

DataArt targets buy side's back-office needs

By Rik Turner

DataArt, a provider of outsourced software-development services, is targeting buy-side participants in the capital markets, and it has a prestigious list of customers on the sell side to underpin its marketing. Ovum sees a niche in the market for software-development service providers with more specialist knowledge than generalist service providers such as Infosys and Wipro, but recommends that customers seek demonstrations of their financial solidity.

DataArt is one of a slew of companies including Mera, Reksoft, and Murano that offer software-development services where the coding is done in Russia or Ukraine. They compete with the big Indian outsourcers and argue that they have deeper vertical market knowledge and therefore adopt a different and more focused approach to software development compared with the more generalist companies that are also doing things such as helpdesk and maintenance, as well as working across a much wider range of vertical markets.

Some of the firms, including DataArt, have developed financial services as one of their vertical practices, employing software engineers with a background in the industry to take on complex projects in areas such as cross-asset trading, quant support, financial engineering, and portfolio and risk management.

DataArt targets market participants on both the buy and sell sides, as well as companies that sell technology or provide services to the capital markets. Its most recent contract wins were with TheMarkets.com, a provider of investment research reports owned by nine of the largest investment banks, and FX Bridge, which develops and markets the ProTrader Plus trading platform for foreign exchange. It also has a number of big customers in the asset-management and hedge-fund arena and sees its largest opportunity on the buy side.

Specialist software-development services for back-office functionality

There are a number of platforms available, some of them priced quite reasonably, for trading functions in the front office. Some of the order and execution-management system vendors such as Charles River, ITG, and Portware specialize in offering technology to the buy side. However, the back-office systems to support the multi-asset trading strategies that are gaining popularity in the market are still expensive and resource-consuming and there is little off-the-shelf software that is capable of addressing them.

Companies such as DataArt or EPAM, both of which have some prestigious names among their capital markets customers, could be a more cost-effective way of executing such projects. They have the vertical skills that might be lacking in big generalist firms such as TCS or Wipro, yet they can offer the cost benefits to be gained from outsourcing development work to Eastern Europe.

While the figures are not uniform across each region (for example, Bangalore is more expensive than Patna, and Czech Republic costs more than Ukraine), a rule of thumb is that outsourcing to Eastern Europe can save the customer about 40%, whereas outsourcing to India can save up to 70%. However, these numbers must be weighed against the significant differences between the type of work outsourced. Eastern European firms handle almost entirely software development, whereas Indian companies provide a much wider range of services including many lower-margin ones.

Seek demonstrations of providers' longevity

The question surrounding firms like DataArt is less about technical expertise given some of the companies they have worked for (Ovum has seen a client list that was not for publication), but more about their longevity. While the IT services giants of India have already achieved a scale that means they can be expected to be around for some time to come, smaller start-ups face the challenge of proving their staying power, particularly in current market conditions. Ovum suggests that a potential customer should seek evidence of the financial solidity of the company before entrusting it with critical parts of its trading infrastructure.

Another consideration in weighing the relative advantages of Eastern European and Indian companies is that the latter can boast large pools of talent that can scale up and down as required. DataArt has 500 staff in total, so it would be worth considering whether a project needs a very large team to execute it.