

# *Big Four FaaS Market Study*



## **Economic Downturn: Tech & Trends**

### **The Critical Role of Finance as a Service (FaaS) in Today's Finance and Accounting Marketplace**

New data underscores the critical role that outsourcing plays in the overall finance and accounting market today. The global market for finance and accounting outsourcing — also sometimes referred to as Finance as a Service (FaaS) — in 2020 was estimated at \$37.9 billion. This is projected to grow to \$53.4 billion by 2026, growing at a CAGR of 5.9% over this time. ([globalnewswire.com](https://www.globalnewswire.com))

Finance is now the second most outsourced function among corporations, behind IT and ahead of payroll and customer service, with 44% of businesses outsourcing the finance function. ([moneytransfers.com](https://www.moneytransfers.com))

The global economic crisis is one factor in the increased demand for FaaS. Growing demand for cost savings, digital transformation, more transparency and increased regulations are driving companies to standardize their finance and accounting activities. This move toward standardization is also driving the incorporation of financial management best practices, which is a key factor in the adoption of FaaS.

# FaaS and Consero Global

In March 2022, Consero engaged a major Big 4 accounting firm to conduct an in-depth study of the Finance as a Service (FaaS) market and Consero's role in it. Consero provides accounting, controller compliance, Financial Planning and Analysis (FP&A) and CFO advisory services using the FaaS model to corporations, investment managers and non-profit organizations (NPOs).

FaaS operates on a subscription-based pricing model, rather than a time and materials or fixed-fee model. The FaaS market consists of the following:



## Transactional bookkeeping

Helps ensure the quality of records while improving process efficiencies



## Controller-level compliance and reporting

Controller services and cloud-based technology help improve financial management



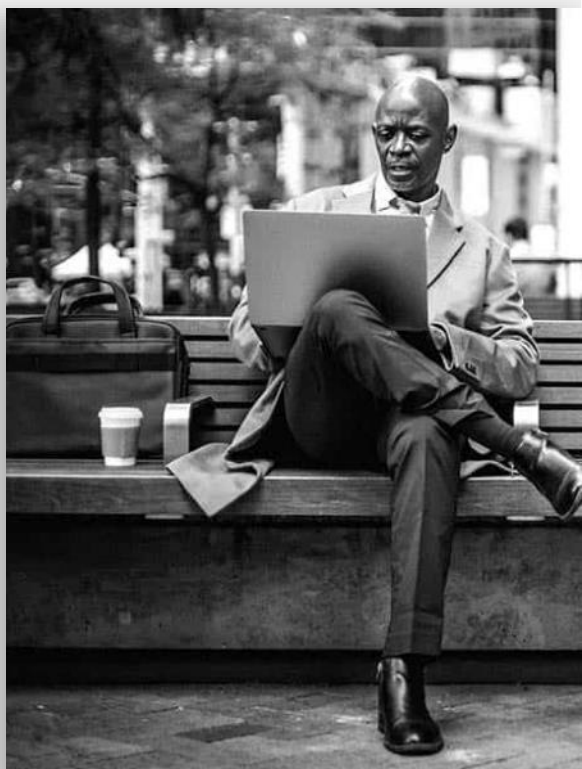
## FP&A

Provides analysis and evaluation of the company's financial position while developing a plan for the future



## Strategic CFO support

Assists in financial guidance, including financial leadership



Consero offers key value propositions to both financial sponsors and CFOs.

- For financial sponsors, Consero offers scalability and cost efficiencies when compared to maintaining in-house finance teams.
- For CFOs, Consero reduces the amount of time they have to spend on tasks that can be easily automated so they can focus on strategic initiatives with high impact. The level of financial visibility into the organization is also increased.

Consero's true value proposition lies in its client-facing technology, managed services model, specialized offshore labor, enabling technologies and scale. The finance and accounting tech stack includes an ERP instance alongside a proprietary "single pane of glass" for reporting, analytics and workflow that's called SIMPL®.

# Key Benefits of FaaS

The FaaS model allows companies to quickly scale up the finance function, standardize reporting across portfolio companies and reduce costs. It offers several key benefits to companies:

- 1 Time savings** — Since the finance function can run with minimal oversight, CFOs and other finance executives can spend their time focusing on more strategic activities. Finance leaders surveyed in the study whose companies switched to a FaaS vendor saved an average of 17 hours per week that they could spend on more strategic initiatives.
- 2 Cost savings** — In a separate survey conducted by Grant Thornton LLP, about a quarter (27%) of CFOs said that cost optimization is now their primary focus. Only 57% said they feel confident in their company's ability to control costs. FaaS eliminates the high cost of hiring, training and retaining in-house staff. (Grant Thornton)
- 3 Standardized reporting** — Consero's SIMPL® technology enables companies to quickly and accurately assess the financial health of their portfolios and consistently understand financial metrics across time periods.
- 4 Increased Efficiency** — FaaS allows CFOs to focus on more impactful business initiatives while reducing the cost and complexity of maintaining an in-house finance operation. Employees can reallocate their time from administrative finance functions to high-impact business development initiatives. Meanwhile, companies can reduce staffing and technology costs in the finance department, instead paying an affordable monthly fee.

Research conducted by The Hackett Group estimated that a typical firm with **\$10 billion** in annual revenue could save up to **\$51 million** by realigning finance talent and restructuring the service delivery model. This would free up human resources for higher value activity and innovation. (Zuora.com)

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“The costs required for our PE firm to not only build out an internal finance division within our firm, but to train the individuals on the specifics of our business across the multiple product lines and regions we operate in would be immense. By turning to Consero, **the PE firm avoids these costs and dedicates its resources to higher value add services**”

- Consero Client / Software Company

Using FaaS, CEOs and CFOs can gain in-depth, real-time insights into their financial metrics for improved strategic decision making. They can remain in compliance with local and national regulations while also having accessible materials for investors, board meetings and analysis.

Employee turnover is a common challenge in the finance function and FaaS reduces the burden of maintaining team continuity. In fact, 97% of CFOs expect their talent and labor costs to rise substantially as a result of the “Great Resignation.” They cite employee turnover as a key value driver in the use of FaaS offerings. As the former Senior of FP&A for a software company put it:

“The amount of opportunity right now in the marketplace for top talent is significant. So, we’re seeing people in our finance function moving around frequently, with an average tenure of 1.5-2 years. With Consero, employee turnover in the finance function becomes less of a pain point because we don’t have to go out and hire new people every few months”

## The Consero SIMPL® Technology Platform - navigate from one place

Finance leaders who have adopted Consero's technology-enabled managed services see a tremendous amount of value in them. In particular, Consero's SIMPL® technology platform increases the level of financial visibility for finance executives.

Consero clients value SIMPL's ability to aggregate financial data across multiple sources into a central platform. This reduces the amount of time that must be spent collating and analyzing data across multiple accounting software resources. As the CFO of a healthcare software company put it:

"SIMPL eliminates the multiple steps I used to go through to access the financial information I needed. All of our financial data is right there for me on the dashboard—from aging AR and AP to historical financials by product and department to invoice approvals and payment releases. It brings all of the information I need in one place so myself and my colleagues can rely on one platform to access important data and outstanding tasks."

Consero clients often leverage SIMPL® to pull reports with consolidated financial data. Given the data integrations SIMPL® provides, executives can leverage the platform to quickly pull reports together that previously would've taken hours to consolidate and visualize the data. As the Director of Finance and General Counsel of a software company put it:

"SIMPL is a much more in-depth platform than QuickBooks and inputs all of the information from our various software platforms including our ERP. Its interactive financials and dashboards are user friendly and I commonly will leverage it to pull financial reports to present to the board. We use it as a one-stop shop to view all of our financial metrics in one place."

Consero clients indicate that SIMPL® makes common workflows easier to execute. They recognize the ease of executing common workflows in SIMPL® without having to access the underlying ERP.

They also see the value in using SIMPL® for an easier user experience in completing basic tasks like billing without having to access the ERP. As the CFO of a healthcare company put it:



"The workflow aspect of the platform is the core value add for me as CFO. I am logging into SIMPL at least two to three times per week for AP and expense report workflows that I can access directly on the homepage of SIMPL. I work with my corporate controller to pay invoices through the platform."

Consero clients also value SIMPL's ability to delegate common workflows to business unit leaders. CFOs and other executives responsible for the P&L see value in leveraging SIMPL to provide functional leads access to visualize and manage their unit's P&L. As the Director of Strategy for a healthcare software company put it:

"You are able to roll out privileges and access within SIMPL to allow narrow views of metrics or complete basic tasks such as bill paying that are very beneficial. For example, you can allow a department head to see the P&L of their function without seeing all the details of the firm. Additionally, we allow other non-executives to use SIMPL to pay bills because it is much easier than using the software it integrates with"

## FaaS: A Cost-Effective Alternative to Building In-House

Building an in-house finance function can be very expensive. FaaS is a cost-effective alternative, saving companies between 30% and 40% compared to fully loaded costs associated with staffing an internal finance department.

Consider a business with 50 full-time employees and \$50 million in revenue. After switching to FaaS, the finance department now includes just the CFO and an FP&A manager, with all other financial tasks outsourced to Consero. Before switching to FaaS, there were four non-CFO FTEs in the department. The sample company below saved \$225,000 per year by switching to FaaS with Consero.

|                                   | Internal Finance Department | FaaS with Consero |
|-----------------------------------|-----------------------------|-------------------|
| Non-CFO FTEs                      | 4                           | 1                 |
| Cost per FTE                      | \$125,000                   | \$125,000         |
| ERP accounting/software licensing | \$50,000                    | \$0               |
| FaaS                              | \$0                         | \$200,000         |
| <b>Total annual cost</b>          | <b>\$550,000</b>            | <b>\$325,000</b>  |



**41%**

**COST SAVINGS**

Consero's specialized offshore labor model enables the completion of finance and accounting tasks across working hours with high quality. Consero employs enabling technologies to support the offshore team, which leads to better and more efficient delivery. These technologies include:

- 🌀 **Robotic process automation (RPA)** — Consero has developed a library of RPA scripts that automate 17 traditional finance processes.
- 🌀 **Machine learning** — Consero has developed three machine learning algorithms that can identify anomalies in customer transactions with vendors or service providers.
- 🌀 **Proprietary workflows** — Consero has developed a library of workflows based on its own experience across hundreds of clients.

Smaller companies usually spend an even higher share of revenue on their finance function. They look to FaaS solutions to realize the scale benefits of a large company. As the Vice President of Finance for a software company put it:

"At our size, our finance team would have five people on it if we built it internally. And with five people, you really can't realize any benefits of scale. The costs of hiring a new employee takes at least six weeks. Plus, I have to dedicate a significant amount of my time to recruiting and training. With Consero, we realize the benefits of their scale economies, resulting in significantly lower costs and time needed to build and maintain a finance function."

FaaS solutions also allow companies to efficiently expand or contract in line with their growth trajectory.

## Excerpts from this study:

"We were growing 25% a year. So, we were always hiring. Consero provided resources that could scale up or down with us, without us having to try to find these people and hire them. So that was very attractive to us as well."

– Former VP of Finance, Accessibility Services Provider

"I think for what I'm paying Consero, I could get maybe one and a half people in the US, depending on what levels and what not they would be at. And then, on top of that, the Consero fees include all of the software, the accounting system, the AP system, the expense reporting system, it's all built into their fees. So, if I were to totally get rid of them, I would have some software costs. I think I would need at least like three or four people to total about \$500,000, while I only pay \$250,000."

– CFO, Healthcare software provider



## Learn More About FaaS and Consero

Consero can help you realize the many benefits of using the Finance as a Service model. Contact us to discuss your situation in more detail: <https://conseroglobal.com/request-a-consultation/>

### References:

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