



Business-Process-as-a-Service (BPaaS) Adoption Debunked – Current and Future Direction

Business Process Services (BPS)

Market Report – September 2019: Complimentary Abstract / Table of Contents

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Background and scope of the research

Background of the research:

As the realities of the global business environment change, the Business Process Services (BPS) industry is under immense pressure to transform. Buyers are struggling with unique challenges and are increasingly demanding results beyond cost reductions and operational efficiencies. They want BPS to positively impact their business objectives. Technology has emerged as the catalyst and enabler of this transformation.

A set of next-generation models, especially Business Process as a Service (BPaaS), can address enterprise demands. BPaaS is a model in which buyers procure standardized services on a pay-as-you-go basis from a shared set of resources across processes and technologies. Existing and potential buyers should carefully evaluate the solutions' features and their impact while adopting BPaaS.

In this context, this report studies the trends in BPaaS adoption and assesses how it can transform businesses by looking at the following broad heads:



- Role of BPaaS in an era of evolving BPS
- Understanding BPaaS adoption pattern
- Leading service providers leveraging BPaaS
- Examples of BPaaS implementation
- The future of BPaaS

Scope of this report:

We have covered six BPS segments as part of this study, including three horizontal BPS segments – HR Outsourcing (HRO)¹, Finance & Accounts Outsourcing (FAO), and Procurement Outsourcing / Supply Chain Management (PO/SCM) –, and three BPS verticals – healthcare², Banking & Financial Services (BFS), and insurance

The terms **BPaaS** and **BPS Platforms** are used synonymously in this study. We have primarily used the term **BPaaS** in this document

¹ The HRO market includes Multi-process HR Outsourcing (MPHRO), Multi-country Payroll Outsourcing (MCPO), benefits, learning, and rewards & recognition

² Healthcare BPS includes payer and provider markets

Everest Group's BPaaS research is based on two key sources of proprietary information

- Our research is based on Everest Group's **proprietary database of 30+ BPaaS service providers' operational capabilities** (RFI-based study conducted for the first time in 2019)
- The database tracks the following capability elements for each service provider:
 - BPaaS solutions, categories (as per our proprietary classification), and processes
 - Active BPaaS clients for each solution
 - BPaaS solution attributes, including underlying technology, deployment type, and pricing model
 - BPaaS client mix by buyer geography, buyer industry, buyer size, and buyer revenue

- **Everest Group's executive interviews and data collection from BPaaS service providers and buyers** across all major BPS segments
- These interactions provide detailed service provider and buyer perspectives on:
 - Drivers for adopting BPaaS and buyer-provider relationships
 - Nuances around the maturity of BPaaS across BPS segments, buyer types, and geographies
 - Level of buyer satisfaction and underlying reasons

Service providers covered¹



1 Coverage for Accenture, ADP, Alight, Broadridge, Capgemini, CGI, Conduent, DXC Technology, EXL Services, Fiserv, Genpact, Optum, and Viteos excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with BPaaS buyers. For these companies, Everest Group's data for assessment may be less complete

Note: All interview and survey findings have been represented in an aggregate form and not in a manner whereby the reader can identify specific buyers, situations, or issues
The source of all content is Everest Group unless otherwise specified

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract specific will only be presented back to the industry in an aggregated fashion

Approach and methodology



This report studies the trends in BPaaS adoption and assesses how it can transform businesses. It focuses on role of BPaaS in an era of evolving BPS, understanding BPaaS adoption pattern, leading service providers leveraging BPaaS, examples of BPaaS implementation, and the future of BPaaS. It also identifies the key implications of the research findings for buyers and service providers.

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

BPaaS market overview

- More than one-third BPS solutions in the market are misclassified as BPaaS
- BPaaS accounts for ~45% of the BPS market covered in this study. Excluding HRO (the largest and most mature BPaaS segment), BPaaS penetration falls to one-fourth of the market but is growing fast
- It is growing the fastest in FAO and PO segments, though on a small base. Among vertical BPS segments, healthcare and insurance are the most mature

Dynamics of BPaaS adoption

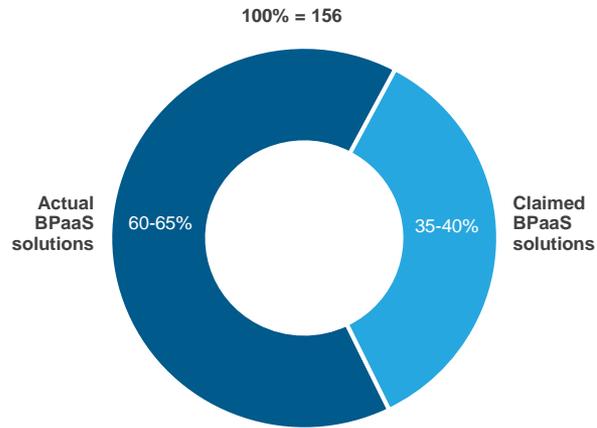
- Traditional BPaaS is the dominant model, best-of-breed BPaaS is gaining rapid traction in segments such as HRO
- In traditional BPaaS, both process-specific and end-to-end solutions have gained traction. In best-of-breed BPaaS, end-to-end solutions are the de-facto norm
- North America is the dominant adopter of BPaaS (~70% market share), followed by Europe and Asia Pacific
- Small and midsize buyers dominate BPaaS adoption (70-75% of the market). Demand from large buyers, especially in relatively mature areas such as HRO and insurance BPS, is increasing

Implications for buyers and service providers

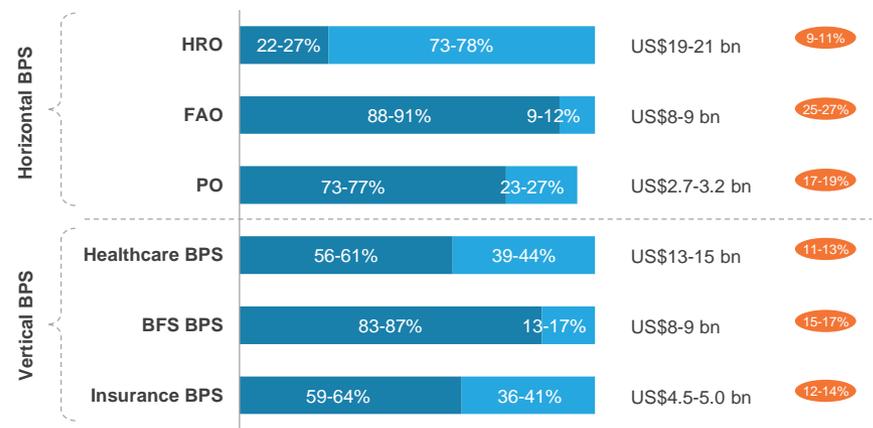
- BPaaS is an integral go-to-market offering for some providers, while others offer it selectively. Few providers have realized actual success though
- Buyers need to follow a more sophisticated sourcing process compared to typical BPS, given a higher number of factors involved and BPaaS' transformative impact
- Service providers need to have a clear strategy, long-term orientation, and transformative execution excellence to succeed in the BPaaS market

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

Classification of solutions marketed as BPaaS



BPaaS penetration by BPS segment (2018, in US\$ billion)

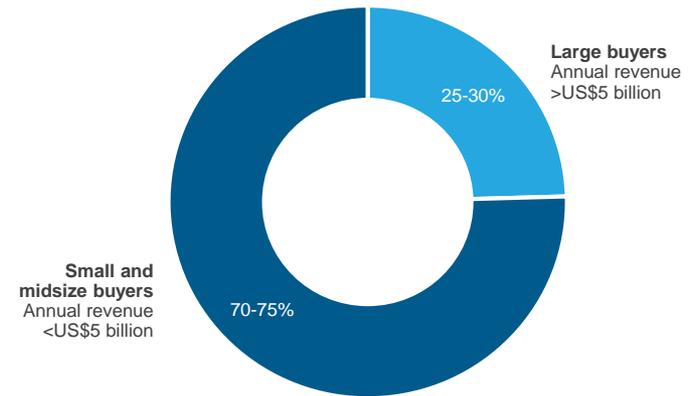


Buyer adoption by BPaaS category across BPS segments

Prevalence Low ■ ■ ■ ■ High

	Typical deal size*	Process-specific traditional	Process-specific best-of-breed	End-to-end traditional	End-to-end best-of-breed
HRO	Predominantly small, good incidence of large deals	■	■	■	■
PO/SCM	Midsize	■	■	■	■
FAO	Predominantly small and midsize	■	■	■	■
Healthcare BPS	Predominantly small, some deals are seen across the spectrum	■	■	■	■
Insurance BPS	Midsize and large deals are common, few very large deals	■	■	■	■
BFS BPS	Predominantly midsize	■	■	■	■

Buyer size mix



Additional 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. Process Mining – The New Juggernaut Driving Digital Transformation** ([EGR-2019-38-V-3085](#)); 2018. This report explores the PM technique and how it offers an analytical approach to understanding business processes. It covers the two approaches to process mining: classical process mining and process discovery using RPA/RDA recording. It also talks about how process automation is driving the need for process reviews and optimization, fueling demand for process intelligence and insights. The paper explores the benefits that enterprises can gain from the process intelligence insights acquired using process mining
- 2. F&A BPaaS: A Game Changer for SMB and Mid-market Companies** ([EGR-2018-23-V-2612](#)); 2018. This paper explores the leading CFO pain points in SMB and mid-market buyer organizations and how BPaaS or cloud-based F&A services can address these concerns. We also delve into the historical adoption of BPaaS and what the future holds. This paper is intended for CFOs and other F&A leaders of SMB and mid-market buyer organizations that are looking for better alternatives to run F&A processes
- 3. Key Ingredients for a Digital-First HR Transformation** ([EGR-2018-24-R-2830](#)); 2018. This report aims to provide an insight into the next-generation paradigm of HR services and how it differs from the traditional paradigm. It also highlights how the preferences of enterprises have been evolving over time, driving changes in how the HR functions are being delivered. This report also analyzes the key transformation levers that will have the maximum impact on HR services – automation and other digital levers, analytics, cloud / BPaaS, advisory services, and employee experience
- 4. The Future of Life Insurance & Annuities Operations** ([EGR-2018-28-V-2785](#)); This viewpoint provides detailed understanding of challenges that L&A insurers are facing, envisages the future of the L&A insurance operations at process and subprocess level, identifies the gaps between current and future states, challenges in addressing the gaps, role of BPaaS in addressing challenges and becoming future-ready, and outlook. It also helps insurers in understanding the specific attributes of BPaaS that can help in addressing the challenges they might be facing or state of operations they might desire

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