

WORLD QUALITY REPORT

2011/12

FINANCIAL SERVICES

A growing number of Financial Services companies now call themselves technology companies – as their products and applications rely heavily on IT. The business criticality of IT differs by sub-sector – for example, most insurance providers are still driven by customer service and cost, while trading portals cannot exist without a complex and sophisticated technology infrastructure. As the industry recovers, companies aim to direct their IT investment toward innovation – driven by competition and customer demand. However, a portion of IT funds still has to be directed towards “non-discretionary” areas – such as security and compliance. Our survey of Financial Services IT professionals shows that over a third (35%) of companies in this sector allocate between 26% and 50% of their security budget to satisfying regulatory requirements, with a further 20% investing over half of their security budget into compliance-related projects (see Figure 27).

Large banks and insurance companies, especially in North America and Western Europe, have traditionally invested in building complex, customized systems. As a result, more companies in North America and Europe have established in-house QA organizations with mature quality methodologies and processes. Counterparts in Asia Pacific and other emerging markets are learning from the

Focus on Growth for Top-line and Bottom-line Benefit

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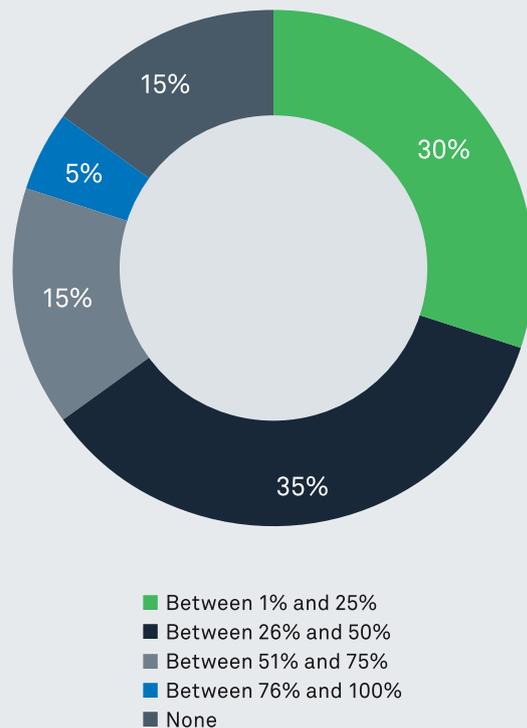
This is an extract from the World Quality Report 2011-2012 which presents findings from a global survey completed online by over 1,200 CEOs, CFOs, CIOs, IT directors and managers, and quality assurance (QA) directors and managers around the globe. The goal of this report is to examine the state of application quality and testing practices across different industries and geographies.

The full report can be accessed at www.capgemini.com/testing or www.sogeti.com/testing.

The Financial Services industry has gone through a major shake-up in recent years. While previous fiscal crises may have been more localized and restricted to specific verticals, the recent economic decline was clearly felt across all geographies and industries. The near-collapse of the capital markets impacted banks, insurance providers, lenders, and all other sectors in this tightly interconnected industry. With the markets beginning to stabilize, all parts of the Financial Services industry are focusing on growth. Banks and credit card providers are looking at increasing revenue by introducing more products and engaging customers through new channels – such as mobile, Internet, and social media. Insurance companies are enhancing their IT systems and launching new programs to increase customer trust and loyalty. Payment service providers are investing in technology to bring new products to market and improving reliability and performance. Finally, the capital markets around the world are focusing on growth through acquisitions and streamlining their existing offerings.

FIGURE 27

WHAT PERCENTAGE OF YOUR APPLICATION SECURITY BUDGET IS MOTIVATED BY REGULATORY COMPLIANCE REQUIREMENTS?



experience of these technology pioneers and, conversely, are relying primarily on highly standardized packaged applications, focusing more on program management, change control, and integrations.

Financial Services organizations in North America and Western Europe now find themselves dealing with an application landscape that is too complex to maintain, integrate with modern IT platforms, or change, but too costly to replace. Old technologies are also unable to provide the functionality required to support the new, modern ways of interacting with the consumer – such as mobile banking and payments. Consequently, even the most mature banks, insurers, and payment service providers are actively engaging in modernization initiatives, aiming to simplify, standardize, and consolidate their IT systems.

Reducing the complexity of the IT landscape also means streamlining quality management functions. While only 1% of survey respondents say that they have a fully operational TCOE, one in four respondents (27%) suggest that their companies are planning to develop an internal TCOE within two years, and an additional 20% have plans to use a third-party company to consolidate their QA function.

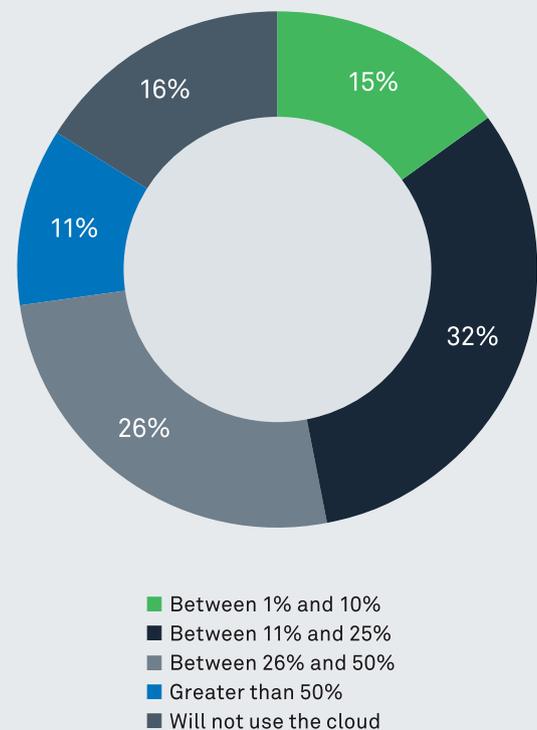
Outsourcing quality management is familiar territory for Financial Services companies, helping to reduce costs. Nearly three-quarters (73%) of respondents say that their companies use contractors or outsourced third-party testers. North American companies are the highest users of outsourced testing services and prefer to place their contracts with providers in China, India, and Eastern Europe. European organizations prefer co-location and nearshore vendors, thus taking less advantage of the cost-saving opportunity.

Financial institutions are also embracing new ways of deploying and consuming IT services. Cloud computing has evolved to be more than a buzzword in the world of financial services, with smaller organizations such as community banks and credit unions choosing SaaS and cloud-based applications over having to build and maintain their own data centers. Larger organizations with greater IT budgets prefer to invest in private cloud infrastructure citing security and data integrity concerns. Overall, only 16% of survey respondents say that they are not interested in migrating their applications to the cloud. Over half (58%) of Financial Services respondents state that they intend to move between 11% and 50% of their applications to the cloud environment, with a further 11% suggesting that more than half of all their IT systems will be in the cloud over the next year (see Figure 28).

Financial Services QA teams now consist of business analysts, technical architects, and testing specialists who are responsible for the strategy, planning, and execution of the QA function. Similar to other verticals, the goal of IT in Financial Services companies is to align closely with the business and deliver applications that meet business requirements and keep key processes running reliably and without interruption. Financial services companies regard application quality as essential to their operations and to the user experience. The commitment to quality is apparent in the survey results — with 41% of survey respondents saying that their QA budgets have increased over the last two years and an additional 35% stating that their budgets have stayed the same despite the recession. As financial markets continue to recover, we expect to see continued commitment to quality, modernization, and innovation.

FIGURE 28

WHAT PERCENTAGE OF TESTERS AT YOUR COMPANY ARE CONTRACTORS AND/OR OUTSOURCED TO A 3RD PARTY VENDOR?



Contacts

We value your comments and ideas. We welcome you to contact us in relation to any questions you might have concerning the 2011-2012 *World Quality Report*.

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Together, Capgemini and Sogeti have developed innovative, business-driven quality assurance (QA) and testing services, combining best-in-breed testing methodologies (TMap® and TPI®) and the global delivery model, Rightshore®, to help organizations achieve their testing and QA goals. Capgemini and Sogeti have created one of the largest dedicated testing practices in the world, with over 8,200 test professionals and a further 12,500 application specialists, notably through a common center of excellence with testing specialists developed in India.

More information is available at:
www.capgemini.com/testing
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HP, the world's largest technology company, simplifies the technology experience for consumers and businesses with a portfolio that spans printing, personal computing, software, services and IT infrastructure.

Our Business Technology Optimization (BTO) products, along with our new and complete approach to Application Lifecycle Management (ALM), help our customers to achieve better business outcomes.

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