



IDC PERSPECTIVE

2017 IDC Financial Insights FinTech Rankings: Hotspots and Indicators

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: A Seismic Shift in IT Vendor Revenue

The market for hardware, software, and services provisioned from third-party technology partners is exhibiting a shift in where financial services (FS) investments are being spent. This IDC Perspective highlights results from the 14th annual IDC FinTech Rankings survey of the top technology companies serving the financial services industry and seeks to explain the factors that may be reshaping the IT firms with which financial institutions do business going forward.

Key Takeaways

- Financial service revenue for the top 125 technology companies worldwide was \$177 billion in 2016, growing at a 3% compound annual growth rate from 2015.
- Revenue for Top 100 firms has been growing at 5.7% over the past five years, while FS revenue for the Enterprise 25 companies has been declining at 5%.
- Five years ago, FS revenue for the Enterprise 25 group was nearly double than that of the Top 100. When 2017 revenue is reported next year, IDC Financial Insights expects that FS revenue for the Top 100 will equal or better revenue from the Enterprise 25 group.

Recommended Actions

- For IT buyers, the IDC FinTech Rankings research should be used to generate short lists for technology solutions as an indicator of financial strength, focus, and commitment to the industry.
- Those IT firms that focus significantly on the financial services industry seem to be gaining investment share from the larger enterprise-scale providers, a factor that should be included in due diligence for all technology investments.
- For IT suppliers, the data from this program provides invaluable peer benchmarking to gain insight into some of the factors that lead to business success.

Source: IDC, 2017

SITUATION OVERVIEW

2017 marks the 14th year that IDC Financial Insights has conducted its FinTech Rankings research, a quantitative "state of the industry" measurement for financial services-based revenue earned by the top 125 technology firms globally. The financial services industry is made up of banking, insurance, and capital markets firms that buy hardware, software, and services from third-party IT providers. Two categories of IT companies are ranked:

- **FinTech Rankings Top 100:** These are IT vendors that derive *more than one-third* of their revenue from financial institutions. This category is made up of firms that primarily supply software and services to the industry.
- **FinTech Rankings Enterprise 25:** These are technology companies serving multiple industries and whose financial services revenue is substantial but *less than one-third* of their revenue from financial institutions. In addition to software and services, many of these organizations also supply hardware to the industry.

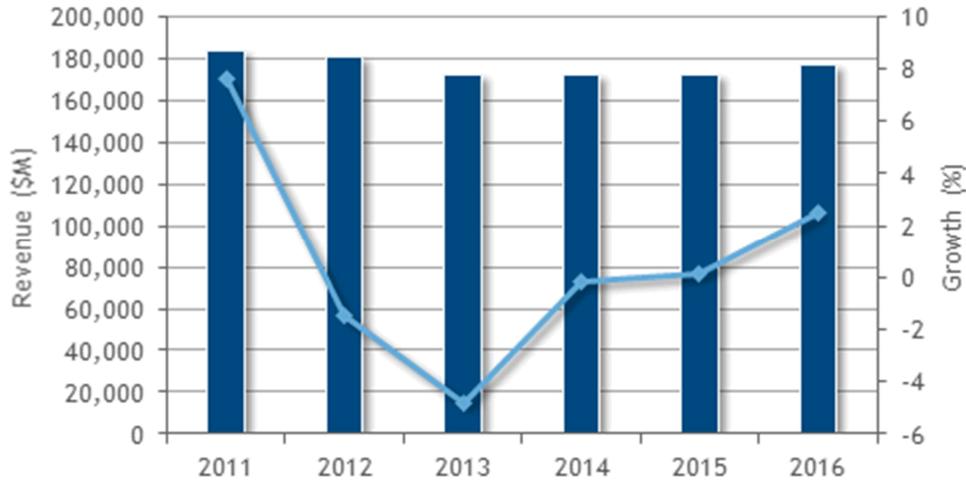
Revenue from sales of network, telecommunications, electronic exchanges, and data services is excluded from the IDC FinTech Rankings. Firms such as market data providers or credit bureaus that derive revenue from excluded categories but have revenue tied to software, hardware, or services are considered for these rankings. For these data providers, the revenue attributed to data is used to qualify the provider to meet the one-third hurdle, yet only the qualifying portion of revenue is included in the ranking.

Figure 2 shows the overall revenue trends for the combined field of the Top 100 and the Enterprise 25 firms over the past five years. 2016 revenue for the total FinTech Rankings group was \$177 billion, growing at a 3% compound annual growth rate (CAGR) from 2015. Revenue dropped for this aggregate group in 2013 but continued a longer-term growth trend from 2003 to 2010 when the combined financial services revenue was \$171 billion. The CAGR for 2011-2016 was -0.8%, essentially flat when viewed over the longer term. Over the past three years, the CAGR has turned positive, albeit still small, at 0.5%.

Figure 3 shows the amount of worldwide total IT spending in financial services going to the Top 100 and Enterprise 25 technology companies. IDC Financial Insights uses these ratios to track the percentage of IT investment dollars going to external providers versus being spent internally. Figure 3 shows the proportion of hardware, software, and services revenue going to the top 125 companies tracked in the ranking. The "Net FI" spend represents spending with vendors that are not represented on the rankings list and internal IT spend that institutions allocate to internal IT resources.

FIGURE 2

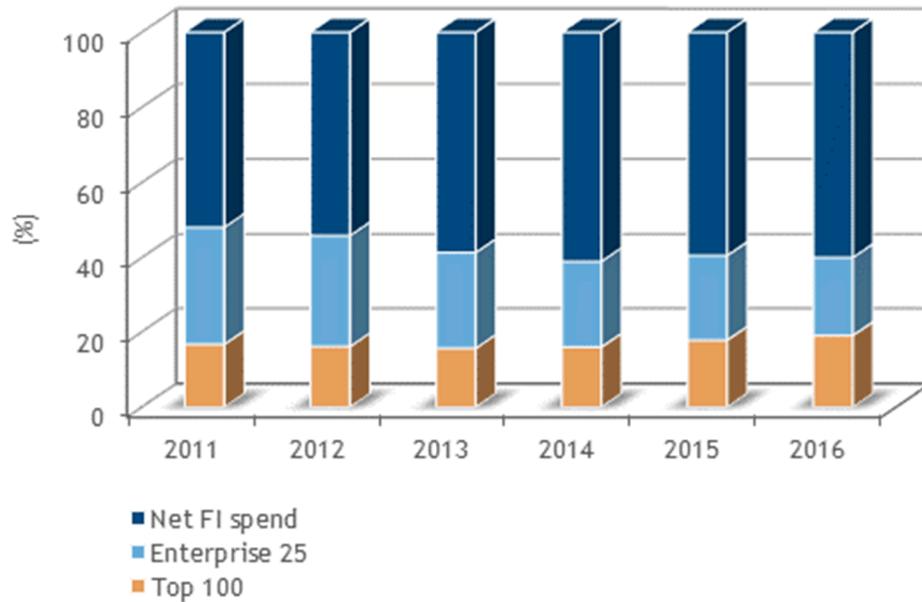
2017 IDC FinTech Rankings Top 100 and Enterprise 25 Revenue and Growth, 2011-2016



Source: IDC Financial Insights, 2017

FIGURE 3

Worldwide Total IT Spend in Financial Services Earned by Top 100 and Enterprise 25 Companies, 2011-2016



Source: IDC Financial Insights, 2017

The amount of spending going to external technology partners has decreased from a high of 48% of total spend in 2011 to 40% of total spend in 2016. Normally, this would indicate a shift in strategic spending at institutions from an outward-facing focus to an inward investment in proprietary development and strengthening of internal IT staff to build, run, and support applications. But a look at the FinTech Rankings groups separately – detailed in the section that follows – shows a subtlety that refines this conclusion further.

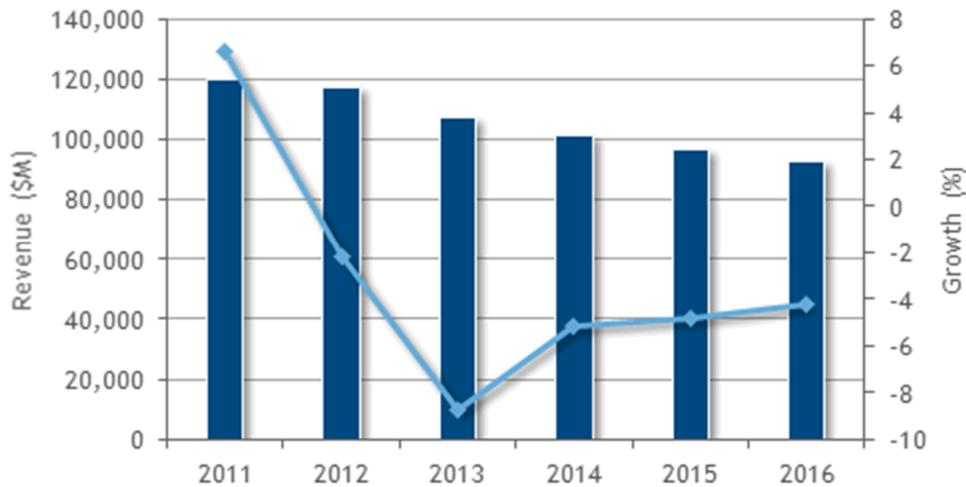
A Tale of Two Factions

Separating the revenue and growth rates of the two FinTech Rankings groups tells a more dynamic story. Figure 4 shows the past five years of revenue and growth for the Enterprise 25 group, while Figure 5 shows revenue and growth for the Top 100 group over the same period. These two charts demonstrate the dramatic difference between the Top 100 firms that focus on financial services – organizations predominantly offering software and services solutions – as opposed to the Enterprise 25 companies that serve multiple industries and many of which rely on hardware revenue as well.

Figures 4 and 5 clearly show that revenue and growth from the Top 100 IT vendors in Figure 2 are being masked by the decline in revenue from the Enterprise 25 companies. For the Top 100 companies, the decline in revenue from 2011 to 2012 was negligible, about \$100 million globally. Other than one year of negative growth, revenue growth in the Top 100 group has enjoyed a five-year CAGR of 5.7%, leading to a total 2016 revenue of \$84 billion globally.

FIGURE 4

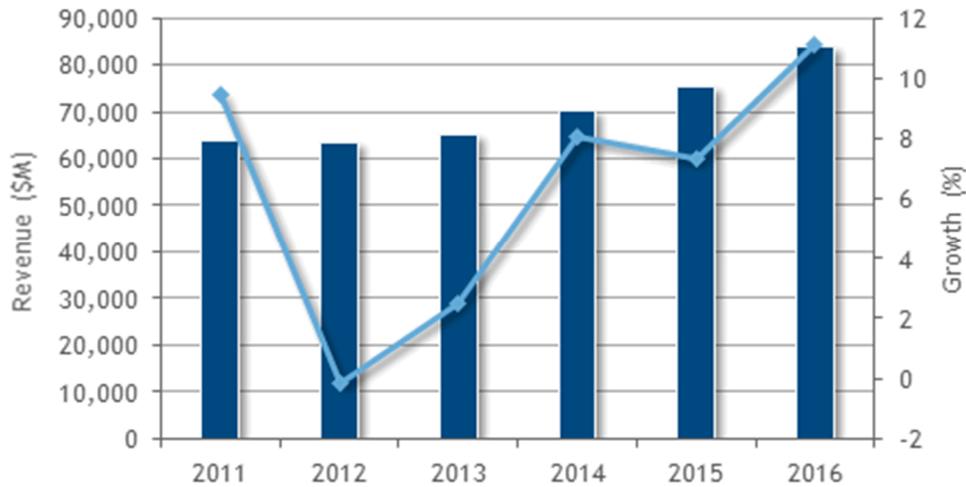
2017 IDC FinTech Rankings Enterprise 25 Revenue and Growth, 2011-2016



Source: IDC Financial Insights, 2017

FIGURE 5

2017 IDC FinTech Rankings Top 100 Revenue and Growth, 2011-2016



Source: IDC Financial Insights, 2017

At the same time, financial services revenue earned by the Enterprise 25 firms has dropped from a 2011 high of \$120 billion to \$93 billion in 2016, a 23% drop. The five-year CAGR for this group of vendors is currently at -5%.

Likewise, the proportion of financial institution spending going to IT providers in the Top 100 rankings has grown from 17% in 2011 to 19% in 2016 – \$1 of every \$5 spent by financial services institutions for software and services (predominantly) is earned by the companies represented in the IDC FinTech Rankings Top 100 list. Meanwhile, the share of financial services spending earned by the Enterprise 25 list has dropped from 31% of spend to 21% of spend (refer back to Figure 3). It is not unreasonable to expect that the companies represented in the FinTech Rankings Top 100 will have overtaken the Enterprise 25 group in its share of financial industry spending when 2017 revenue is announced.

The 2017 IDC FinTech Rankings Enterprise 25

IDC Financial Insights believes that the drop in revenue being experienced by the Enterprise 25 as a whole is due to a variety of factors:

- There are a significant number of technology companies in the Enterprise 25 that rely on hardware sales as a component of revenue. Global spending on hardware is predicted to grow at a stingy rate of 1.4% through 2020. But there is some growth, so this is not the sole factor.
- The heavy investments in customer-facing technology, mostly by retail banks globally since 2010, has been focused on software and services, particularly IP from software providers. This category of IT spending is growing at a healthy 7.5% through 2020. As many of the Enterprise 25 companies focus more on hardware and services than on software, this is another factor to consider.
- The Hewlett Packard split in 2015 affected the Enterprise 25 group by reducing the aggregate revenue in 2016. But again, this had only a partial impact on the declining revenue experienced by Enterprise 25 group of companies.

These factors, along with other factors that have affected individual technology firms in the Enterprise 25, have contributed to the continued decrease in revenue.

In spite of the declining performance of the group as a whole, there were some IT companies within the Enterprise 25 category that have shown strong growth. Table 1 shows five firms represented in the Enterprise 25 category, listed by their rank on the 2017 IDC FinTech Rankings, that significantly outperformed the rest of the group as indicated by their improved rankings on the list over the past five years and their five-year revenue growth.

TABLE 1

Top Performing Firms in the 2017 IDC FinTech Rankings Enterprise 25

Company	2017 Rank	Five-Year Rank Change	Five-Year FS Revenue CAGR (%)	Revenue from FI (%)
Accenture	Enterprise 2	+4	6	21
Cisco Systems Inc.	Enterprise 3	+4	6	14
Capgemini	Enterprise 11	+2	7	26
Deloitte	Enterprise 12	+5	15	9
SAP AG	Enterprise 15	+3	16	10

FI = financial institutions; FS = financial services

Source: IDC Financial Insights, 2017

Three of the top performing firms in the 2017 IDC FinTech Rankings Enterprise 25, Accenture, Capgemini, and Deloitte, represent firms with strong advisory and consulting practices, services in high demand due to recent initiatives in digital transformation and front-office innovation.

IDC Financial Insights believes that the robust performance exhibited by Cisco Systems is the result of a renewed focus on solutions for vertical industries including financial services and an emphasis on infrastructure and security solutions for cloud architectures, a quickly growing focus area in financial services.

Likewise, SAP's growth is centered around the company's keen focus on digital transformation across the financial services subindustries.

In total, nine of the companies listed in the Enterprise 25 group have a flat or negative five-year revenue CAGR. But these nine firms represent almost 60% of the financial services revenue earned by the Enterprise 25 group. So even a minor downturn in revenue for those companies affects the group as a whole due to the large revenue base represented by those organizations.

IDC Financial Insights believes that the Enterprise 25 companies that will succeed over the next three to five years are those that focus on providing digital transformation solutions in the front office and

help financial institutions with infrastructure transformation through open API and cloud architectures with a verticalized approach to sales, marketing, and delivery.

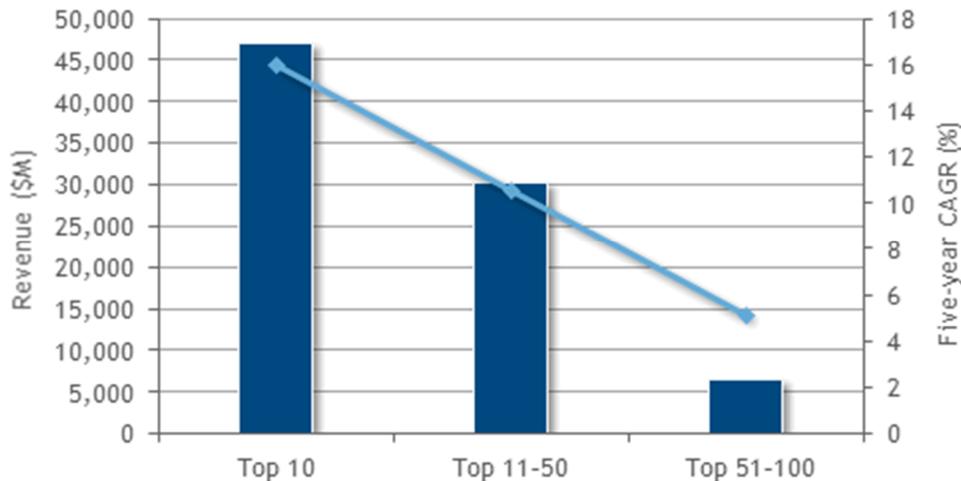
The 2017 IDC FinTech Rankings Top 100

While the Enterprise 25 group struggles to find positive growth, the IDC FinTech Rankings Top 100 has no such problem. Of the companies that have been on the Top 100 rankings list for five plus years, only 19 had 0% or negative growth over the past five years. And the total revenue represented by those companies accounted for only 12% of the total revenue earned by the Top 100 group as a whole.

With worldwide financial services spending growing at a moderate 4.8%, there are clear indications that the companies in the Top 100 group are gaining more share of the total investments made by institutions worldwide. Five-year revenue growth for the group as a whole is 5.7%. There are also indications that revenue is concentrating even further among the larger IT companies in the Top 100 group, in terms of both absolute revenue in 2016 and five-year revenue growth. Figure 6 shows the separate 2016 revenue and revenue CAGRs for companies ranked 1-10, 11-50, and 51-100.

FIGURE 6

2017 IDC FinTech Rankings Top 100 Revenue and Five-Year CAGR Breakout, 2016



Source: IDC Financial Insights, 2017

Table 2 shows the top performing technology companies in the IDC FinTech Rankings Top 100. Although Table 2 shows only the top 5 firms, there were 27 firms that experienced double-digit growth in revenue over the past five years.

TABLE 2**Top Performing Technology Firms in the 2017 IDC FinTech Rankings Top 100**

Company	2017 Rank	Five-Year Rank Change	Five-Year FS Revenue CAGR (%)	Revenue from FI (%)
SS&C Technologies Inc.	13	+24	41	100
Luxoft Holding Inc.	40	+28	39	64
Moody's Analytics	19	+23	36	88
Virtusa Corporation	39	+25	35	62
D+H Corp (does not include Misys)	18	+17	32	82

FI = financial institutions; FS = financial services

Source: IDC Financial Insights, 2017

Newcomers and Rising Stars

Every year, the IDC FinTech Rankings Top 100 list welcomes new companies that emerge as leaders in the industry. These are technology firms with a strong focus on financial services as demonstrated by a high percentage of their revenue originating from financial institutions. 2017 was no exception, and in fact, the number of newcomers was more than double the firms that joined the rankings last year. Appearance on the IDC FinTech Rankings list is indicative of a compelling value proposition for technology solutions in the financial services industry.

Table 3 lists the nine new entrants to the 2017 FinTech Rankings.

In addition to recognizing the newcomers to the IDC FinTech Rankings list, we also acknowledged the "Rising Stars," IT companies that have risen more than five places in the rankings. Table 4 displays those companies that have rapidly increased their presence in the financial services industry over the last year.

TABLE 3**Newcomers to the 2017 IDC FinTech Rankings Top 100**

Company	Organizational Focus	Rank in 2017	Revenue from FI (%)
Ping An Technology	Technology firm focused on AI and the financial services industry	38	100
Intelenet Global Services	Global business process outsourcing	71	36
Kony	Mobile application and platform development	89	100
Capital Asset Planning	Development and delivery of financial business process optimization systems	92	100
nCino	Provides cloud-based banking systems	96	100
Senior Solution S.A.	Software development, consulting, and outsourcing for corporate and investment banking	97	100
Zenmonics Inc.	Omni-experience platform for retail banking	98	100
VSoft Corporation	Software company offering core, payments, and digital banking solutions	99	99
Safe Banking Systems Software LLC	Anti-money laundering and compliance solutions provider	100	100

FI = financial institutions

Source: IDC Financial Insights, 2017

TABLE 4

Rising Stars in the 2017 IDC FinTech Rankings Top 100

Company	Rank in 2016	Rank in 2017	2016–2017 FS Revenue Growth (%)	Revenue from FI (%)
CRIF Lending Solutions	54	33	85.4	100
eFront Financial Solutions	92	74	131.3	100
Virtusa Corporation	52	39	66.8	62
CREALOGIX	94	84	42.6	90
TransFirst Holdings Inc.	43	35	36.2	34
Envestnet	38	30	37.3	100
SS&C Technologies Inc.	20	13	48.1	100
Dovetail	96	90	12.0	100

FI = financial institutions; FS = financial services

Source: IDC Financial Insights, 2017

ADVICE FOR THE TECHNOLOGY BUYER

The annual IDC Financial Insights FinTech Rankings program serves the needs of financial institutions worldwide by presenting current and historical trends in performance by the partner companies that support technology transformation. The rankings data indicates longevity, strength, and commitment to the industry, as well as tracking newcomers and consolidations in the top IT firms globally.

Financial institutions use this information to help short-list candidates for technology investments across banking, insurance, and capital markets. Along with expert analysis from IDC Financial Insights, the IDC Financial Insights FinTech Rankings research allows institutions to save time and money and reduce risk of technology investment by guiding their decisions on robust vendor information.

LEARN MORE

Related Research

- *IDC Financial Insights Reveals 2017 FinTech Rankings and Real Results* (IDC #prUS43034017, September 2017)

Synopsis

This IDC Perspective presents the findings of the 2017 IDC Financial Insights FinTech Rankings. The annual IDC Financial Insights FinTech Rankings program serves the needs of financial institutions worldwide by presenting current and historical trends in performance by the partner companies that support technology transformation. The rankings data indicates longevity, strength, and commitment to the industry, as well as tracking newcomers and consolidations in the top IT firms globally.

"The IDC Financial Insights FinTech Rankings research is an unparalleled base of vendor information for the global financial services industry," says Jerry Silva, global banking research director at IDC Financial Insights. "Institutions worldwide count on this research to help make strategic partner decisions in their journey to transformation."

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