Strategies in Captive and Shared Services Use by Banking Sector

Market Analysis
Abstract

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Who Is This Report For?

NelsonHall's "Strategies in Captive and Shared Services Use by Banking Sector" report is a comprehensive market assessment report designed for:

- Sourcing managers investigating sourcing developments for shared services and captives within the retail banking, capital markets, and financial industry
- Vendor marketing, sales and business managers developing strategies to target service opportunities within the retail banking, capital markets, and financial industry
- Financial analysts and investors specializing in the retail banking, capital markets, and financial sectors.

Scope of the Report

The report analyzes the global market for captive and shared services and addresses the following questions:

- What is the current and future market for captive and shared services?
- What is the size and growth of the captive and shared services market by market segment?
- Within captive and shared services, which processes are emerging strongly?
- What are the market segments for captive and shared services and their characteristics? What are the drivers, benefits, and inhibitors for each segment? What are captive and shared services capabilities by segment?
- What technologies and platforms are being utilized and what are the implications by market segment?
- What user challenges and critical success factors by market segment?
- How FIs are using the concept in each captive and shared services market segment?
- Additional topics include contract lengths; pricing models; partnerships; acquisitions; delivery center locations and the use of offshoring; and characteristics by client size, geography, and industry.

Key Findings & Highlights

Shared service centers (SSCs) have fulfilled a changing role in the banking industry over time. Originally SSCs were regional in nature, and were customized centers of excellence for operations execution. In their next stage of development, SSCs were designed to deliver cost efficiencies by sharing overheads across multiple banking units (often acquired banks). The third stage of development for SSCs created cost efficiencies by locating the delivery centers in cost advantaged geographies (usually to benefit from labor arbitrage).

Management and governance at SSCs was (and primarily still is) a continuation of internal management practices, with managers responsible as corporate officers for delivering high quality services efficiently. SSCs have overwhelmingly not adopted the 'arms' length' management technique of benchmarking or industry standard operations techniques. SSCs remain cost centers with virtually no pricing incentive for innovative efficiency gains.

Since the great recession, banks have faced declining volumes and SSCs have faced flat volumes, as a greater proportion of a declining volume of services were moved to the SSCs. Today, limited capital at the parent level is limiting the intended level of growth in SSCs, including investment limitations on technology, delivery centers, and new processes. Some SSCs are anticipating growth in operating expenditures such as additional labor, where overall cost of delivery will be reduced.

SSCs are anticipating increased investment in:

- Automation technology
- Compliance activities
- Revenue generating activities.

Despite capital constraints, SSCs are moving slowly towards changes in:

- Business model
- Processing techniques and methods
- Working with third parties.

Contents

Report Length

74 pages, consisting of 4 chapters and 19 exhibits

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