

IDC MarketScape

IDC MarketScape: Worldwide Know-Your-Customer Solutions in Financial Services 2018 Vendor Assessment

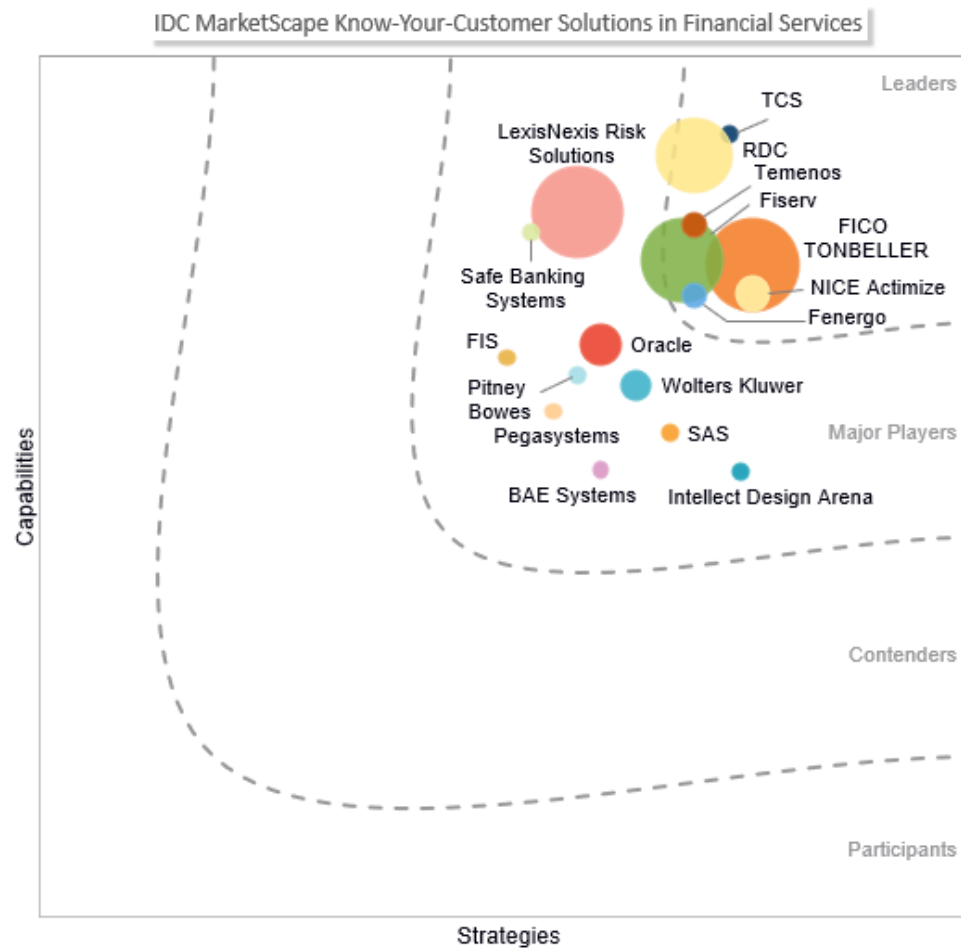
Steven D'Alfonso Karen Massey

THIS IDC MARKETSCAPE EXCERPT FEATURES FICO TONBELLER

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Know-Your-Customer Solutions in Financial Services Vendor Assessment



Source: IDC, 2018

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

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Know-Your-Customer Solutions in Financial Services 2018 Vendor Assessment (Doc # US44292018). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Advice for Technology Buyers, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This IDC study presents a 2018 vendor assessment of worldwide know-your-customer (KYC) technology providers using the IDC MarketScape model. This research quantitatively and qualitatively assesses multiple characteristics that help explain a vendor's success and position in the marketplace relative to its peers.

This IDC MarketScape covers vendors that provide KYC software to the worldwide financial services market. This evaluation is based on a standardized set of parameters from which IDC can produce a comparative analysis of KYC software vendors.

The technology vendors provided an in-depth assessment of their current capabilities and strategies, and their reference clients were interviewed to assess the vendor's ability to meet the financial institution's (FI's) strategic needs and current requirements. For the purposes of this study, IDC defines KYC as inclusive of complete customer onboarding including customer identification, customer due diligence (CDD) (including beneficial owner), enhanced customer due diligence, watchlist/sanction screening, and ongoing customer risk-based assessments.

Key findings from this research include:

- Artificial intelligence (AI) and machine learning (ML) are becoming increasingly important to KYC efficacy and customer experience, and savvy KYC providers have already incorporated AI/ML into their solutions and road map.
- Advanced analytics in KYC that incorporate AI/ML significantly improve the KYC screening process, resulting in potentially better outcome prediction accuracy.
- Buyer references placed importance on customer service in terms of the KYC vendor's ability to address technical concerns in a timely manner, as well as transparency and the ability to keep pace with regulatory requirements in the product enhancement, update, and strategic directions.
- As an institution's specific objectives and requirements play a critical role in determining which providers should be considered as potential KYC solution candidates, this evaluation should be considered as a guide to selection and not as an endorsement of a specific vendor for any specific engagements.

IDC MARKETSCOPE VENDOR INCLUSION CRITERIA

This research includes 17 worldwide providers of KYC software. The vendors included in this research are all substantial competitors within the KYC software market. While many of these vendors provide end-to-end anti-money laundering (AML) and know-your-customer solutions, the focus of this research was solely on KYC and customer due diligence (CDD). AML transaction monitoring solutions are being evaluated under a separate IDC MarketScape product. To be included within this study, vendors must sell their solution in multiple worldwide regions and have at least five active customers in at least two regions (North America, EMEA, Latin America, and Asia/Pacific). Many other vendors were considered for inclusion in this assessment but were not included as the result of not meeting the evaluation criteria or being out of scope for other extenuating circumstances.

ADVICE FOR TECHNOLOGY BUYERS

KYC has become an arduous concern for most financial institutions. KYC and its cousin anti-money laundering have been refined over the years. In its simplest form, KYC mandates the financial institutions verify customers are who they say they are. However, regulations have not been prescriptive in how, and with what, institutions should evaluate customers. The result is considerable expense for the institution for the technology and human resources to stay ahead of regulators and out of the headlines. Indeed, IDC Financial Insights estimates that financial institutions will spend US\$8 billion on financial crime management in 2018.

IDC Financial Insights offers the following guidance for financial institutions selecting a KYC partner to address evolving customer due diligence requirements and schemes:

- **Determine a strategy to manage constantly changing information.** Customer data is constantly changing, and inconsistencies can appear across multiple sources and forms of identification. Work with vendors that understand the data challenges, especially any challenges that may be unique to your institution or region.
- **Use this IDC MarketScape to assist with vendor selection.** This study is not meant to provide guidance on the best KYC solution for your strategic direction, as it provides our assessment of KYC vendors as of the time of this analysis. Financial institutions can use this IDC MarketScape to evaluate KYC solutions, along with vendor proposals, presentations, and demonstrations. Because this analysis shows that the breadth and depth of solutions offered are strong for most providers, financial institutions should make sure to understand where these players are truly differentiating and determine what is important to their selection.
- **Learn from the experience of institutions that have gone before you.** In speaking with customer references, IDC Financial Insights found that many end users that IDC Financial Insights spoke with provided lessons learned that had they been aware of or planned for in the earlier stages would have better set them up for success. Lessons learned include planning for the customer experience particularly in account opening and other processes involving customer identification, particularly in siloed institutions, and allowing ample time for testing.

VENDOR SUMMARY PROFILES

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.

FICO TONBELLER

FICO TONBELLER is positioned as a Leader in this IDC MarketScape for worldwide KYC solutions in financial services.

Founded in 1956, now headquartered in San Jose, California, FICO is a pioneer in the use of predictive analytics and data science to improve operational decisions, using its more than 185 U.S. and foreign patents on technologies to increase profitability, customer satisfaction, and growth for businesses in financial services, telecom, healthcare, retail, and other industries.

In 2015, FICO acquired TONBELLER, a risk-based financial crime prevention provider in Germany, and now, FICO TONBELLER has more than 1,200 customers in over 90 countries, with a partner network covering all countries. The Siron Anti-Financial Crime Solutions is an end-to-end solution suite that consists of flexible and integrated software modules for AML, tax compliance, counterterrorism financing, and KYC.

Strengths

- Siron KYC is a mature, proven solution with substantial out-of-the-box features including configurability, data connections, and analytics. FICO has done a great job incorporating TONBELLER into the family and infusing experience, size, and analytics capabilities into the Siron product line.
- The solution provides a risk-based customer segmentation and classification using multiple levels of customer data. High flexibility and always compliant are key characteristics of Siron KYC. A configurable risk classification model and standard connection to data providers for PEP, sanctions, adverse media, beneficial owners, and leaks (ICIJ) guarantee a secure approach at low total cost of ownership.
- A very rich standard product, inclusive of AI and ML that exceeds many of its peers, allows for a simplified upgrade experience along with compatibility and compliance.
- Customer references cited excellent customer experience from scoping through implementation and continuous support.

Challenges

- The vast majority of FICO TONBELLER customers are based in EMEA – understandable given TONBELLER's origination. While FICO TONBELLER is fairly strong in Asia/Pacific, its fastest-growing region, FICO is still working to improve sales in other regions, especially its home market of North America.
- Customer references noted that integration with other applications may take considerable effort.

Consider FICO TONBELLER When

FICO TONBELLER should appeal to financial institutions of all sizes requiring proven KYC solutions backed by an industry standard provider of predictive analytics and machine learning through its Siron KYC.

APPENDIX

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 ratings 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 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

This IDC MarketScape is focused on vendors providing software solutions to financial institutions for mandatory know-your-customer and customer due diligence activities, including customer risk scoring. For this study, IDC Financial Insights is not including anti-money laundering transaction monitoring as capabilities for vendors in this space are assessed under a separate IDC MarketScape to be published on or around the same date as this publication.

Strategies and Capabilities Criteria

This section includes an introduction of market-specific definitions and weightings. IDC Financial Insights believes KYC/CDD providers must exhibit the characteristics outlined in Tables 1 and 2 to be most relevant to financial institutions seeking a comprehensive KYC/CDD solution. The factors were weighted because IDC believes that some factors are more crucial than others in maximizing market opportunity and realizing market success.

LEARN MORE

Related Research

- *Compliance, Fraud, and Risk Analytics: What's Ahead for 2018* (IDC #US44235718, August 2018)
- *IDC's Worldwide Digital Transformation Use Case Taxonomy, 2018: Banking* (IDC #US44092518, August 2018)
- *IDC Innovators: Identity Proofing Solutions to Prevent New Account Fraud and Enhance KYC Compliance, 2018* (IDC #US43054918, June 2018)
- *IDC Financial Insights' Worldwide Financial Services Risk Taxonomy, 2018* (IDC #US43438218, June 2018)
- *Pivot Table: Worldwide IT Spending 2016-2021 - Worldwide Financial Services Risk IT Spending Guide, Version 2, CY 2Q18* (IDC #US41396718, June 2018)
- *IDC MarketScape: Worldwide Banking Transformation Systems Integration Services 2018 Vendor Assessment* (IDC #US43575318, February 2018)
- *The Use of Industry Clouds for KYC Compliance* (IDC #US41799817, February 2018)
- *IDC FutureScape: Worldwide Financial Services 2018 Predictions* (IDC #US41796017, October 2017)

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of vendors providing know-your-customer (KYC) software solutions in the worldwide financial services market. 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.

"To reduce operating expenses and risk, financial institutions should consider KYC solutions that apply advanced analytics to improve customer life-cycle management," says Steven D'Alfonso, research director, IDC Financial Insights.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com

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