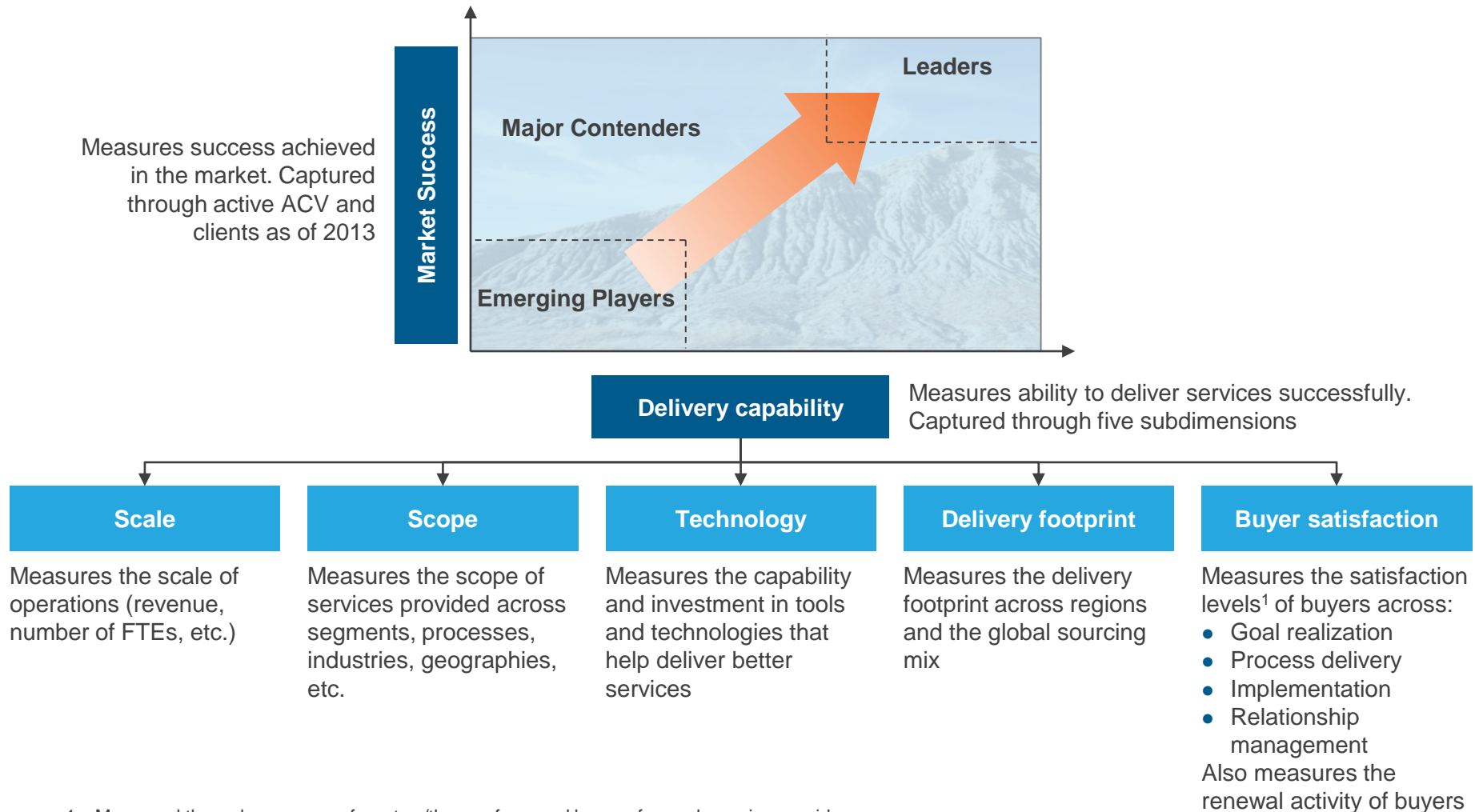Source: Everest Group (2015)

Appendix

Everest Group classifies the O2C BPO service provider landscape into Leaders, Major Contenders, and Emerging Players on the Everest Group PEAK Matrix

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix

Leaders
Top quartile performance across market success and capability

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

Emerging Players
4th quartile performance across market success and capability

Market success

75th percentile

25th percentile

75th percentile

Low — 25th percentile — High

O2C BPO delivery capability[1]
(Scale, scope, technology, delivery footprint, and buyer satisfaction)

1   Service providers scored using Everest Group's proprietary scoring methodology described on the following page
Source: Everest Group (2015)

Service providers are positioned on the Everest Group PEAK Matrix based on evaluation across two key dimensions

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Measures success achieved in the market. Captured through active ACV and clients as of 2013

Market Success

Major Contenders

Leaders

Emerging Players

Delivery capability

Measures ability to deliver services successfully. Captured through five subdimensions

Scale	Scope	Technology	Delivery footprint	Buyer satisfaction
Measures the scale of operations (revenue, number of FTEs, etc.)	Measures the scope of services provided across segments, processes, industries, geographies, etc.	Measures the capability and investment in tools and technologies that help deliver better services	Measures the delivery footprint across regions and the global sourcing mix	Measures the satisfaction levels[1] of buyers across: ● Goal realization ● Process delivery ● Implementation ● Relationship management Also measures the renewal activity of buyers

1   Measured through responses from two/three referenced buyers for each service provider

Source: Everest Group (2015)

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Does the PEAK Matrix assessment incorporate any subjective criteria?
- The Everest Group's PEAK Matrix assessment adopts an objective and fact-based approach (leveraging service provider RFIs and the Everest Group's proprietary databases containing providers' deals and operational capability information). In addition, these results are validated / fine-tuned based on our market experience, buyer interaction, and provider briefings

Is being a "Major Contender" or "Emerging Player" on the PEAK Matrix an unfavorable outcome?
- No. PEAK Matrix highlights and positions only the best-in-class service providers in a particular functional/vertical. There are a number of providers from the broader universe that are assessed and do not make it to the PEAK Matrix at all. Therefore, being represented on the PEAK Matrix is in itself a favorable recognition

What other aspects of the PEAK Matrix assessment are relevant to buyers and providers besides the "PEAK Matrix position"?
- The PEAK Matrix position is only one aspect of the Everest Group's overall assessment. In addition to assigning a "Leader", "Major Contender" or "Emerging Player" title, Everest Group highlights the distinctive capabilities and unique attributes of all the PEAK Matrix providers assessed in its report. The detailed metric level assessment and associated commentary is helpful to the buyers in selecting particular providers for their specific requirements. It also helps providers showcase their strengths in specific areas

What are the incentives for buyers and providers to participate / provide input to the PEAK Matrix research?
- Participation incentives for buyers include a summary of key findings from the PEAK Matrix assessment
- Participation incentives for providers include adequate representation and recognition of their capabilities/success in the market place, and a copy of their own "profile" that is published by Everest Group as part of the "compendium of PEAK Matrix providers" profiles

What is the process for a service provider to leverage their PEAK Matrix positioning status ?

- Providers can use their PEAK Matrix positioning in multiple ways including:
  - Issue a press release declaring their positioning/rating
  - Customized PEAK Matrix profile for circulation (with clients, prospects, etc.)
  - Quotes from the Everest Group's analysts could be disseminated to the media
  - Leverage the PEAK Matrix branding across communications (e-mail signatures, marketing brochures, credential packs, client presentations, etc.)
- **The provider must obtain the requisite licensing and distribution rights for the above activities through an agreement with the designated PoC at Everest Group**

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From **insight** to *action*.

At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services

- 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

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