

## IDC MarketScape

# IDC MarketScape: Worldwide Payment System Implementation Services 2018 Vendor Assessment

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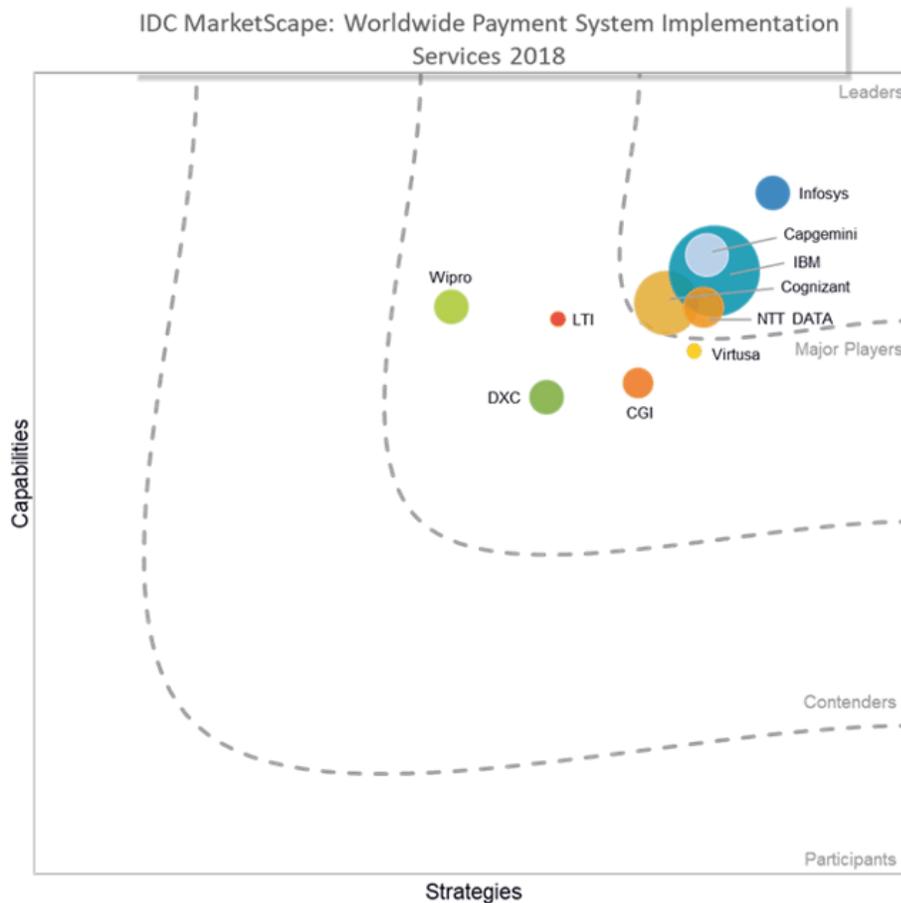
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### IDC MARKETSCAPE FIGURE

FIGURE 1

## IDC MarketScape Worldwide Payment System Implementation Services Vendor Assessment



Source: IDC, 2018

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

## IDC OPINION

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This IDC Financial Insights study presents a 2018 vendor assessment of technology providers that support payment system implementation services worldwide using the IDC MarketScape model. This research is a quantitative and qualitative assessment of the characteristics that explain a vendor's success in the marketplace and help anticipate the vendor's ascendancy. As financial institutions (FIs) embark on the transformation of their internal payment systems – replacing legacy platforms and connecting to new channels, networks, and services – IDC covers the vendors that provide the necessary information technology (IT) implementation services. This IDC MarketScape covers the vendors that provide IT implementation services for financial services, specific to payments. This evaluation is based on a standardized and comprehensive framework and a set of parameters developed to be most conducive to success in providing implementation services for payment systems for financial services firms both today and in the long term. A component of this evaluation is the inclusion of buyers' perception of both the key characteristics and the capabilities of these specific providers. The technology partners provided an in-depth assessment of their current capabilities and strategies, and their reference clients were provided to gauge the vendor's ability to meet their strategic needs and current capabilities. Key findings include:

- Across the 13 strategy measures assessed, the most important criteria across implementation strategies for payment as rated by buyers were "growth strategy," "cost management strategy," and "delivery method." Those criteria rated lowest on average were "other offering strategy," "pricing model," and "innovation/R&D pace and productivity."
- Among the 11 capability measures assessed, those rated most important by buyers were "functionality/offering delivered," "delivery model appropriateness and execution," and "customer service." Those criteria rated lowest on average were "cost competitiveness," "sales/distribution – structure and capabilities," and "financial/funding management."
- As an institution's specific objectives and requirements play a critical role in determining which firms should be considered as potential candidates for engagement, this evaluation should be considered as a guide to selection and not as an endorsement of a specific vendor for any specific engagements.

## IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

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This research includes analysis of 10 of the largest systems integrators (SIs) offering payment system implementation services on a global scale. The criterion for determining if a provider is global is at least 10% of the company's revenue must come from at least a second global region. This assessment is designed to evaluate the characteristics of these firms, as opposed to their size or the breadth of services.

This study is one of the four practice areas within financial services where IDC is evaluating payment system implementation services. Other areas being researched are datacenter modernization services, risk and compliance services, and omni-channel engagement. An additional document will evaluate vendors across all four financial services disciplines.

Vendors evaluated in this document provided content specific toward each practice when possible. Several vendors were incapable of differentiating among the four specific areas as they combine their services for financial institutions into one practice. These vendors provided us with repetitive content for each practice area. These services firms, however, can compete with multidisciplinary firms on

equal footing. As such, this evaluation should not be considered a "final judgement" on the first to consider for a project. An enterprise's specific objectives and requirements will play a significant role in determining which firms should be considered as potential candidates for engagement.

The following vendors are included in this study:

- Capgemini
- CGI
- Cognizant
- DXC
- IBM
- Infosys
- LTI
- NTT DATA
- Virtusa
- Wipro

## ADVICE FOR TECHNOLOGY BUYERS

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The past decade has seen rapid changes to the payment market. Financial institutions have had to contend with things like the entrance of new payment providers, new payment networks offering faster settlement, the rise of new payment technologies, and the continued squeezing of margins. This has left financial institutions looking for ways to lower their costs, improve efficiencies, and integrate new payment technologies into their product offerings. All these changes have come at a time when financial institutions are also dealing with aging back-end systems to support their siloed payment businesses and channels.

To meet their needs to respond to these dynamic changes, financial services institutions have increasingly turned to third-party services providers to develop their payment capabilities, install next-generation systems, and integrate legacy platforms.

Based on the findings from this IDC MarketScape, IDC Financial Insights offers the following guidance for financial institutions selecting a services partner as they address these next-generation payment initiatives:

- **Use this IDC MarketScape to assist with vendor selection.** Financial firms can use this IDC MarketScape to evaluate vendors offering payment-related systems integration services as well as those vendors' proposals, presentations, and demonstrations. Because this analysis shows that the breadth and depth of services offered are strong for most providers – and differences are sometimes slight – institutions should make sure they understand where these players are truly differentiated and determine whether these areas are important to their selection.
- **Favor the SI partners that understand the market and the peculiar economics of payments within the financial services industry.** SI organizations with strong references and continued growth tend to reflect a commitment to focus on the financial institution's business outcomes and the needs of payment lines of business within those FIs. Payment transformation (i.e., the updating of payment systems to be more open and flexible) is a long-term process. It will

require a relationship that spans budgeting cycles and personnel changes on both sides of the relationship. Vendors that can offer guidance and commitment and progress as the process matures are the preferred partners.

- **Look for product-agnostic vendors.** Many vendors in this document offer their own next-generation payment services hubs – the open, flexible platforms that allow for easier connections to channels and networks. Those systems integrators that are focused on the FI's outcome versus pushing FI's own products should be viewed more favorably.
- **Consider expertise across financial services.** Money movement is crucial to every line of business and channel within financial institutions. In fact, one goal of payment transformation, and the implementation of next-generation payment platforms, is to break down silos between payment products and lines of business, using the platforms to handle multiple payment types. Experience with treasury, wholesale, and corporate banking should be important qualifications. FIs should consider partners that understand how payments work within those business units.

## VENDOR SUMMARY PROFILES

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This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

### Capgemini

Capgemini is positioned as a Leader in the IDC MarketScape for payment system implementation services worldwide.

Capgemini is a global consultancy with more than 140,000 employees and has a physical presence in more than 40 countries, providing end-to-end professional services for clients, from strategy and transformation through its management consulting arm and IT consulting focusing on systems integration to business process outsourcing (BPO) and managed services supporting IT infrastructure.

Capgemini is committed to growth and is expanding its global footprint, particularly in Latin America and Asia/Pacific. Capgemini has strong focus on its portfolio strategy and, specific to payments, a strong domain expertise. Capgemini's annual published report on the payment industry demonstrates an emphasis on payments and an understanding of the market.

### Strengths

- Capgemini has a strong thought leadership position across multiple financial services and is particularly well regarding in the payment space, especially in retail payments.
- Capgemini's wide scope of implementation and integration capabilities in several financial services areas complement the vendor's card management and payment processing expertise.
- Capgemini has deep connections with many of the leading financial institutions worldwide and has a long (30+ years) history of supporting financial services firms.
- The company has a list of payment services hub vendors as partners, including providers such as Finastra (with the product it acquired through D+H), FIS (with its Clear2Pay product) and Fiserv (with its Dovetail product).

## Challenges

- Capgemini did not provide some requested information on its ongoing development efforts and references, so IDC was unable to confirm the assessment of Capgemini in this area.
- Cost competitiveness and customer service were identified as the areas of needed improvement for Capgemini.

## CGI

CGI is positioned as a Major Player in the IDC MarketScape for payment system implementation services globally.

CGI has experience in a wide range of payment lines of business at countrywide scale, from high value to real time to batch. The company is one of the largest IT and business process services providers in the world with a global presence. That presence allows CGI the ability to support clients through a client proximity and best-fit global delivery model. The company's approach is aimed at managing digital transformation (DX) efforts, containing disruption and risk, and dealing with transforming business models and processes.

CGI has a common Management Foundation that is used across all business units and geographies. This provides a common framework adopted worldwide to ensure consistency of delivery, approach, and client management. In addition, CGI's Digital Strategy and Roadmap method is used to help clients determine choices and trade-offs they need to make as they pursue transformation efforts, stressing cultural change and customer-driven innovation and improvement as a part of transformation.

## Strengths

- CGI has a long history in supporting multiple countrywide payment systems (especially Canada's interbank network).
- CGI's global presence combined with the company's local proximity model puts industry knowledge close to clients. Further, Industry Growth Councils (IGCs) – groups representing industry and horizontal teams around the world – augment that knowledge, meeting monthly to share best practices, ideas, and information.
- CGI's client focus is demonstrated by a formal program called the Client Satisfaction Assessment Program (CSAP) to measure clients' satisfaction of services and expertise. CGI also has a "Voice of Our Client Program" consisting of regular one-hour, in-person meetings with clients to discuss a list of questions to refine strategy, identify investment areas, and enhance CGI's capabilities.

## Challenges

- Despite history in financial services and global experience with countrywide payment systems, CGI is not recognized for payments transformation outside the United States, the United Kingdom, and Canada.
- Information on certain areas – specifically pricing model trends, R&D, and go-to-market strategies – was not made available, so IDC could not evaluate these aspects of CGI.
- CGI did not offer the full number of requested references, so IDC's evaluation of the success of client-facing efforts was limited.

## Cognizant

Cognizant is positioned as a Leader in the IDC MarketScape for payment system implementation services globally.

Cognizant is a global professional services company helping clients transform business, operating, and technology models. With more than 100 development and delivery centers worldwide, and more than 220,000 employees, United States-based Cognizant is a member of the Nasdaq 100, the S&P 500, the Forbes Global 2000, and the Fortune 500. Cognizant leverages its systems integration capabilities to help firms drive digital transformation at scale and create solutions for next-generation IT.

Cognizant claims a strong domain expertise in payments, including card and payment practices offering services across multiple lines of business and products to global banks. Cognizant's domain expertise includes payment initiation, payment processing, reconciliation and investigation, statements, and reporting and compliance. Other offerings cover integrated mobile wallets, digital give cards, point-of-sale ecosystems, host card emulation (HCE), and blockchain. In addition, Cognizant's innovation lab, Digital Works Lab, showcases best-in-class payment solutions and experiments with latest technologies, platform, and devices.

### Strengths

- Cognizant has a number of strategic partnerships with payment product vendors across multiple innovative technologies and products such as IoT, blockchain, and host card emulation. Cognizant complements those partnerships and their technologies. Partnerships include established vendors as well as fintech companies such as ACI Worldwide, Fiserv (Dovetail), First Data (VisionPLUS), Finastra, Rambus, SimplyTapp, Ondot Systems, and Ripple Labs.
- Cognizant can support large-scale transformation initiatives for various programs by combining expertise across a wide variety of competency centers such as product support integration specialists, business consultants from its cards and payments practice, business process management, and user interface/user experience (UI/UX) experts.
- Cognizant offers continuing training, professional development, and education opportunities for employees in payment technologies and solutions.

### Challenges

- Cognizant was unable to disclose information about R&D and reinvestment in the banking SI service.
- Cognizant was unable to disclose information about pricing model trends; therefore, IDC was unable to confirm the assessment of the flexibility of Cognizant's delivery models.

## DXC

DXC is positioned as a Major Player in the IDC MarketScape for payment system implementation services globally.

The merger of CSC and HPE occurred after this research was completed, so IDC has assessed CSC prior to the merger. As of April 2017, the combined company is known as DXC Technology. DXC is a Fortune 500 company, with more than 66,000 employees, providing technology consulting to support the business and mission needs of clients. DXC has locations in more than 70 countries and provides technology services and solutions that leverage industry expertise, global scale, technology independence, and an extensive partner community. DXC's consulting, systems integration, and

outsourcing services are organized in two main business units: Global Business Services (GBS), which includes consulting, industry software and solutions, and applications, and Global Infrastructure Services (GIS).

Financial services is DXC's largest commercial sector, and DXC's banking and capital markets segment has numerous offerings to provide risk and compliance services. DXC solutions leverage multiple partner tools integrated with DXC solutions across engagements. DXC believes its technology-agnostic approach is a major competitive advantage. DXC provides a full breadth of engagements leveraging its "shape, transform, and manage" framework and coinvests with partners. The majority of the firm's contracts are multiyear engagements of three to five years.

In terms of payments, DXC has experience through CSC's legacy CAMS II card and payment management software offering support for card and electronic payments including debit, credit, private label, and stored value cards. In addition, CSC's Payment Transaction Software (PTS), a standard but customizable software suite with a web front end, enables banks to adapt for clearing and settlement requirements without a major investment and delivers efficient, cost-effective straight-through processing of global electronic payment transactions.

### **Strengths**

- CSC brings extensive experience in cards and payment to the combined DXC organization through CAMS II and PTS implementations, partnerships, and customers.
- DXC has deep subject matter expertise augmented with third-party resources as needed.
- Multiple acquisitions have expanded DSC's solutions, expertise, and geographic reach.

### **Challenges**

- References for CSC were not made available, making it difficult to evaluate the company's capabilities, an issue compounded by the company's merger with HPE.
- DXC did not articulate its strategy and capability in its delivery model well – how the company allocates resources across industries and projects, how those resources are allocated globally, and what tools the firm uses for engagements – or its strategy for the next three years.
- There was a lack of clarity on how DXC helps financial services clients build an ROI case for its delivery model.

## **IBM**

IBM is positioned as a Leader in the IDC MarketScape for payment system implementation services globally.

IBM is one of the largest multidisciplinary consulting firms with more than 125,000 employees in the consulting services business globally, serving 18+ industries in more than 450 locations in 170 countries. IBM provides consulting services across a wide range of topics, functions, and industries through IBM Global Business Services. IBM not only is positioned in the industry knowledge of the SI elements but provides expertise with an analytics practice as well as its cognitive/Watson offerings. In addition to IBM's research and software labs, IBM offers marketing and user experience labs as well as a global center of competence.

IBM has had a significant presence in payment transformation efforts with its own product (Financial Transaction Manager) as well as implementations with partners offering next-generation platforms as a

systems integrator. Many of these projects leveraged IBM's analytics capabilities and Watson solutions. Further, IBM has taken a leadership role in blockchain through its Hyperledger efforts.

### **Strengths**

- Buyers rate IBM high for banking expertise, the ability to manage multiyear and cross-organization SI projects, customer service, and assisting with ROI analysis.
- IBM demonstrates significant reinvestment in DX and SI capabilities and talent. IBM has existing fully developed competencies in 3rd Platform and innovation accelerator technologies, leveraging its industry labs and centers of competency, accordingly.
- IBM's size, global reach, broad technology expertise, and long list of well-known bank clients make IBM a formidable player in the banking SI space.

### **Challenges**

- In IDC Financial Insights' opinion, IBM has not well articulated its growth strategy for the next several years specific to SI in banking.
- IBM has a reputation for being better suited for large engagements at large financial institutions; therefore, IDC believes IBM could improve its messaging as a viable provider for the midmarket.

### **Infosys**

Infosys is positioned as a Leader in the IDC MarketScape for payment system implementation services globally.

Infosys is a global provider in technology services and consulting, focused on enabling clients in more than 50 countries to create and execute strategies for digital transformation. Infosys, with the total number of employees reaching 200,000 worldwide, provides services ranging from engineering, application development, and knowledge management to business process management.

Infosys drives client centricity by acting as a strategic partner for its clients while understanding their contextual and business priorities to enhance operational quality through the company's process transformation and consulting teams. To provide deeper, more collaborative engagements with clients, Infosys leverages design-thinking workshops to develop a joint vision that enables the governance and sponsorship required to drive action.

Infosys has a dedicated payments practice with decades of industry experience and proven ability to provide new-age transformation solutions to help customers digitize their payments offerings. In addition, Infosys has an end-to-end suite of service offerings in Enterprise Payments Modernization, Payments SI, Payments Digitization, and Payments Consulting. The company also has a dedicated financial services domain consulting group for the payments area, with people from both the business and technology areas delivering solutions to meet client requirements.

### **Strengths**

- Infosys has a long history in payments and financial services across multiple lines of business and products claiming it touches 52% of all global digital payment volume.
- Infosys has a large workforce (more than 6,000 employees) in the card and payments domain with extensive experience with partner solutions from Finastra, Fiserv (Dovetail), Wirecard, ACI Worldwide (BASE24), First Data (VisionPLUS), and others.

- Infosys has experience working with stakeholders across the value chain including networks, from networks to issuers to processors to acquirers to regulatory agencies.

## Challenges

- Infosys does leverage shared resources across the organization, which may dilute financial services-specific talent and knowledge.
- In IDC Financial Insights' opinion, Infosys could improve the articulation of its two- to three-year SI plans for its banking SI practice to avoid being perceived as mostly handling functional tasks but not a provider of innovation.
- Infosys' management changes have caused some doubts about road map and direction as well as some issues regarding the company's brand and services.

## LTI

LTI is positioned as a Major Player in the IDC MarketScope for payment system implementation services globally.

Larsen & Toubro Infotech (LTI, founded 20 years ago as a subsidiary of the Larsen & Toubro Group) is a global IT consulting and solutions provider with presence in 27 countries. With a team of over 20,000 worldwide, LTI helps institutions with complex business challenges at the convergence of digital and physical. LTI enables clients to build innovative business models, enhance operational efficiencies, and create captivating customer experiences. LTI offers a wide range of IT solutions and services in the banking and financial services industries. The firm works with global and investment banks across multiple business areas. Banking and financial services clients include leading global financial institutions based in the United States and Europe, European cards and payments services providers, leading South African banks, and several banks in the Middle East-Asia region.

Specific to payments, LTI offers services across digital payment channels, payment processing engines, large-scale payment gateway transformations, product implementations (e.g., VisionPLUS, GlobalPAY Plus), card issuing and acquiring solutions, disputes and card management, clearing and settlement, and compliance. In addition, LTI has pursued investments in fintech, cybersecurity, regulatory compliance, and innovation.

## Strengths

- LTI has strength in data consolidation and risk reporting for a variety of regulatory and compliance program requirements (e.g., BCBS, SEPA, CCAR, GDPR). LTI also has expertise in risk policy and frameworks, risk data management, credit, and systematic risk management.
- LTI's presence in global payment processing is across multiple lines of business including high-value payments, immediate payments, fund transfers, remittance, and liquidity channels and platforms.
- LTI has extensive experience implementing payment gateway transformations for financial services customers worldwide.
- LTI actively monitors feedback from customers during engagements. Feedback is recorded in the project management plan and is also tracked in LTI's Customer Satisfaction Index.
- LTI uses its ROI framework as well as other tools and techniques to assist clients in generating business cases and cost-benefit analysis while providing innovative pricing model approaches to benefit its clients.

## Challenges

- L&T Infotech is horizontally organized, which is common for the size of the firm, but it could translate to a lack of banking/financial services-specific focus.
- In IDC Financial Insights' opinion, L&T Infotech has not well articulated its strategic path for the next three years, especially its capabilities and plans for innovative technologies such as IoT, AI, and blockchain.

## NTT DATA

NTT DATA is positioned as a Leader in the IDC MarketScape for payment system implementation services globally.

NTT DATA is a publicly traded Japanese SI company and a subsidiary of the Nippon Telegraph and Telephone Corporation (NTT) and is one of the largest SI companies globally. NTT DATA has made several acquisitions to increase its geographic presence, particularly in North American financial services with Carlisle & Gallagher Consulting Group.

NTT DATA's portfolio of payment services includes cards, payment hubs and platforms, connection to bank and customer products (Apple Pay), wholesale and institutional-level payment structures, and implementation of all core industry platforms. It is especially important to the Japanese market where, for example, NTT DATA's card payment network (CAFIS) is the largest network of its kind in Japan, processing more than 490 million transactions. The company also recently acquired Carlisle & Gallagher Consulting Group to strengthen its payment capabilities.

NTT DATA has assisted many of the prominent card issuers in migrating to new card and payments platforms, including TSYS and FIS, leading some of the largest card migration efforts in North America. Key to these efforts are attention to people, process, data, infrastructure/exchange, and program/project management components as well as platform installation.

## Strengths

- In IDC Financial Insights' opinion, NTT DATA has an impressive approach to soliciting and incorporating customer feedback, which is tightly integrated with the firm's client retention strategy and approach to improve SI delivery consistency in financial services.
- NTT DATA has developed process flows and data models for multiple segments, including consumer, wholesale, wealth management, and capital markets in risk and compliance.
- NTT DATA's experience in the Japanese market – and the firm's push into other Asian markets – gives it a strong foundation. The acquisition of Carlisle & Gallagher Consulting Group and Dell Services is important to NTT DATA's growth in North America.
- NTT DATA staff have an average of 15 years of experience in the governance, risk, and compliance (GRC) industry, and many of them come from the risk and compliance departments of leading financial institutions.

## Challenges

- IDC Financial Insights believes that NTT DATA would benefit from an extended partnership/channel partner network that would open more opportunities in risk and compliance services.
- The NTT DATA brand is not well known outside of Japan; however, the company has been investing in marketing and messaging to improve awareness.

- NTT DATA is lagging behind its peers in fully developed DX capabilities in cloud offering and some innovation accelerator technologies such as mobile and next-gen security, although investment is in progress.

## Virtusa

Virtusa is positioned as a Major Player in the IDC MarketScape for payment system implementation services globally.

Virtusa acquired a majority interest in Polaris Consulting & Services in early 2016. This created VirtusaPolaris, combining the strength of software engineering and domain expertise and solving critical core business issues for clients into one organization. Virtusa uses a combination of business consulting, innovative technology capabilities, and domain and industry knowledge to accelerate business outcomes for its clients. Banking and financial services are Virtusa's largest and fastest-growing vertical focus.

Virtusa has dozens of ongoing engagements with leading financial institutions worldwide and a school of financial technology that helps develop the skills of the firm's employees and consultants including specialized training in payments. Within payments, the company has four focus areas to address current payment trends – frictionless payments, mobility and IoT, digitization and big data, and new payment rails – and a dedicated payment practice.

### Strengths

- Virtusa has an innovation lab that leverages advanced technologies such as AI, analytics, big data, machine learning, and blockchain – also investments in infrastructure aligned to the needs of its millennial workforce.
- Virtusa closely monitors customer satisfaction through surveys that measure client satisfaction on a scale of 1-10, and data is tabulated in quarterly client delight index surveys.
- Training and certification for payments by Virtusa and its approach to development across payment technologies are exemplary.

### Challenges

- Virtusa offers resources across practices, and its dedicated resources for payments are smaller than many of its competitors; this could result in diluted industry expertise.
- Virtusa did not effectively articulate its growth strategy for its risk and compliance offerings through the analysis of its road map.
- Virtusa is not well known for its payment transformation and innovation efforts.

## Wipro

Wipro is positioned as a Major Player in the IDC MarketScape for payment system implementation services globally.

Wipro is a global IT, consulting, and outsourcing company with more than 170,000 employees worldwide. Wipro is moving from the traditional waterfall model of development to the agile methodology. The company provides a dedicated agile center of excellence that ensures quality to its delivery systems across customer engagements. Wipro is investing in forward-looking technology-driven innovation. Its tech innovation labs worldwide are focused on next-generation automation, cognitive intelligence, IoT, and robotics. Wipro has capabilities in application development and testing

and integration. Systems integration is a major portion of Wipro's services portfolio, from consulting, ideation, and incubation to pilots and implementation.

In terms of payments, Wipro has relationships with multiple global financial institutions including 6 of the top 10 U.S. banks and 8 of the top 10 European Union banks in terms of asset size. Wipro's payment practice also has strong relationships with multiple technology vendors to enable payment transformation projects. It has worked on many payment hub and transformation projects globally and provides strategic consulting necessary to establish a vision and a road map, followed by a vendor selection process and implementation plan for each engagement.

### **Strengths**

- Wipro has more than 2,000 employees working on payment transformation and payment services hub projects worldwide.
- Wipro's Payments Academy has been set up to bring in new resources through Payments 101 and relevant product training to maintain a strong pipeline of capability and to ensure that demand for people is largely met in-house as opposed to external hiring.
- Wipro has made multiple acquisitions to add industry-specific skills to its offerings and has been more acquisitive than many of its peers surveyed.
- Wipro provides a clear vision on its longer-term strategies for delivering innovation accelerator and 3rd Platform technologies to clients.

### **Challenges**

- IDC Financial Insights believes pricing models offered to clients could be more flexible and transparent with a focus on value-based outcomes.

## **APPENDIX**

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### **Reading an IDC MarketScape Graph**

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

### **IDC MarketScape Methodology**

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard

characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

## Market Definition

"Payment transformation" is the application of digital transformation principles to money movement services and businesses within financial institutions. Given the importance of money movement, meaning payments, to multiple lines of business, and the many changes affecting those lines of business, payment transformation is an important part of financial institutions' efforts to remain competitive, reduce costs, and bring new products to market quickly and profitably. The primary goals of this process include:

- **Tear down silos between lines of business and reuse common processes to lower the costs to financial institutions to handle payments.** Legacy platforms developed to manage individual payment products such as credit, debit, corporate, or bill payment are very similar in the way they handle money movement, resulting in banks, especially those that have grown through mergers and acquisitions, to find themselves running multiple, redundant payment platforms. Payment transformation is intended to replace many of those redundant systems with a single platform that can manage approvals, routing, exceptions and more.
- **Make integrating new channels and lines of business more efficient.** Bank customers are looking to use individual channels (digital, in-branch, mobile, etc.) in a more integrated fashion when it comes to payments. Next-generation payment hubs are intended to make connecting channels and adding new channels easier. This is especially important as financial institutions deal with the rising importance of mobile, voice, and IoT as channels.
- **Make integrating new networks more efficient.** Banks are not only faced with challenge on the "front end" of payments, meaning the customer channel, but also deal with new networks offering lower cost, faster settlement, and more (and looking at new technologies like blockchain). Next-generation payment hubs lower the cost and complexity of connecting to those networks.

This IDC MarketScape looks at systems integrators that support financial institutions efforts to meet these goals.

## Strategies and Capabilities Criteria

A firm's contribution (elements) to client success and the relevance of the engagement issue combined with IDC Financial Insights' opinion about the impact those elements have on the selection of firms provide a unique weighting of these elements for use in evaluating a firm's overall strategy and capability. Overall, a firm's strategy and capability are measured by which firms address market opportunity and realize market success (see Tables 1 and 2).

**TABLE 1****Key Strategy Measures for Success: Worldwide Payment System Implementation Services**

Strategies Criteria	Subcriteria Definitions	Criteria Weight (%)
Functionality or offering road map	Excellence is measured by investment in digital transformation, 3rd Platform technologies, and innovation accelerators, specific to the banking systems integration practice.	9.00
Delivery model	Excellence is measured by the strength of the banking SI workforce and by plans to utilize more efficient tools and methodologies.	10.00
Cost management strategy	Excellence is measured by cost management tools and methodologies built and leveraged to proactively manage and justify SI client expenditures.	10.00
Portfolio strategy	Excellence is measured by road map plans to ensure continued development of offerings across the life cycle of DX services in banking.	6.00
Other offering strategy	Excellence is measured by articulation of short- and long-term strategies to improve banking SI capabilities and offerings.	5.00
Pricing model	Excellence is measured by the breadth of pricing models offered to align with the financial and budget needs of client institutions.	4.50
Sales/distribution strategy	Excellence is demonstrated by banking- and DX-specific sales strategies and plans to improve sales performance.	7.50
Marketing strategy	Excellence is demonstrated by marketing investment specific to banking.	9.00
Customer service strategy	Excellence is demonstrated by plans to improve client retention, increase delivery consistency, and facilitate customer feedback.	9.00
Growth strategy	Excellence is measured by strategic plans for both organic and inorganic growth that is aligned with both banking and DX trends in the next one to three years.	12.00
Innovation/R&D pace and productivity	Excellence is defined by strategic plans and investment to continue superiority in resources and offerings.	4.50
Financial/funding model	Excellence is measured by financial performance and new banking DX client acquisition for SI engagements for the past three years.	7.50
Employee strategy	Excellence is measured by SI resource experience in banking and DX and organizational structure with prominent banking focus.	6.00
Total		100.00

Source: IDC Financial Insights, 2018

**TABLE 2****Key Capability Measures for Success: Worldwide Payment System Implementation Services**

Capabilities Criteria	Subcriteria Definitions	Subcriteria Weight (%)
Functionality/offering delivered	Excellence is measured by the breadth and strength of banking DX SI offerings as well as an assessment of the SI provider's ability to leverage people, processes, and technology.	18.00
Delivery model appropriateness and execution	Excellence is measured by the company's ability to leverage automation (nonlabor based) in SI delivery.	9.00
Cost competitiveness	Excellence is demonstrated by reference assessment of the SI provider's ability to deliver an appropriate and sustainable return on investment.	8.00
Portfolio benefits delivered	Excellence is demonstrated by reference assessment of the SI firm's ability to provide a full spectrum of DX services specific to banking.	8.00
Pricing model options and alignment	Excellence is demonstrated by evolving pricing models to best fit the strategic and financial needs of banking clients.	8.00
Sales/distribution — structure and capabilities	Excellence is demonstrated by the effectiveness and strategic plans of sales team, directly and/or with partners.	8.00
Marketing	Excellence is measured by reference assessment of the SI firm's ability to communicate the value of the firm's services, resources, methodologies, and tools, with demonstrated banking knowledge.	8.00
Customer service	Excellence is measured by reference assessment of the SI firm's ability to resolve problems and issues and to incorporate client feedback to improve offerings in DX and banking SI.	10.00
Growth strategy execution	Excellence is measured by the SI firm's ability to develop referenceable clients that believe the SI will represent the institution's best interests.	8.00
Innovation/R&D pace and productivity	Excellence is demonstrated by reinvestment in people, processes, and technology to improve banking DX services.	8.00
Financial/funding management	Excellence is measured by reference assessment of the SI provider's project human resources and how well the SI provider manages staff turnover for the engagement duration.	7.00
<b>Total</b>		<b>100.00</b>

Source: IDC Financial Insights, 2018

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### Related Research

- *IDC MarketScape: Worldwide Banking Risk and Compliance IT Implementation Services 2017 Vendor Assessment* (IDC #US42714917, December 2017)
- *IDC PlanScape: Implementing a Strategic Payment Hub* (IDC #EMEA43211617, December 2017)
- *Lessons from India: Payments and Financial Inclusion* (IDC #US42715617, November 2017)
- *IDC FutureScape: Worldwide Payments 2018 Predictions* (IDC #US41798817, October 2017)
- *IDC FutureScape: Worldwide Financial Services 2018 Predictions* (IDC #US41796017, October 2017)
- *IDC's Worldwide Digital Transformation Use Case Taxonomy, 2017: Banking Update* (IDC #US43026317, September 2017)
- *PSD2 and Fintech: Delivering Innovation* (IDC #US42715517, July 2017)
- *IDC MarketScape: Worldwide Bank Datacenter Transformation System Implementation Services 2017 Vendor Assessment* (IDC #US41074316, June 2017)
- *IDC MarketScape: Worldwide Retail Banking Omni-Channel Engagement IT Implementation Services 2017 Vendor Assessment* (IDC #US40831016, March 2017)
- *Business Strategy: The Rise of "Alternative" Rails in the United States* (IDC #US41831916, December 2016)

### Synopsis

This IDC Financial Insights report uses the IDC MarketScape model to provide an assessment of service providers participating in the digital transformation of payment services within financial institutions. This IDC MarketScape is an evaluation based on a comprehensive framework and a set of parameters that assesses providers relative to one another and to those factors expected to be most conducive to success in this market over both the short term and the long term.

"Financial institutions are increasingly relying on systems integrators and technology services firms to assist them in their efforts to move to next-generation payment platforms," says James Wester, research director for Worldwide Payment Strategies at IDC Financial Insights. "IDC Financial Insights expects the process of transforming payment systems within financial institutions will be ongoing and require the coordinated effort of internal resources, technology vendors, and service providers. Selecting the right systems integrator as a partner will be an important component of a successful transformation journey."

## About IDC

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