

NEAT EVALUATION FOR TCS:

Wealth & Asset Management Services

Market Segment: Overall

Introduction

This is a custom report for TCS presenting the findings of the NelsonHall NEAT vendor evaluation for *Wealth & Asset Management Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of TCS for wealth & asset management services, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering wealth & asset management services. 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 hosting/BPS, professional services, and supporting new digital banking models.

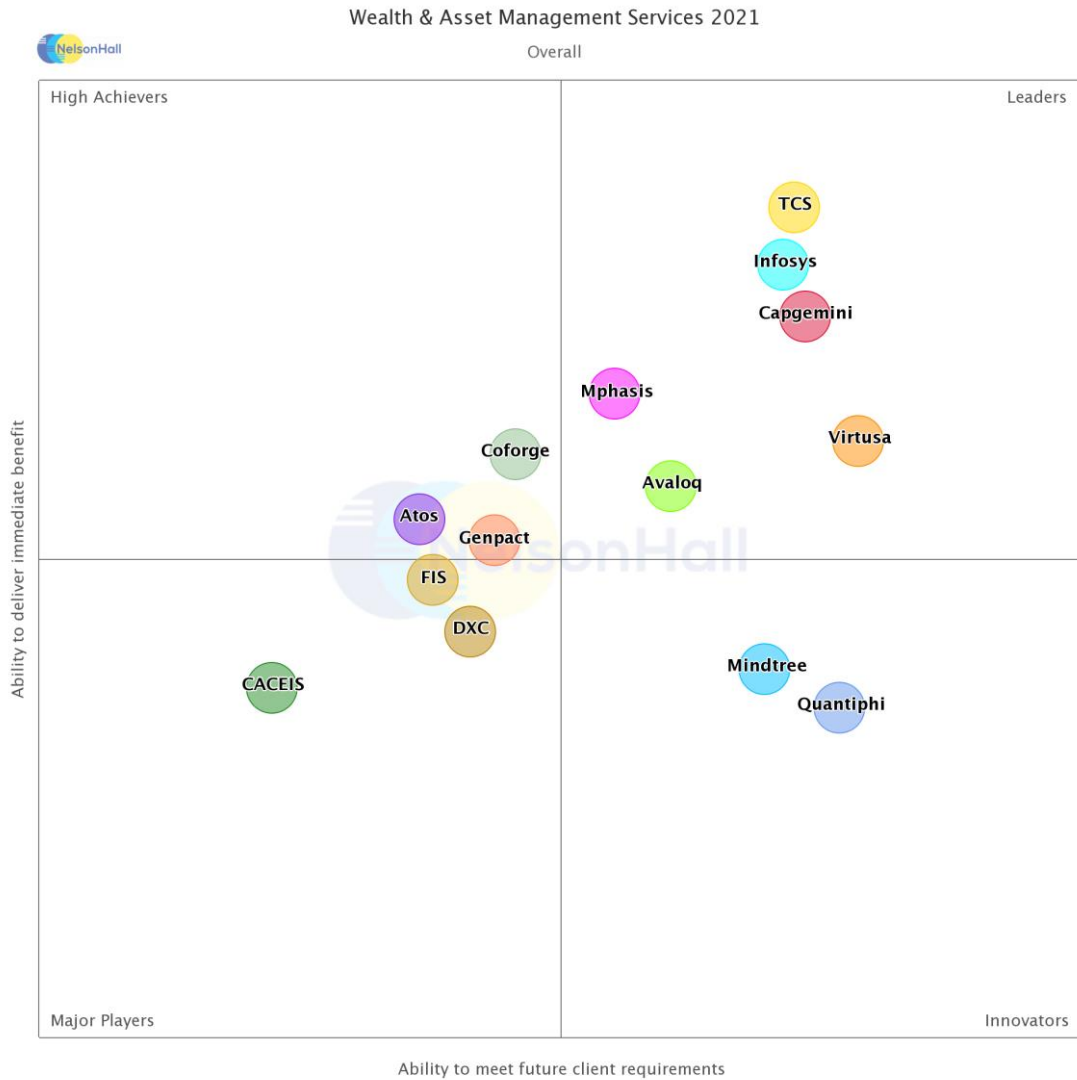
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Atos, Avaloq, CACEIS, Capgemini, Coforge, DXC Technology, Fidelity Information Services, Genpact, Infosys, Mindtree, Mphasis, Quantiphi, TCS, and Virtusa.

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



NEAT Evaluation: Wealth & Asset Management Services (Overall)



NelsonHall has identified TCS as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects TCS’ overall ability to meet future client requirements as well as delivering immediate benefits to its wealth & asset management clients.

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

Buy-side organizations can access the *Wealth & Asset Management Services* NEAT tool (*Overall*) [here](#).



Vendor Analysis Summary for TCS

Overview

TCS has been working with the wealth management industry for over 40 years. In 2008, it expanded its capabilities with the acquisition of Citigroup Global Services Limited (CGSL), the India-based captive operation of Citibank. CGSL brought to TCS a large bench of employees with deep industry process knowledge. CGSL's capabilities included transfer agency, fund accounting, fund administration, and reconciliation services.

After the integration of CGSL, TCS was able to sell these services to other industry participants and expand on its capabilities.

TCS has expanded its capabilities in these areas:

- *Pension services*: operations acquisitions from Transamerica and Prudential
- *Consulting capabilities*: consulting firms focused on CX, revenue growth, and business agility for W&A managers
- *Retirement advisory services*: expanded its capabilities with the 2018 acquisition of Bridgepoint, a U.S. based consulting firm
- *German banking industry IT services*: expanded its project management, application management, and infrastructure support services with the acquisition of PostBank Systems in 2020.

TCS delivers services to support W&A processes, including:

- Institutional broking
- Risk and compliance
- Transfer agency
- Fund accounting
- Fund administration
- Clearing and settlements
- Private equity and wealth management
- Retail brokerage.

Proprietary solutions that TCS deploys for its clients are all available on the public cloud, and most clients use a single-tenant model for their cloud applications. Clients are increasingly looking to move their operations to the cloud and/or BPaaS delivery of operations. The key software modules moved to the cloud vary by geography due to data security laws and issues.



Strengths

- Large certified workforce in key technologies with frameworks to support consistent delivery
- Strong portfolio of proprietary solutions and platforms
- Strong global delivery capabilities across all geographies
- Domain expertise drawn from long-term experience with financial institutions.

Challenges

- Needs to productize more capabilities into offerings to expand the suitability of its offerings for a wider range of use cases within clients
- Scaling engagements with mid-tier and local clients.

Strategic Direction

TCS' strategy has been to:

- Develop assets and partnerships to deliver domain-specific functionality and services with cloud-first, digital-first delivery
- Upsell transformation services to existing BPS and ITS clients.

TCS has focused its activities by market, including:

- U.S.:
 - Migration to a cloud-native wealth management platform
 - Family office conversational agent
 - Automation of meeting preparation
 - Next best action for advisors
 - Zero ops from advanced automation
- EU:
 - Digital marketing maturity assessment
 - Zero ops from advanced automation
 - Virtual personal assistant for advisors (also for the Canadian market)

TCS is looking to grow its business in 2021 by:

- Developing additional compliance offerings
- Enhancing its BPaaS offerings with additional third-party tools to deliver novel functionality
- Adding new logos in the middle market, primarily from sales of new productized offerings.

Outlook



TCS has a robust W&A services business, with a set of services focused on transformation and BPaaS services. It should have a strong year as it upsells services to existing clients and adds new logos. It should also be able to expand its W&A services business in the mid-tier market.

NelsonHall estimates that TCS' W&A revenues will grow by 15% per year over the next three years, based on its existing client base and domain capabilities. If it is successful in productizing its set of offerings for mid-tier clients, it should be able to grow its business an additional 2% per year.



Wealth & Asset Management Services Market Summary

Overview

W&A management services is an evolving business, with tier 1 managers looking for single-process customized services and migration to the cloud.

Smaller managers require productized services. All managers are increasing their data management and process discovery buying.

In the future, clients will continue to focus on data management and migrate to a hybrid multi-cloud. Operational delivery will become agile to support reducing time-to-market and support volume fluctuations.

Buy-Side Dynamics

The primary client profile is:

- *Current:* Tier 1 managers are primary adopters (~60%); regional/local and alternative asset managers are starting to scale their demand (30%). Services vendors make up the rest of the market
- *Future:* Wealth and asset management vendors are expanding their presence with regional/local managers by entering new markets and productizing offerings. They are also expanding their presence with alternative asset managers. Vendors support tier 1 managers and services vendors with cloud migration, new functionality, and compliance.

Buy-side drivers include:

- *Variabilize cost:* need to scale processing to match volatile external market conditions
- *Human support:* moving to highly distributed operations requires AI and automation for consistency
- *Change the business model:* requires operational agility, efficiency, and accuracy
- *Expand the customer base:* new target customers are younger and less wealthy and looking for digitally delivered services.

The W&A industry is adapting to new business conditions where they need to move to hybrid multi-cloud while maintaining the same high data security and compliance standards they delivered from centralized delivery centers. Data management has moved to the center of what is needed to address the mass affluent and younger generation investors. Operations need to be able to scale up/down with a very low cost of delivery.

Market Size & Growth

NelsonHall estimates the size of the wealth and asset management services market will be ~\$6,400m in 2021, and that it will grow at 12.0% per year in the period 2021 to 2026.

The wealth and asset management services market starts with consulting services, which account for ~8% (\$510m) of client spend and is growing at ~8.0% per year over the forecast period. Design and deploy services account for ~32% (\$2,050m) of client spend and are growing at ~12.0% over the forecast period. Finally, hosting, SaaS, BPS, and managed services



account for ~60% (\$3,840m) of client spend and are growing at ~12.5% over the forecast period.

Challenges

The key challenges faced in wealth and asset management services include:

Data management and analysis:

- Need for clear lines of responsibility: data lake environments (internal/external/cloud), with heterogeneous data types, require rethinking in terms of what data can be touched by third parties
- Effective use of AI requires large databases from which to derive insights. Most institutions cannot generate large data sets for meaningful analysis
- ML and AI techniques typically develop insights based on past market behaviors, which can lead to issues of fairness and equity. AI insights must be vetted for equity issues.

Cloud migration:

- Managing operations from the cloud: moving to hybrid operations (internal/external/cloud) where control is attenuated and solution architectures heterogeneous is difficult. Orchestration of heterogeneous evolving environments remains an ongoing challenge
- Developing cloud-native solutions, migrating legacy software, requires new employee skills, especially in DevOps techniques. Training developers and implementing emerging best practices requires continuous improvement
- Cloud vendors use proprietary sets of technologies for native deployments, requiring multiple skill sets for employees and multiple toolkits for hybrid deployments.

Creating an effective strategy:

- Open banking requires opening the legacy platforms with many APIs
- New business models: New business models require previously untried digital processes
- New inputs to process: unstructured data from new channels, analyzed using new methods, creates the risk that the outputs will be imperfect in a regulated industry
- Process discovery to expand automation activities has been slow to show results. Identifying effective use cases remains challenging.

Access to emerging technologies:

- Talent and capital to support new projects are scarce. Third-party vendors investing in projects have become increasingly common. Also, DevOps and other techniques to shorten implementation times and boost paybacks help the business case
- Mid-tier and startup W&A managers, do not have in-house access to resources to assess or monitor the emerging technologies and vendor capabilities. These firms look to productized offerings and best practices from third-party vendors to support their new initiatives
- Domain expertise requires relevant cross-training of LOB/technology. Those resources are rare and tend to prefer a non-financial services employer.



Success Factors

W&A management success factors for banks include:

Strategy:

- Change the business model, with a focus on reducing time-to-market for new product introductions for products targeting a broader market (e.g., mass affluent)
- Build an ecosystem of vendors with: (1) knowledge of client's business issues, (2) complementary skills to build and deliver IA services, and (3) ability to work within client operational practices
- Change the operational model: W&A managers need to shift from operational leverage (scale economies) and to leveraging flexibility (ability to cost effectively switch out workloads). This requires increased process discovery to identify processes for automation. Ability to bring data to processes for new products will be a key to success.

Execution:

- Preferred vendors should have the widest pool of Fintech solution providers supporting them
- Redefine what is delivered by internal and cloud to maximise agility, speed new automation and AI implementation
- Standardize across markets and projects. Build COEs and libraries of successful use cases
- Transform application development to a DevOps model to speed innovation cycle and migrate to cloud delivery.

Key success factors for W&A management vendors include:

- *Sales support*: ability to enhance sales efforts by using design thinking to build omnichannel services. Ability to complement client consumer contact representatives
- *Operations*: industry process knowledge and ability to re-engineer the widest range of sub-processes to produce global improvements in overall efficiency
- *Time to market*: deliver speed to market for new products, reduce error rates, and meet deadlines
- *Standardization*: standardize and consolidate process delivery across markets and products
- *Cost*: cost reductions of 20% to 70% with the improved matching of costs to revenues
- *Reengineer processes*: reengineering delivery across the widest range of sub-processes
- *Vendor ecosystem*: ISV ecosystem and ability to monitor changes in technology vendors, data vendors, and compliance requirements
- *Data management*: Ability to source, analyze, and manage unstructured data for both compliance and business purposes
- *Frameworks*: to guide transformation and transparency to stakeholders.



NEAT Methodology for Wealth & Asset Management Services

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 capability relative to their peers to meet client future 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 client future requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet client future 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"> IA Consulting and advisory services IA design and deploy services IA management and BPS services Breadth of application of W&A services to financial institutions Application of W&A services to industry processes Application of W&A services to compliance Application of digital technologies to W&A Application of AI/cognitive technology to W&A Ability to offer new process models with W&A services Ability to benchmark processes and offer a roadmap W&A services implementation capability Ongoing technology management Combined technology/people-based exception handling capability Advanced analytics reporting ability
Delivery Capability	<ul style="list-style-type: none"> Scale of W&A delivery capability Cognitive delivery capability Delivery capability – U.S. Delivery capability – U.K. Delivery capability – Continental Europe Delivery capability – Rest of EMEA Delivery capability – APAC Use of pre-existing W&A technology implementation templates W&A process change management capability Maturity of W&A services delivery model W&A services governance capability Design thinking capability
Client Presence	<ul style="list-style-type: none"> Overall W&A management presence Overall W&A management consulting presence Overall W&A management design and deploy presence Overall W&A management BPS presence North America presence U.K. presence Continental Europe presence Rest of World presence

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Benefits Achieved	<ul style="list-style-type: none"> Level of cost savings achieved Increased use of self-serve Improvement in provisioning times Process error reduction Process cycle time reduction Improved CSAT Improved speed of new product roll-out Perception of “value for money”
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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 W&A management needs Perceived suitability to develop new banking business models & processes Ability to apply automation to W&A management processes Ability to introduce new digital business models Service culture Innovation & creativity
Level of Investments	<ul style="list-style-type: none"> Level of investment in W&A management Level of investment in cognitive/AI Level of investment in digital technologies in support of W&A Level of investment in own tools & platforms in support of W&A management Level of investment in new systems of engagement for W&A management sector
Market Momentum	W&A services market momentum

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



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Sales Enquiries

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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