



Emerging Opportunities in Outsourced F&A Services Market Spurred Impressive 22% Annual FAO Growth, Says Everest's Annual Report

Untapped Value for Buyer and Suppliers Propelling Growth

Press release

DALLAS, May 28, 2008 – Continued expansion of Finance and Accounting Outsourcing (FAO) service providers, broader acceptance of the value proposition, and existing success stories are driving a strong FAO market that grew 22 percent in 2007 and is predicted to maintain a double-digit growth pace, according to the [Everest Research Institute's](#) annual study of the FAO market. Future growth in the FAO market will also be driven by a combination of expanding supplier capabilities and the expansion of FAO buyer segments.

The multi-process FAO market is estimated to be US\$2.2 billion (annual contract value), according to the Institute's study, [Finance & Accounting Outsourcing \(FAO\) Annual Report 2008](#). Despite the strong growth, only 5 percent of the market potential has been tapped. However, maturing FAO delivery models are spurring rapid growth in the underpenetrated sectors of the market. Consequently, mid-market organizations, Continental Europe, and several industries (such as media & entertainment, retail, healthcare services, among others) that have historically constituted a small share of overall FAO market share have started to outsource F&A aggressively.

The study explores and defines FAO market size and buyer adoption; current contract characteristics; supplier landscape; and emerging growth drivers. Other factors that will sustain the FAO market's annual growth of 20-plus percent are explored in the study, including:

- Growth in Continental Europe, the fastest growing segment by geography with a 58 percent increase in annual contract value between 2003-2007 and corresponding growth of European delivery centers
- Spending by mid-market buyers continues to grow as a share of total FAO spending, representing 18% in 2007
- Outsourcing judgment intensive activities and end-to-end, process-driven approaches as the result of buyer maturity
- Specialization in banking, insurance, manufacturing, travel and transportation and other industries
- Technology innovation as a pivotal component in FAO solution design and global sourcing to gain additional process improvements, specialized tools and expertise beyond expected labor savings
- Significant renewal activity given that contracts worth US\$5 billion are up for renewal in the next three years

"FAO has experienced two strong years with 2006 and 2007 sustaining double-digit growth both years, which is another reason we're seeing a lot of new suppliers coming into the market and stirring up competition," said [Katrina Menzigian](#), Vice President, Everest Research Institute.

"Competition is at an all-time high with 20-plus suppliers vying for share in a strong, barely penetrated market with a large number of contracts and potential revenues up for renewal over the next few years."

Supplier landscape analysis includes these market share findings:

- Supplier leadership is tightly linked with delivery capability, with top leading suppliers holding 71 percent of market share: [Accenture](#), [ACS](#), [Capgemini](#), [Genpact](#) and [IBM](#).

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- Major supplier contenders, who signed 37 percent of FAO contracts since 2005, include [HP](#), [Infosys BPO](#), [OPI](#), [Steria](#), [TCS](#), [VWA](#), [Wipro](#), and [WNS](#). Emerging players are [Cognizant](#), [EXL Service](#), [HCL](#), and [Intelenet](#)

"While emerging players have had success winning contracts, buyers need to carefully assess their delivery capabilities and expertise to ensure they are the right matches for their needs," said [Saurabh Gupta](#), Research Director, Everest Research Institute and co-author of the report. "Suppliers need to develop competitive advantage through differentiation and work to diversify and optimize their operations to better manage risks associated with currency exchange fluctuations, talent shortage, regulatory concerns and other issues."

To read more about the findings of the [Finance & Accounting Outsourcing \(FAO\) Annual Report 2008](#), an extract of the report is available at www.everestresearchinstitute.com. To purchase the report or receive more information about other research services, please e-mail info@everestresearchinstitute.com or call +1-214-451-3110.

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