

## NEAT EVALUATION FOR WNS:

# Wealth & Asset Management BPS

### Market Segment: **Overall**

*This document presents WNS with the NelsonHall NEAT vendor evaluation for Wealth & Asset Management BPS (Overall market segment). It contains the NEAT graph of vendor performance, a summary vendor analysis of WNS in Wealth & Asset Management BPS, and the latest market analysis summary for Wealth & Asset Management BPS. An explanation of the NEAT methodology is included at the end of the document.*

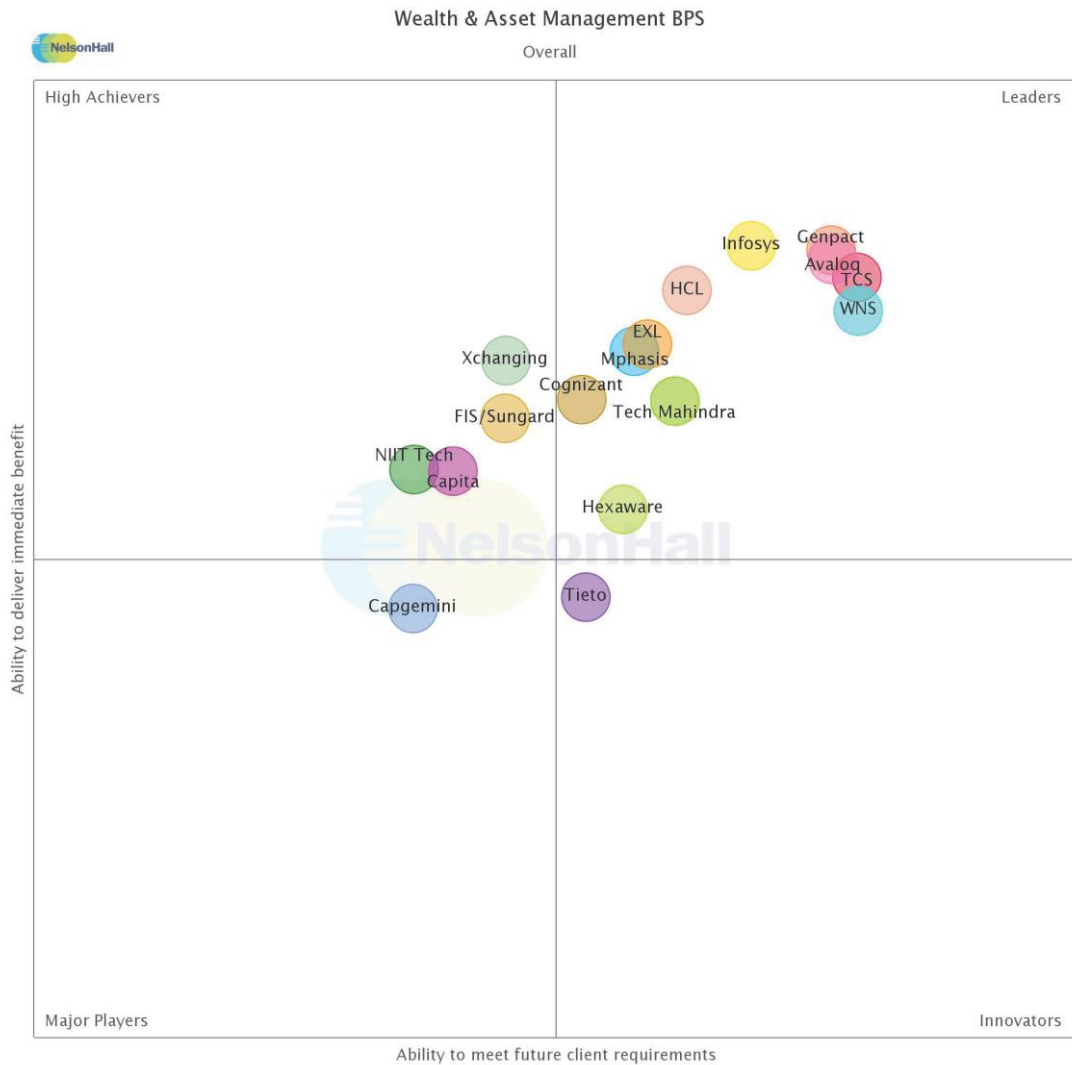
*The vendors researched are: Avaloq, Capgemini, Capita, Cognizant Technology Solutions, EXL, Fidelity Information Services, Genpact, HCL Technologies, Hexaware Technologies, Infosys, Mphasis, NIIT Technologies, Tata Consultancy Services, Tech Mahindra, Tieto, WNS Global Services, and Xchanging.*

## Introduction

---

NelsonHall has assessed and evaluated WNS' proposition against demand for Wealth and Asset Management BPS, and has identified WNS as a Leader in the Overall market segment, as shown in the NEAT graph on page 2. This represents an overall view of WNS' positioning, reflecting its ability to meet future client requirements as well as delivering immediate benefits to Wealth and Asset Management BPS clients.

## NEAT Evaluation: Wealth & Asset Management BPS (Overall Market Segment)



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

## Vendor Analysis Summary for WNS

---

### Overview

In 2006, WNS started a wealth and asset management BPS business with two capital markets clients:

- An investment bank with activities in 40 countries, providing fixed income analytics
- The asset management arm of an insurance company in North America, providing fixed income analytics.

In May 2007, WNS expanded its analytics capabilities with the acquisition of Marketics Technologies (India), a privately owned vendor of offshore analytics services.

WNS has 520 FTEs working in wealth and asset management BPS, and delivers its service from four delivery centers:

- Gurgaon: 85 FTEs, wealth management
- Pune: 320 FTEs, mixed wealth and asset management
- Bangalore: 70 FTEs, asset management
- Colombo, Sri Lanka: 30 FTEs, asset management.

WNS' wealth and asset management BPS also has 15 FTEs supporting client operations from onsite.

Client geographies supported include the U.S. and U.K.

WNS' primary targets for wealth and asset management BPS are:

- Wealth and asset managers headquartered in the U.S.
- Wealth and asset managers headquartered in the U.K.
- Wealth managers in headquartered in Australia (signed contract).

In future, WNS will continue to target mid-tier financial institutions based in the U.S., U.K. and Australia, with assets around \$30,000m.

WNS has six wealth and asset management BPS clients, including:

- U.K. based asset manager
- U.S. based asset manager
- U.S. based wealth manager
- U.S. based principal investment firm
- Leading asset management group in the U.K. and South Africa
- Leading asset management group in the U.S.

WNS has added three new clients in the past twelve to eighteen months.

## Financials

WNS' wealth and asset management BPS generated an estimated \$15.0m in 2015; a growth of 10.0% over the prior year.

## Strengths

- Long term experience with a few key wealth and asset management clients, across key wealth and asset processes in key mature markets
- Proprietary strength in key niche product lines (e.g., emerging market fixed income)
- High percentage of employees with high level domain relevant skills.
- Very strong training practice in the wealth and assessment management space
- Very strong knowledge of platforms such as Aladdin and HiPortfolio
- Dedicated risk and compliance reporting practice.

## Challenges

- Expanding its presence into new key markets (specifically Australia), which should help it to grow in APAC markets
- Needs to partner or expand BPS services in the U.S. to support mid-tier FIs in asset management which are looking for a broader set of BPS services. Expansion is required from the current investment research, reconciliation, and reference data BPS into broader portfolio accounting and trade support services
- Focusing on BPS to date, rather than IT services, may limit its scope of engagements, where clients are replacing or renovating wealth and asset management platforms.

## Strategic Direction

WNS' wealth and asset management BPS strategy is to:

- Target asset or fund management companies with AUM of ~\$30,000m in the U.S., U.K., and Australia
- Partner with Aladdin to create a platform based BPS offering and joint go-to-market initiative
- Attract skilled workforce (primarily FS industry domain knowledge) and maintain continuity of workforce capabilities with COEs and additional training. Increase certified workforce from 60% to 75% of wealth and asset management BPS employees
- Target niche markets such as RIAs who cater to large family offices and HNWIs
- Expand operations in twelve plus months to new markets, in APAC.

WNS has also shown resilience by adapting its wealth and asset management BPS focus over the years from investment analysis of instruments (fixed income and equities), to expanding into data management and compliance.

Today, WNS is adapting its delivery approach and onshore/offshore mix, for each market (especially increasing its onshore component in U.K. and Australia markets).

## Wealth & Asset Management BPS: Market Summary

---

### Buy-Side Dynamics

Drivers include:

- Compliance and shortened processing deadlines: BPS vendors bringing in project labor as needed, ongoing best practices, standardization to support compliance, and process automation and simplification to reduce TAT
- Affordable quality: ability to change platforms, improve accuracy, and deliver labor arbitrage (~30%-70% savings)
- Need to increase revenues to offset margin declines, by shifting from product to customer focus: customer value maximization (mature markets) and customer acquisition (emerging market)
- Capital constraints, changing compliance, and global operational/regulatory consolidation.

The primary client profile is:

- Current: tier 1 banks (wealth division) and mutual fund networks remain the primary adopters (~90%+)
- Current: support for single product line (e.g. fund administration, portfolio management, compliance) remains primary service bundle (~75%+ of revenues)
- Future: mature markets: small/startup wealth managers. Emerging markets: regional bank trust departments, wealth managers
- Future tier 1 banks: support expanded channel initiatives and conversion to customer-centric management

Clients are buying service bundles including:

- Manual review, remediation, and analysis of assets/liabilities and entities (customers, counterparties)
- Process optimization to improve efficiency, accuracy, and meet deadlines
- Emerging: processes: increasing data/transaction support, compliance support, and support for independent asset managers (direct and via industry service vendors). No areas are declining, as W&A BPS is underpenetrated
- Emerging: process bundles: will remain single process W&A BPS service bundles in tier one, and multi-tower in lower tiers
- Emerging: BPaaS: for all managers to share overhead costs (especially for compliance) and apply best practices.

Pricing is overwhelmingly on a per transaction basis (70%). Process accuracy and efficiency through automation and domain knowledge remains a key driver behind the decision to outsource. W&A BPS and service providers now support clients from a wide variety of low cost near and offshore delivery centers in order to achieve this. Automation and offshore delivery remain the prime drivers of cost.

There are other significant drivers for outsourcing buy decisions. The top drivers of Wealth & Asset Management BPS are:

- **Mature markets:** the shift from product-centric to customer-centric focus requires support in managing data in new ways. In cases where a client is providing services to third parties (e.g. brokers to RIAs), the client needs non-proprietary analytic support for partners, not for itself. Cost of compliance needs to be mitigated as it has grown by 10X in past five years
- **Emerging markets:** the need to understand conditions in new markets requires support from market familiars. High cost of entry and variation across markets drives the need for low cost third party support. Third party shared services amortize the costs of new market entry (and where possible provide local market knowledge).

## Market Size & Growth

W&A BPS is a mature business with high tier one adoption and low mid/small tier adoption. Current adoption is from global banks, with single tower BPS engagements. Vendors are delivering elemental processes focused on compliance and fund administration (asset/liability valuation/performance), from offshore centers.

NelsonHall estimates the size of the W&A BPS market to be ~\$3.5bn in 2015, and that it will grow at 8.7% per year in the period 2015 to 2020.

The W&A BPS market is led by its oldest market, North America, which accounts for ~40% (\$1,400m) of client spend and is growing at 10.0% over the forecast period. Europe is just as large, with ~40% (\$1,400m) of client spend and is growing at 9.0% over the forecast period. ROW is moving rapidly from an emerging to established market status in W&A BPS, with ~20% of client spend (\$700m). ROW will grow 5.0% per year over the same period.

The W&A BPS market is established in mature markets, especially the U.S., and U.K.

## Success Factors

**The critical success factors for W&A BPS vendors are:**

Domain knowledge:

- Ability to access qualified talent as required, and manage talent retention and development over time
- Knowledge of and ability to monitor W&A best practices of technology vendors, compliance, and data vendors
- Sales/marketing W&A: licenses to work directly with consumers, ability to complement client consumer contact representatives
- Asset/liability W&A: ability to manage transactions data and extract required insight accurately
- Operations: industry process knowledge and ability to re-engineer the widest range of sub-processes to produce global improvements in overall efficiency.

**Processing skill:**

- Ability to reduce error rates and meet deadlines (mostly using automation)
- Cost reductions: initially 20%+; overall cost reductions of ~30% - ~70% over five years on a variable volume basis
- Standardize and consolidate W&A process delivery across multiple markets and entities/instruments.

**Proprietary IT services:**

- Solutions including: comprehensive platform for BPaaS, RPA tools, self-service tools, multi-channel, and tools to pull data from legacy systems (asset/liability).

**Key success factors for clients include:****Strategy development:**

- Redefine business model and required operational support: W&A was a low growth business (in customers, moderate in asset value). As margins decline and new revenues are sought, W&A managers need to identify and pursue models with less operational leverage (fewer economies of scale from high fixed cost) and greater flexibility (scale volumes at constant margin). Third party support is required, where the vendor will maintain, develop functions/best practices, and share overhead for the platform
- Consolidate vendors: identify relevant vendors for a broad range of operations services, with ability to process across the entire value chain to aggressively mitigate bottlenecks.

**Execution:**

- Redefine external/internal operations split: ability to articulate required proprietary operations (high value, non-repetitive processes) and outsourceable operations (lower value/less differentiation), and still integrate the two sets of processes effectively
- Share overhead: internal operations by standardization and consolidation, external operations by BPaaS.

**Vendor selection:**

- Knowledge of client's operations environment and business issues
- Key vendor attributes: employees with industry knowledge and licenses. Also compliance expertise, centers of excellence, consulting and robotics capabilities (new).

**The key challenges faced in W&A BPS include:****External challenges:**

- New clients: clients have all been tier 1 BFS clients for single-process BPS. Need to expand beyond a tier 1 client base, which requires an ability to deliver multi-process BPS (i.e. BPaaS). Traditional clients have been willing to expand for one process to new products, markets, and customers. New clients will look for multiple processes delivered to few customers, markets, and products, and will require greater investment from vendors in an engagement (i.e. platforms, solutions, ITS, and consulting)
- New markets: W&A managers are reducing their focus on geographic markets and increasing their focus on product and customer segment markets. Each type of market has differing cost structures, competitors, and product features

- New investment products: W&A managers are shifting to mass affluent products such as retirement accounts, mass market alternative investments, and robo-advised. This requires high automation, multi-channel access, and high compliance capabilities
- New consumers: sales/marketing BPS is the fastest growing segment of W&A BPS. The model appears promising, but is not yet proven. W&A managers require support for partner access (e.g. RIAs), developing customer behavior profiles in new markets, marketing campaign support, and compliance support
- Regulations: the primary challenge to date. All FIs need to increase regulatory reporting and standardization of processing, under conditions of unclear regulatory implementation. At the same time, regulations are synchronizing across borders, which requires more adaptation by vendors, and in the long run may allow the reuse of IP across borders, unlike today. In 2015, the focus was on transaction reporting and customer data (AML/FATCA).

Internal challenges:

*Operational:*

- Talent acquisition and development: W&A qualifications are in short supply, and new methodologies and technologies are not widely taught. Creating and retaining qualified/licensed staff has been the top priority
- Process quality and reduced TAT: meeting reduced deadlines is the top challenge. RPA to increase STP and reduce error rates is a high priority. Working with product/data vendors is required, identifying and scrubbing best feeds, while handling higher, fluctuating, volumes
- Delivery consolidation, cloud hosting: W&A BPS clients need aggressive cost reduction under fluctuating volumes. Standardization and virtualization offer the promise of cost takeout with retained scalability. Vendors need to support this move, while adding new processes delivered from this type of platform.

*Automation of processes:*

- Robotic process automation: increased use of both AI and standardization is driving adoption of RPA. Successful implementation of RPA requires a redesign of processes, followed by AI to create robots. However, standardizing across multiple markets and products remains a challenge in addressing local regulations
- Monitoring ISVs, and related industries: W&A is experiencing a period of strong software development, process standardization (primarily compliance driven), and consumerization (i.e., self-service, and mobile/multi-channel access). Vendors of these products rise and fall quickly, requiring continuous monitoring
- Hosting/systems integration/consolidation: small/medium W&A managers have limited internal staff, requiring support for IT/BPS offerings. Vendors looking to expand to this market must be able to deliver as a BPaaS.



## Outlook

Vendors are developing new offerings for W&A BPS. Vendors are now focusing on technology to enhance labor and standardize transaction management, and are beginning to target medium/small wealth managers with a W&A BPaaS. Broad trends include:

- Greater coordination of ITS and BPS services, for clients to drive better data management
- Development of sales/marketing W&A BPS, with focus on omni-channel and social media
- Increasing focus on transaction processing engagements, to drive greater analytic insight and capability development over time.

NelsonHall tracked new offerings (last twenty four months) show: 70% of new offerings have embedded compliance capabilities, and 90% of new offerings have embedded automation.

## NEAT Evaluations for Wealth & Asset Management BPS

---

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' for the Payroll BPO NEAT 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.

*Exhibit 1:*

**‘Ability to deliver immediate benefit’: Assessment criteria**

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> <li>Range of W&amp;A processes: pre-trade</li> <li>Range of W&amp;A processes: post-trade</li> <li>Range of W&amp;A processes: admin and support</li> <li>Pre-trade capability</li> <li>Post-trade capability</li> <li>Admin and support capability</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>Overall delivery capability</li> <li>Ability to re-engineer manual processes</li> <li>Staff hiring/training/certification capability</li> </ul>
Scale of Delivery	<ul style="list-style-type: none"> <li>Scale of delivery: U.S.</li> <li>Scale of delivery: EU</li> <li>Scale of delivery: RoW</li> </ul>
Application of Platforms	<ul style="list-style-type: none"> <li>Overall</li> <li>Pre-investment</li> <li>Post-investment</li> <li>Admin and support</li> </ul>
Benefits Achieved	<ul style="list-style-type: none"> <li>Cost savings</li> <li>TAT deadlines met</li> <li>Operational flexibility</li> <li>Pricing</li> <li>ITS/platform transformation</li> </ul>

*Exhibit 2:*

**‘Ability to meet client future requirements’: Assessment criteria**

Assessment Category	Assessment Criteria
Risk Factors	<ul style="list-style-type: none"> <li>Perception of value</li> <li>Financial rating</li> <li>Commitment to pre-investment</li> <li>Commitment to post-investment</li> <li>Commitment to admin and support</li> </ul>
Suitability to Deliver Future Benefits	<ul style="list-style-type: none"> <li>Process change agent</li> <li>New geographies</li> <li>Suitability for pre-investment</li> <li>Suitability for post-investment</li> <li>Suitability for admin and support</li> </ul>

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



[research.nelson-hall.com](http://research.nelson-hall.com)

**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:

Guy Saunders at [guy.saunders@nelson-hall.com](mailto:guy.saunders@nelson-hall.com)

**Important Notice**

Copyright © 2016 by NelsonHall. All rights reserved. This document has been licensed for distribution subject to the Terms & Conditions of the NelsonHall NEAT Agreement. NelsonHall exercises its best efforts in preparation of the information provided in this report and believes the information contained herein to be accurate. However, NelsonHall shall have no liability for any loss or expense that may result from incompleteness or inaccuracy of the information provided.