

NEAT EVALUATION FOR INFOSYS:

Financial Services Cloud, SaaS & BPaaS

Market Segments: Overall, Cloud Services, BPaaS Services

Introduction

This is a custom report for Infosys presenting the findings of the NelsonHall NEAT vendor evaluation for *Financial Services Cloud, SaaS & BPaaS* in the *Overall, Cloud Services, and BPaaS Services* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of Infosys for financial services cloud, SaaS & BPaaS, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering cloud services, SaaS & BPaaS in the financial services sector. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in each of cloud services, SaaS and BPaaS.

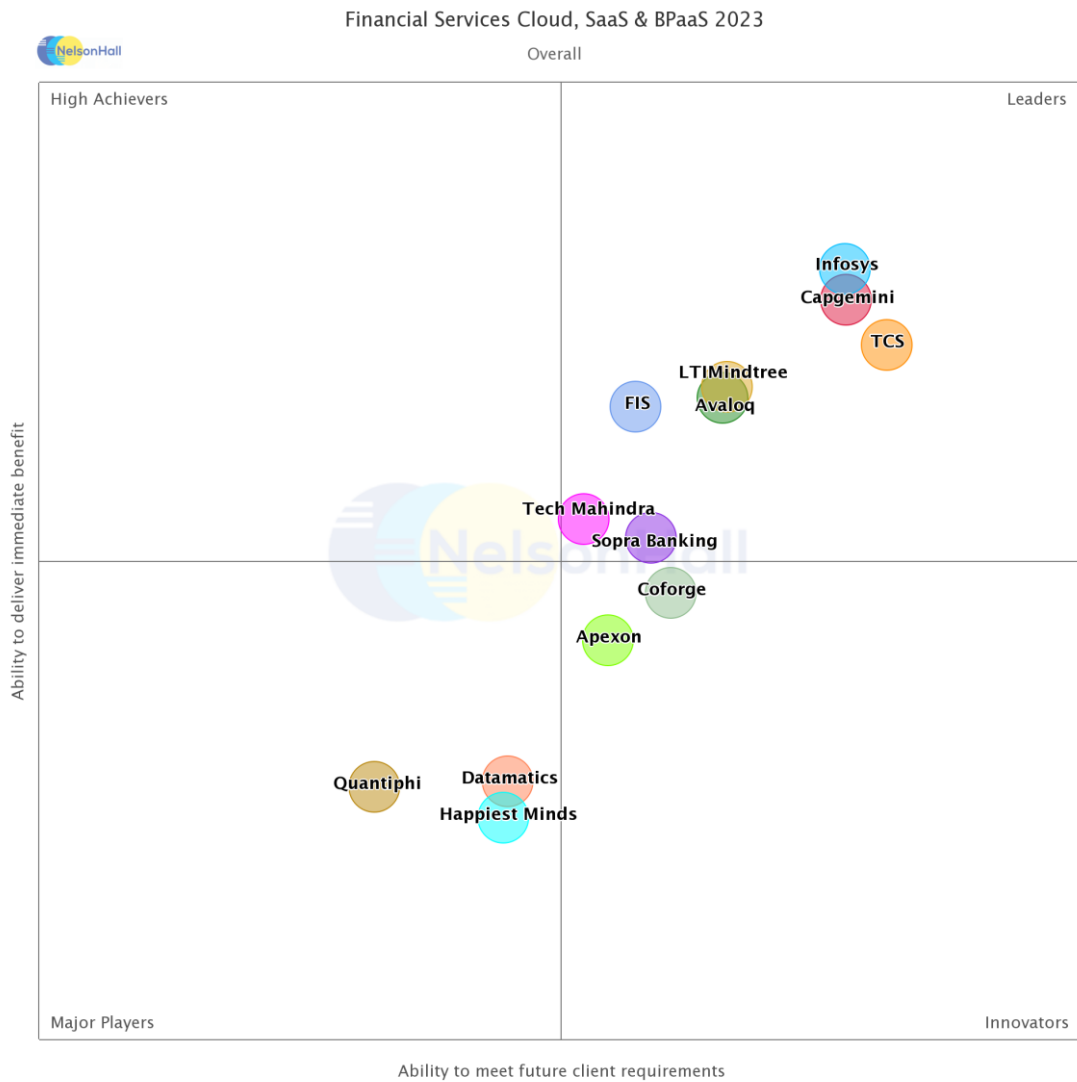
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Apexon, Avaloq, Capgemini, Coforge, Datamatics, Fidelity Information Services, Happiest Minds, Infosys, LTIMindtree, Quantiphi, Sopra Banking, TCS, and Tech Mahindra.

Further explanation of the NEAT methodology is included at the end of the report.



NEAT Evaluation: Overall



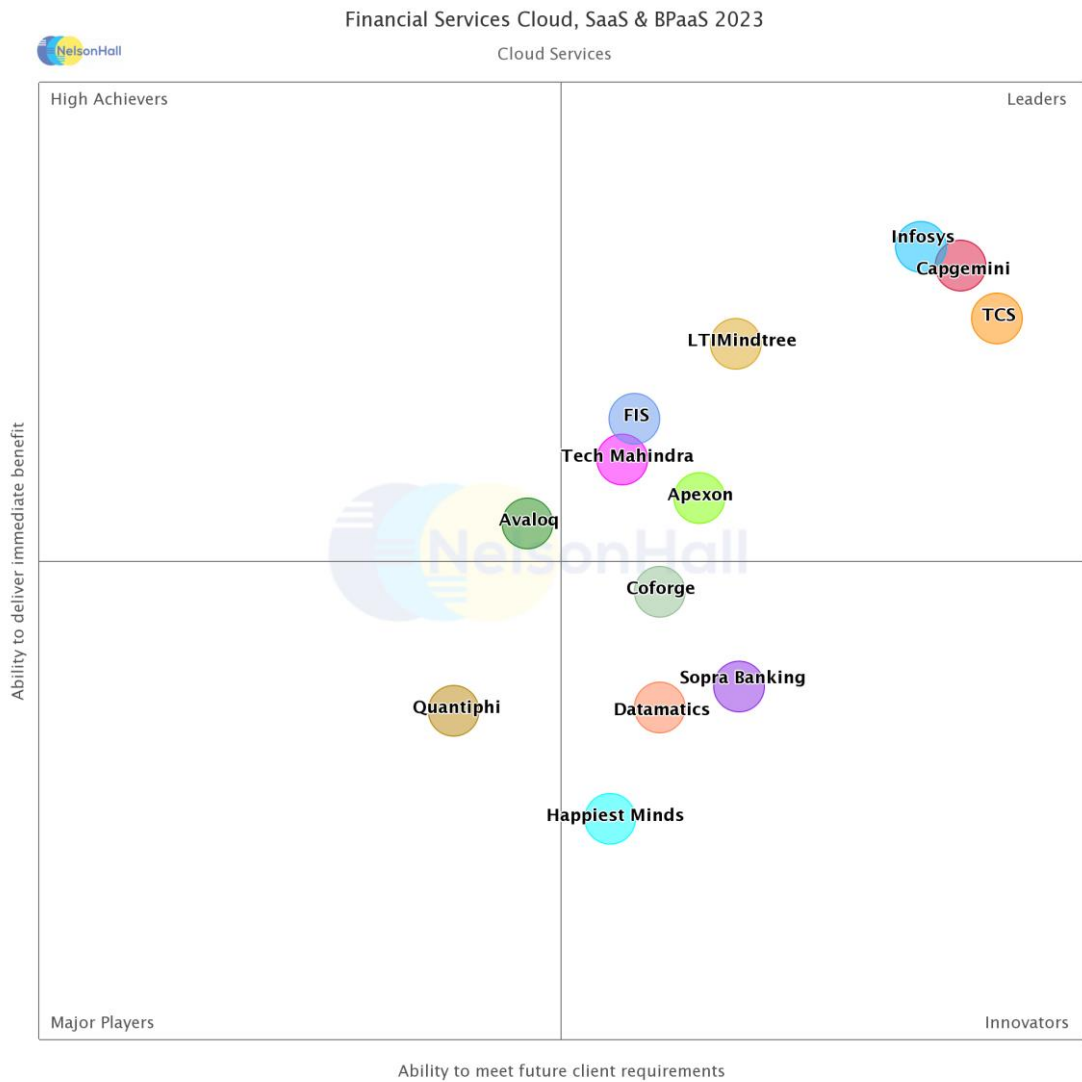
NelsonHall has identified Infosys as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects Infosys’ overall ability to meet future client requirements as well as delivering immediate benefits to its financial services cloud, SaaS and BPaaS clients.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high ability relative to their peers to meet future client requirements.

Buy-side organizations can access the *Financial Services Cloud, SaaS & BPaaS* NEAT tool (*Overall*) [here](#).



NEAT Evaluation: Cloud Services

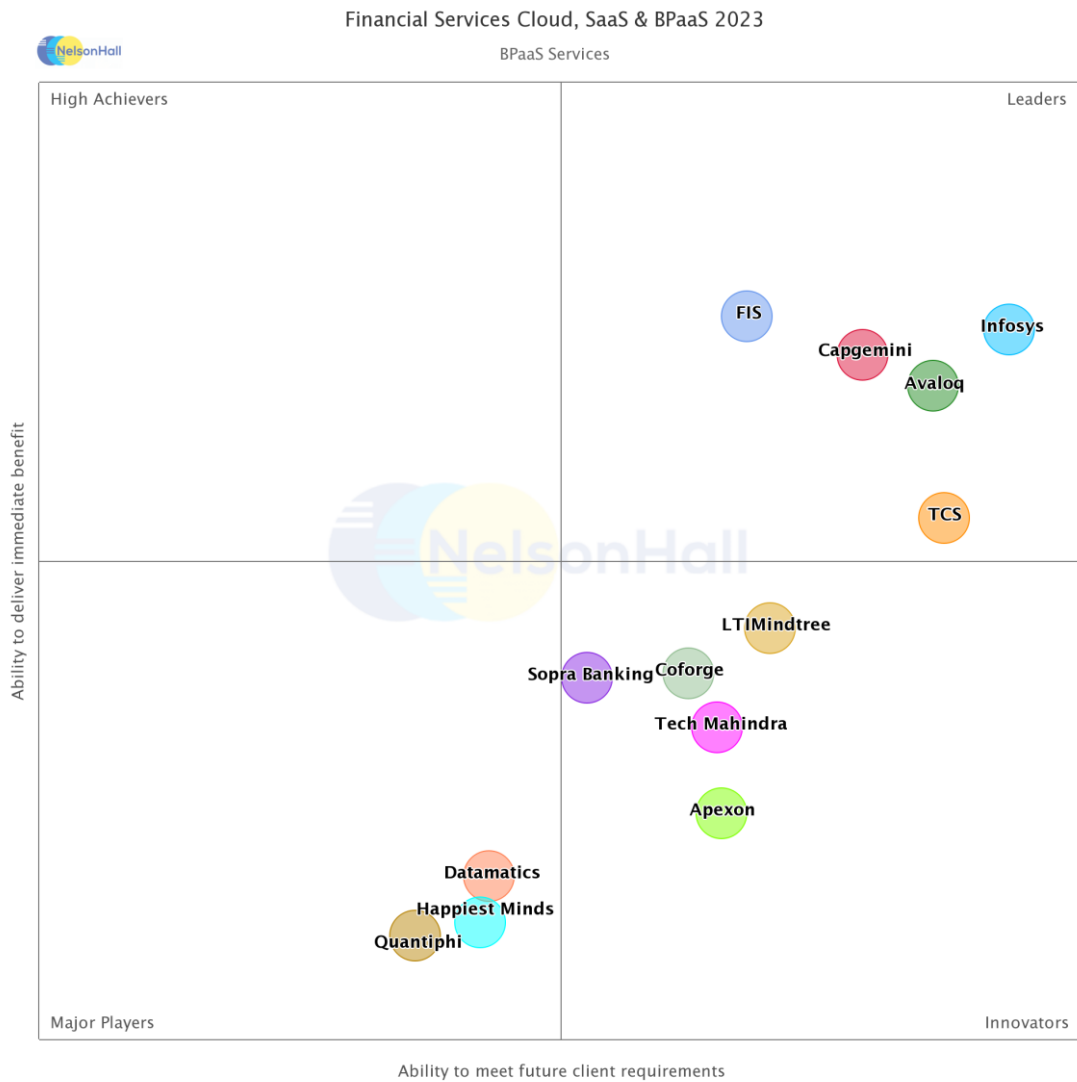


NelsonHall has identified Infosys as a Leader in the *Cloud Services* market segment, as shown in the NEAT graph. This market segment reflects Infosys' ability to meet future client requirements as well as delivering immediate benefits to its financial services clients with specific capability in cloud services.

Buy-side organizations can access the *Financial Services Cloud, SaaS & BPaaS* NEAT tool (*Cloud Services*) [here](#).



NEAT Evaluation: BPaaS Services



NelsonHall has identified Infosys as a Leader in the *BPaaS Services* market segment, as shown in the NEAT graph. This market segment reflects Infosys’ ability to meet future client requirements as well as delivering immediate benefits to its financial services clients with specific capability in BPaaS.

Buy-side organizations can access the *Financial Services Cloud, SaaS & BPaaS* NEAT tool (*BPaaS Services*) [here](#).



Vendor Analysis Summary for Infosys

Overview

Infosys has been investing heavily in developing a large ecosystem of proprietary IP, partners, and industry-specific tools to enable and propel its Cloud, SaaS, and BPaaS offerings for BFS clients. Its core banking platform, Finacle, has been architected into microservices to enable it to be bought in modules as clients require. It has built an app and services store through which clients can buy enablers to move to the cloud. In addition, it partners with other core platform providers such as Fiserv, Avaloq, and Temenos to provide modules and services to financial institutions to enhance the functionality of their platforms.

Recently, Infosys has been increasing its onshore footprint to enable it to support a wider range of processes at client firms. It is embedding its AI capabilities into solutions to enhance the accuracy, speed, and process predictability of its solutions in production environments. It is now looking to productize more solutions into SaaS and BPaaS offerings for its local market clients.

Infosys has 10.5k FTEs working in Cloud, SaaS, and BPaaS services for BFS from a total of 65.5k BFS staff. Cloud, SaaS, and BPaaS services staff deliver:

- Consulting services: 525 FTEs
- IT services: 6,300 FTEs
- Managed services: 3,675 FTEs.

Cloud services are delivered from a network of centers around the world and via a range of delivery models, with the following mix:

- Offshore: 60%
- Nearshore: 6%
- In-country: 33%
- Onsite: 1%.

Infosys' primary targets are banking and capital markets institutions in North America, Europe, and APAC. Infosys has 180 Cloud, SaaS, and BPaaS services clients, including retail and commercial banks (150 clients) and capital markets firms (30 clients). Clients are based in North America (65%), EMEA (22%), and APAC (13%).

Over the next twelve months, Infosys intends to enhance its operations by:

- Expanding staffing and training services for employees to shift resources to cyclically growing areas such as collections
- Partnering with hyperscalers to drive large engagements
- Enhancing AI solutions to improve collections, using Infosys' CollectEdge to improve collection rates
- Enhancing its partner ecosystem with specialist firms focused on business capabilities (BPaaS services).



Financials

NelsonHall estimates that Infosys' 2022 full-year revenues from Cloud, SaaS, and BPaaS services will be \$950m, comprising:

- Consulting: 10%
- IT services: 70%
- Managed services: 20%.

Revenues are primarily generated from the delivery of cloud services.

Strengths

- Domain expertise and experience with converting core banking platforms from around the world to a microservices architecture
- Has an ecosystem of specialist ISVs that provide novel functionality for the financial sector
- Has a large portfolio of proprietary industry-specific platforms that can be deployed with cognitive and digital functionality
- Industry-specific approach to cloud services, typified by the Cobalt Financial Services Cloud platform which delivers cloud hosting services specifically for FS clients.

Challenges

- Needs to retrain and redeploy labor from loan originations to collections at scale as the economy enters a new cycle
- Needs to expand presence with local and startup banks.

Strategic Direction

Infosys works with retail banking and capital markets firms, providing:

- Industry-focused service offerings based on use cases that have been successfully used previously in production
- LOB-level blueprints for target state cloud operations
- Proprietary IP and frameworks to accelerate the transition to the target state and deliver new functionality and features
- Outcome-based commercial models and self-funded transformation journeys
- Scalable delivery to address large-scale transformation projects.

It is expanding its service offerings to bundle in more SaaS and BPaaS models with its cloud delivery services.



Over the next three years, Infosys will be pursuing clients with enhanced offerings by:

- Building out a set of industry-specific SaaS and BPaaS offerings, which are pre-packaged solutions targeting regional and local financial institutions
- Expanding its delivery capacity for loan default management services to address a cyclical upturn in market demand for these services
- Building out new service offerings for emerging market needs including Metaverse and ESG
- Expanding its partnerships with hyperscalers to pursue and deliver very large engagements.

Outlook

Infosys has a Cloud, SaaS, and BPaaS services business focused on cloud migration services for clients in North America, Europe, and APAC. It concentrates on engagements delivering cloud migration and operations as-a-service. It should have a strong year in 2023 as it upsells services to existing clients, pursues middle-tier banks, and expands its ISV ecosystem.

NelsonHall estimates that Infosys' Cloud, SaaS, and BPaaS services revenues will grow by 40% per year over the next three years. It grew at 80% CAAGR last year. If it successfully productizes its solutions coupled with AI into BPaaS offerings, in particular collections BPaaS services, it should be able to grow its business an additional 5% per year.

Financial Services Cloud, SaaS & BPaaS Market Summary

Overview

The financial industry is responding to the industrialization of cloud services from hyperscalers and IT services vendors by transforming its platforms to microservices architectures and then moving them to the cloud. The goal is to enable faster time to market and increased agility to respond to changing market cycles and conditions. Data management across markets, businesses, and entities has moved to the center stage to drive compliance and customer management.

Vendors are focusing on four activities:

- Transforming software development and implementation tools to enable non-technical workers in the client's lines of business to build solutions that can be deployed and managed in the cloud
- Improving data management with tools, new functionality, and AI
- Opening platforms to enable an ecosystem of partners to deliver greater value to customers
- Productizing offerings and delivering them as SaaS and BPaaS offerings.

Vendors are relying on these four initiatives to deliver complex transformational services to clients, including hybrid multi-cloud environments, analytics, and cognitive services. And vendors are changing the economics of engagements to enable clients to match revenues and expenses.

Tier 1 banks are looking for increased operational agility with migration to cloud and as-a-service delivery. Smaller banks require productized solutions and SaaS/BPaaS services. All banks are increasing their data management and AI buying.

In the future, clients will move towards SaaS and BPaaS to reduce labor costs and increase the configurability of their businesses. Operational delivery will become agile to reduce time-to-market and support volume fluctuations.

Buy-Side Dynamics

Currently, tier 1 banks are primary adopters (~50%); regional banks and service providers are starting to scale their demand (30%). Local banks and services vendors (20%) are rapidly growing in adoption.

In the future, the adopter profile will expand with greater demand from regional and local banks, the fastest-growing client segment for these services. Emerging markets are beginning to adopt these services and will grow much faster than mature markets over the next five years. These clients prefer productized offerings.

Buy-side drivers include:

- Margin compression and increased competition driving banks to look for new revenues, often from shorter lifecycle products
- Changing customer base with greater demand for digital delivery



- Varying costs requiring growing revenues to grow profits. New products/markets need to be introduced faster and at a lower cost of delivery
- Changing regulations, new customer demographics, and new technologies.

Clients are moving towards productized offerings such as SaaS and BPaaS to reduce customization and increase the configurability of their businesses.

Key issues in Cloud, SaaS, and BPaaS services include:

- Microservices architecture and new functionality:
 - Modernizing the platform to enable the implementation of new functionality focused on one process
 - Building an ecosystem of FinTech vendors to access new functionality on a case-by-case basis
 - Implementing new solutions to reduce time-to-market and improve cross-silo coordination
 - Standardizing core processing to support open banking activities with diverse partners
- Data:
 - Building data lakes to enable orchestration and management across geographies, customers, and offerings
 - Processing, analyzing, and storing unstructured data using OCR, ICR, voice, and social media tools
 - Use of AI on data to enable greater QA, compliance, and brand integrity
- Agility:
 - Hybrid multi-cloud delivery to increase operational flexibility
 - Diversifying processing centers and BCDR resiliency.

Market Size & Growth

NelsonHall estimates the size of the Cloud, SaaS, and BPaaS services market in the financial services sector at ~\$13,985m in 2022 and forecasts that it will grow at 16.1% per year in the period 2022 to 2027.

Cloud, SaaS, and BPaaS services start with Cloud services, which account for ~50% (\$6,990m) of client spending and are growing at ~15.0% per year over the forecast period. SaaS services account for ~40% (\$5,595m) of client spending and are growing at ~17.0% over the forecast period. Finally, BPaaS services account for ~10% (\$1,400m) of client spending and are growing at ~18.0% over the forecast period.



Challenges & Success Factors

The key Cloud, SaaS, and BPaaS services challenges faced include:

- Platform modernization:
 - Legacy mainframe platforms need to be redesigned into a microservices architecture. Finding teams that can work with both legacy and modern languages is difficult
 - Manual processes need to be digitalized by writing cloud-native apps for manual processes, rewriting legacy apps into cloud-native apps, and implementing DevOps techniques. Training developers and implementing emerging best practices requires continuous improvement
 - Each cloud vendor uses a proprietary set of technologies for native deployments, requiring multiple skillsets for employees and multiple toolkits for hybrid cloud deployments
- Data management and analysis:
 - Effective use of AI requires large databases from which to derive insights. Most bank portfolios are too small to generate large data sets for meaningful analysis
 - ML and AI techniques develop insights based on past market behaviors. Predictive insights require complex analytic techniques. AI insights must be vetted for equity issues
 - Data needs to become accessible to third parties in the evolving open banking market
- Accessing emerging technologies:
 - Skilled labor remains in short supply and worker turnover has made it worse. Reducing the cost of transformation with tools like DevOps has widened the effective labor pool and shortened implementation times and boosted paybacks to help the business case
 - Mid-tier, specialty, and startup banks do not have in-house access to resources to assess or monitor emerging technologies and vendor capabilities. These firms look to third-party vendors to provide access to FinTech ecosystems, productized offerings, and best practices to support their new initiatives
 - Domain expertise requires working on many best practice engagements, often in other consumer industries. Those human resources are rare and tend to prefer a non-financial services employer
- Creating a roadmap:
 - New business models: new business models require experimentation and agility
 - Effective use of unstructured data: unstructured data from new channels analyzed using new methods creates the risk of misinterpretation or irrelevancy
 - Expanding the automated footprint in operations requires aggressive process discovery and then automation. Identifying effective use cases remains challenging

Key competitive differentiators (success factors) for vendors include:

- Industry and country context to implement compliance and improve efficiency
- Application of AI to make predictive analyses, not just descriptive analysis



- Ability to scale effective operations rapidly with labor and BPaaS
- Ability to coordinate data and services to proactively manage operations
- High level of process efficiency and standardization
- Ability to automate remaining manual processes cost-effectively
- Technology partnerships with key vendors and APIs to facilitate integration
- Proprietary IP and frameworks to accelerate the transformation and use case library to prioritize the highest impact initiatives to undertake

Outlook

The future direction for Cloud, SaaS, and BPaaS services will include:

- DevOps and implementing new technologies:
 - Due to a lack of skilled workers, the focus in IT development has shifted in the past year to no/low code software development for tier 1 banks
 - Increasingly, hyperscalers and IT services vendors are partnering to develop focused packaged offerings for banks (mostly regionals) to speed up implementation
- Platform modernization: these are the majority of cloud services engagements in the past three years. New trends in the past year include:
 - Focus on accelerating M&A platform consolidation
 - Increased modularity of platforms to reduce time-to-market for new products
- Data management, the emerging focus of cloud services engagements:
 - Reskilling of data workers to scale up data lake work across silos
 - Management of third-party data vendors and agents
 - Increased use of standby data servicing to reduce the risk of operational outage.



NEAT Methodology for Financial Services Cloud, SaaS & BPaaS

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high ability relative to their peers to meet future client requirements
- **High Achievers:** vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements
- **Innovators:** vendors that exhibit a high ability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.



Exhibit 1

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> Range of cloud services Range of SaaS services Range of BPaaS services Consulting and strategy development Mainframe/legacy workload migration capabilities Environment management platform capability Environment brokerage services Environment orchestration services Monitoring and observability Application of AI/cognitive technology to business processes Ability to offer new process models with digital technologies Ability to benchmark processes and offer roadmap
Delivery Capability	<ul style="list-style-type: none"> Overall performance Ability to reimagine service / process Speed of operations transformation Digitalization capability Sector/industry knowledge Caliber of personnel Strength of partnership Flexibility Value for money Ability to transform cognitive and self-healing IT infrastructure management services operations in line with company strategy
Market Presence	<ul style="list-style-type: none"> Overall presence in cloud, SaaS, and BPaaS processes Presence in cloud processes Presence in SaaS processes Presence in BPaaS processes North American presence European presence Rest of World presence

Continued...



Benefits Achieved	<ul style="list-style-type: none">Increased infrastructure scalability/flexibilityImprovement in provisioning timesImprovement in infrastructure and application performance, reliability and availabilityImproved access to next generation cognitive and self-heal capabilitiesLevel of cost savings achievedIncreased use of self-servePerception of “value for money”Increased end-user satisfactionFlexibility of pricing
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Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Service Innovation Culture	<ul style="list-style-type: none"> Perceived suitability to meet future client needs in cloud Perceived suitability to meet future client needs in SaaS Perceived suitability to meet future client needs in BPaaS Use of analytics for process improvement and spend insight Use of design thinking to identify new process models Provision of dedicated cognitive and CI Centers of Excellence and innovation labs to drive a collaborative approach
Maturity of Roadmap	<ul style="list-style-type: none"> Identifying opportunities for cloud, SaaS and/or BPaaS transformation Enhanced cognitive & self-healing server management Refining new process models Enhanced remediation and self-healing of assets Enhanced monitoring and observability across the full-stack Implementing transformation initiatives
Market Momentum	<ul style="list-style-type: none"> Cloud services momentum SaaS services momentum BPaaS services momentum

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Inquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:
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