

NEAT EVALUATION FOR ARVATO:

# Business Process Transformation through RPA & AI

Market Segment: Retail Capability

## Introduction

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This is a custom report for Arvato presenting the findings of the NelsonHall NEAT vendor evaluation for *Business Process Transformation through RPA & AI* in the *Retail Capability* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Arvato, and the latest market analysis summary for business process transformation through RPA & AI.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering RPA and AI business process 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 eight industry sectors: Banking, Energy & Utilities, Healthcare, Insurance, Manufacturing, Retail, Telecoms & Media, and Travel, Transportation & Logistics.

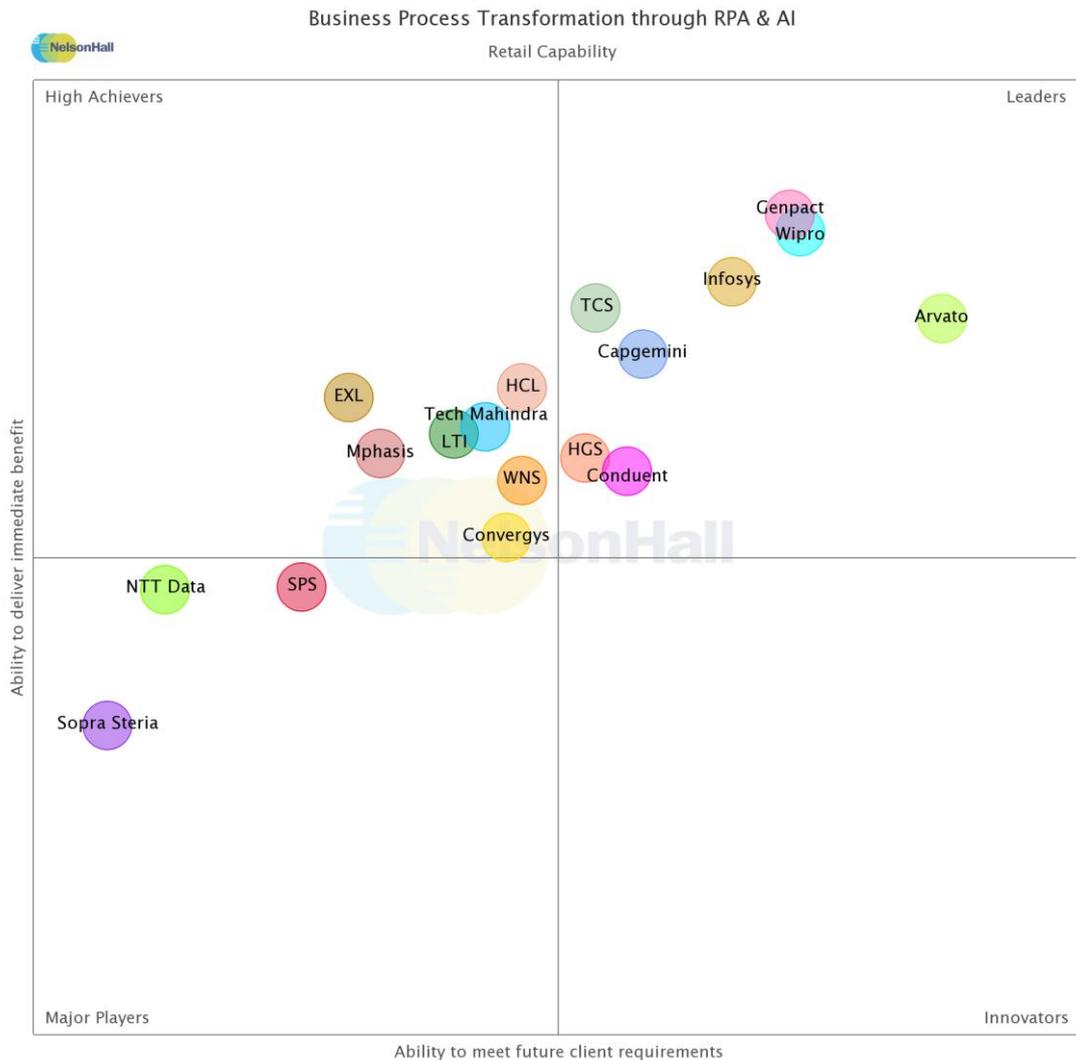
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: Arvato, Capgemini, Conduent, Convergys, EXL, Genpact, HCL, HGS, Infosys, LTI, Mphasis, NTT Data, Sopra Steria, Swiss Post Solutions, TCS, Tech Mahindra, Wipro, and WNS.

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



## NEAT Evaluation: Business Process Transformation through RPA & AI (Retail Capability)



Source: NelsonHall 2018

NelsonHall has identified Arvato as a Leader in the *Retail Capability* market segment, as shown in the NEAT graph. This market segment reflects Arvato’s ability to meet future client requirements as well as delivering immediate benefits to RPA and AI services clients in the retail sector.

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 Business Process Transformation through RPA & AI NEAT tool (Retail Capability) [here](#).*



## Vendor Analysis Summary for Arvato

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### Overview

NelsonHall estimates that Arvato has ~12 major RPA and AI-related clients spread across the high-tech, telecoms and media, retail, utilities, and public sectors. While Arvato is undertaking some automation only projects, it is principally positioning to offer "Hybrid BPO" which it positions as technology-driven BPO involving significant levels of organizational and process change and a wider transformational agenda.

Arvato has so far carried out ~70 RPA/AI initiatives, principally concentrated in customer experience services and F&A BPS.

### Financials

Arvato's RPA and AI-related revenues are estimated to be \$8.7m.

### Strengths

- Experience of deployment of RPA at scale within major BPS contracts
- Extensive experience in use of OpenSpan for agent augmentation services
- Experience in using RPA and cognitive technologies in support of collections
- Development of cognitive platform in support of collections
- Leadership position in deployment of RPA in revenues and benefits processes in U.K. local government.

### Challenges

- Relative lack of experience in deploying RPA in support of accounts payable, accounts receivables, and general accounting
- Lack of development of new business process models outside collections
- Lack of established partnerships with AI technology vendors.

### Strategic Direction

Arvato is targeting what it refers to as "Hybrid BPO", which it positions as technology-driven BPO involving significant levels of organizational and process change and a wider transformational agenda. While most of Arvato's current RPA and AI implementations are customer-specific, it has built some standard platforms, principally around collections, and "Hybrid BPO" will (in the medium-term) offer relatively pre-built new digital process models combining platforms together with RPA and AI technologies. Arvato is currently using RPA as an entry point into organizations, but is aiming to use this to discuss much wider organizational and process change and ideally to introduce its "Hybrid BPO" service.

At present, the bulk of the company's RPA & AI-related activity is in the U.K. and the Americas. However, Arvato is keen to take advantage of its German heritage and is recruiting local



personnel to carry out implementations in Continental Europe, with an initial focus on organizations in Germany and France.

The company is technology agnostic, will not develop its own RPA and AI platforms, and is looking to partner with additional vendors, particularly around AI. Arvato also partners with academic institutions such as the European Research Center for Information Systems (ERCIS).

## Outlook

Arvato has considerable opportunity to deploy RPA and AI technology within its large BPS accounts, where deployment is at a very early stage, particularly for the company's Continental European accounts.

While the company has made tremendous progress in applying combinations of RPA and AI technologies to collections, it will need to strengthen its capability in applying these technologies to mainstream finance and accounting, in areas such as accounts payable, accounts receivable, and record-to-report, if it is to use "Hybrid BPO" to win business from F&A BPS incumbents.

In customer experience services, Arvato is highly experienced in agent augmentation services and has made good use of machine learning technology in collections. In addition, it is increasingly enhancing its ability to deliver intelligent chatbot based services.



# Business Process Transformation through RPA & AI

## Market Summary

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### Overview

Business process transformation using RPA and AI typically undergoes an evolution within organizations:

- From the application of RPA to largely “as-is” processes
- To the application of RPA alongside increased levels of process streamlining and standardization
- To incorporation of NLP & ML alongside RPA to automate the ingestion of unstructured documents
- Followed, finally, by a massive leap to reimagine processes and introduce new digital process models.

Despite the hype around RPA and AI technologies leading to the death of BPO and offshore delivery, quite the contrary is the case. The introduction of RPA and subsequently new digital process models is leading to increased penetration of the retained and shared services operations within organizations, and approximately 80% of RPA & AI-related business process transformation services is delivered from offshore.

Currently:

- RPA is at the growth stage, with organizations having established individual use cases, with some areas such as finance and accounting relatively mature in their adoption of RPA, and looking to scale across the organization
- Considerable opportunity remains for assisting organizations in scaling and managing RPA roll-out
- Organizations are now facing the immediate challenge of handling classification of documents and processing unstructured data, and vendors have developed proprietary tools in support of “information extraction” and virtual assistants
- New digital process models addressing process reimagination and end to end straight-through processing in their infancy, with adoption most advanced in the travel sector, followed by healthcare and P&C insurance
- RPA is typically being used to meet productivity targets within BPS contracts, with pricing largely on time and materials for free-standing RPA implementations.

### Buy-Side Dynamics

The principal drivers for RPA & AI based business process transformation adoption are currently:

- Moving away from cost reduction in isolation, though cost reduction remains highly important and usually a by-product of any process transformation
- Placing a much higher emphasis on faster processing and process turnaround times, with the ultimate goal of “touchless processes” and straight-through processing



- Improving the customer/user experience at all touchpoints whether customer, employee, or supplier/partner
- FTE redeployment.

## Market Size & Growth

The services market related to RPA based business process transformation is forecast to grow from \$632m in 2017 to \$4,430m by 2022, a compound annual average growth rate of 48%.

The services market related to RPA & AI based business process transformation is forecast to grow from \$701m in 2017 to \$8,130m by 2022, a compound annual average growth rate of 63%.

High double-digit growth is forecast across all geographies.

The BFSI sector (excluding healthcare payer) currently accounts for 43% of the market, with healthcare accounting for an additional 11% of the market.

## Success Factors

Key success factors in developing new digital process models include:

- Use of design thinking to reimagine processes
- High emphasis on customer experience across all touchpoints (customer, employee, supplier, distributor) and UX design, driven by analytics and CJM
- Thinking STP and machine-first delivery
- Use of APIs to interface with legacy systems
- Building a toolset to encompass workflow, RPA, analytics, machine learning, NLP, and cognitive (including computer vision, video, and speech), deep learning, and interface with emerging digital technologies, e.g., blockchain and IoT
- Building proprietary “AI” use cases based on open-source “AI” tools and partner with start-ups for emerging technologies
- Additionally, partnering with emerging “AI platform” leaders such as IBM Watson and WorkFusion
- Combining toolset elements and SaaS platforms to form new digital process models targeting specific pain points and business processes
- Start with customer-specific PoCs and then industrialize into multi-client services
- Integrate automation across IT operations, ADM, and business processes.



## Outlook

Over the next four years:

- Standalone RPA implementation activity will decrease, with RPA still critical but becoming the execution mechanism embedded with new digital process models
- Principal opportunity lies in existing organizations in the reimagination of their business processes
- Technologies used will move beyond RPA and ML to additionally encompass BPM, SaaS platforms, analytics, DL and new digital technologies such as IoT and blockchain
- External “information sources” will increasingly be used to supplement cognitive decision-making
- Voice, image, and video processing will be key elements in handling unstructured data
- Principal benefit sought from new business process models is enhanced customer/user experience together with “minimal touch” straight through processing
- Design thinking for reimagination and UX consultancy will continue to increase in importance
- Standard third-party platforms will emerge in support of information extraction and virtual assistants
- Domain skills will become dominant in the market for new digital process models
- Pricing within new digital process models will increasingly be unit based, e.g., price per transaction or price per customer/employee.
- The ability to develop a concentration of new digital process models within a domain will determine the future market leaders in that domain, for business process transformation.



## NEAT Methodology for Business Process Transformation through RPA & AI

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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.



*Exhibit 1*

**'Ability to deliver immediate benefit': Assessment criteria**

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> <li>Application of RPA &amp; AI - breadth of application</li> <li>Application to F&amp;A</li> <li>Application to sourcing &amp; procurement</li> <li>Application to supply chain processes</li> <li>Application to Customer Experience (CX) processes</li> <li>Application to retail banking processes</li> <li>Application to capital markets processes</li> <li>Application to P&amp;C insurance processes</li> <li>Application to life insurance processes</li> <li>Application to healthcare processes</li> <li>Application to telecoms processes</li> <li>Application to media processes</li> <li>Application to manufacturing processes</li> <li>Application to retail processes</li> <li>Application to government processes</li> <li>Application to travel, transportation &amp; logistics processes</li> <li>Application to energy &amp; utility processes</li> <li>Application to construction processes</li> <li>Application to professional services processes</li> <li>Application of RPA &amp; AI to drive new business process models</li> <li>RPA &amp; AI consulting capability</li> <li>Ability to combine RPA &amp; AI with BPS services</li> <li>Ability to support stand-alone business process transformation</li> </ul>
Delivery	<ul style="list-style-type: none"> <li>Design thinking &amp; UX capability</li> <li>Scale of RPA &amp; AI delivery capability</li> <li>Use of proprietary bots</li> <li>Extent of major RPA partnerships</li> <li>Extent of RPA &amp; AI technology partnerships</li> <li>Use of proprietary cognitive tools/artifacts</li> </ul>
Client Presence	<ul style="list-style-type: none"> <li>Overall RPA &amp; AI presence</li> </ul>



*Exhibit 2*

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

Assessment Category	Assessment Criteria
Level of Investment	Investment in proprietary cognitive/AI tools Ability to introduce new digital business models
Sector Emphasis	F&A processes Sourcing & procurement processes Supply chain processes CX processes Retail banking processes Capital markets processes P&C insurance processes Life insurance processes Healthcare processes Telecoms processes Media processes Manufacturing processes Retail processes Government processes Travel, transportation & logistics processes Energy & utilities processes Construction processes Professional services processes

For more information on other NelsonHall 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:  
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