Topic: Source-to-Contract (S2C) Outsourcing – Significant Value Potential but Challenging to Implement

Procurement Outsourcing (PO)
Market Report: October 2013 – Preview Deck

EGR-2013-1-PD-0948

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1 Banking, financial services, and insurance

Background and methodology of the research

Background of the research

Source-to-Contract (S2C) represents the upstream and judgment-intensive process within the Source-to-Pay (S2P) process. Adoption of S2C outsourcing for non-core spend is rising given the significant bottom line impact potential it can create through spend reduction and increased compliance. However, outsourcing S2C is also more challenging to implement given the fundamental difference in its underlying cost base compared to most other BPO segments (procurement spend versus operational costs)

Methodology

Everest Group analyzed the outsourcing of end-to-end S2P process through its Procurement Outsourcing (PO) research that comprises of both S2C and Procure-to-Pay (P2P). In this study, we focus on S2C outsourcing segment to analyse the following:

- The value proposition of S2C outsourcing and the underlying drivers and challenges
- Size, growth, and adoption trends in S2C outsourcing
- Typical scope and solutions observed in S2C outsourcing
- S2C outsourcing service provider landscape

We also published a study on P2P outsourcing earlier in 2013: Procure-to-Pay (P2P) Outsourcing: Unlocking Value from End-to-End Process Outsourcing

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This report focuses on the S2C outsourcing segment within broader PO, which covers end-to-end S2P. The report analyzes the value proposition and the underlying drivers and challenges, size and growth, adoption trends, solution characteristics, and service provider landscape for S2C outsourcing.

Some of the findings in this report, among others, are:

Value proposition of S2C outsourcing

- The cost base of S2C outsourcing is different and larger than other BPO segments
- Even a moderate savings target on such a large cost base translates into significant bottom line impact potential
- However, the unique and large cost base also renders the implementation of S2C outsourcing more challenging

S2C outsourcing market size and solution characteristics

- S2C outsourcing is the fastest growing PO segment
- Adoption of S2C outsourcing is rising and spreading across industries, geographies, and different organization sizes
- While S2C outsourcing is largely focused on indirect spend categories, the inclusion of non-core direct spend such as Maintenance, Repair, and Overhaul (MRO), is increasing
- Most service providers partner with commercial off-the-shelf (COTS) technology vendors to augment client's existing technology landscape. Platform-based S2C contracts are also increasing

Overview and abbreviated summary of key messages
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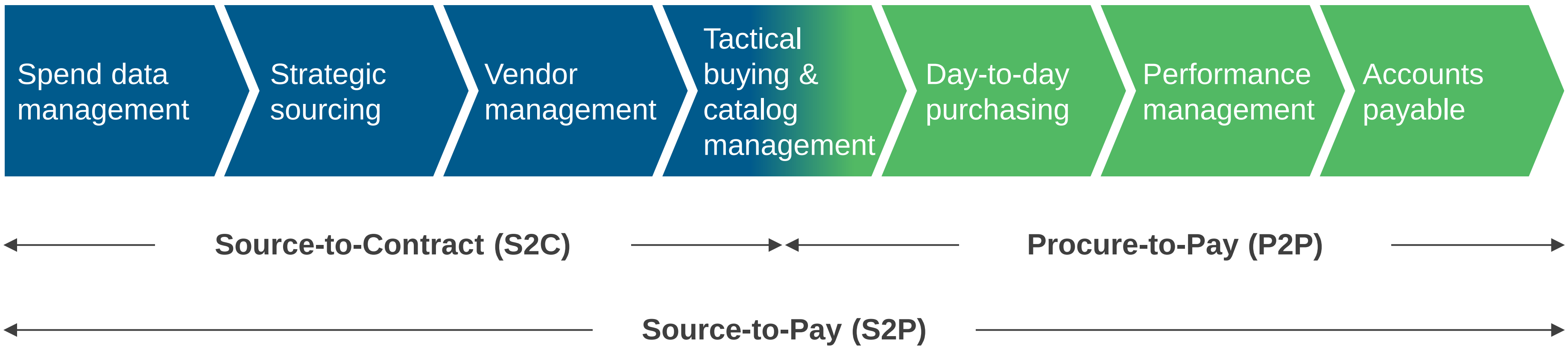
S2C outsourcing service provider landscape

- The key success factors in the S2C outsourcing market are sourcing expertise and the ability to provide an end-to-end solution across the entire S2P value chain. As a result, Everest Group classifies the S2C provider landscape into four groups
  - End-to-end S2P providers (Accenture and IBM)
  - S2C+ providers (GEP, Procurian, and Xchanging)
  - S2C providers (Aquanima, DSSI, HCMWorks, Optimum Procurement, and Proxima)
  - P2P+ providers (Capgemini, Corbus, Genpact, HCL, HP, Infosys, TCS, Wipro, WNS, and Xerox)

Everest Group distinguishes between Source-to-Contract (S2C) and Procure-to-Pay (P2P) processes. This report focuses on outsourcing of the S2C activities

Judgment-intensive
Transaction-intensive

Typical Source-to-Pay (S2P) process

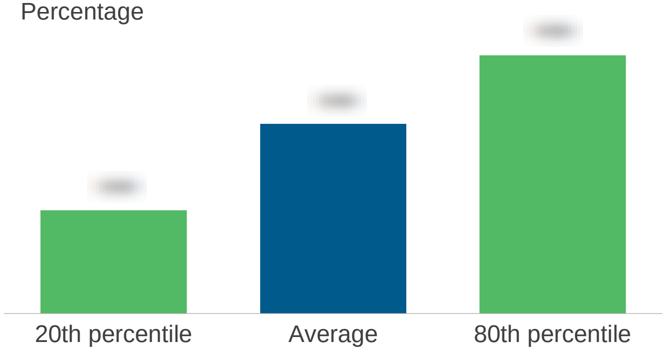


- Everest Group's analysis focuses on all outsourcing contracts that include S2C activities in-scope. Such contracts can broadly be classified into two groups:
  - S2C-focused contracts that do not have transactional P2P activities in-scope
  - End-to-end S2P contracts that include both S2C and P2P activities in-scope
- Outsourcing contracts that are primarily focused on P2P activities are not included in this assessment
- The primary sources of information include
  - Over 550 S2C-focused and S2P contracts signed as of 2012
  - Operational capability of over 20 service providers including Accenture, Aquanima, Capgemini Corbus, DSSI, Genpact, GEP, HCL, HCMWorks, HP, IBM, Infosys, Optimum Procurement, Procurian, Proxima, TCS, Wipro, WNS, Xchanging, and Xerox

This study offers three distinct chapters providing a deep dive into key aspects of the S2C outsourcing market; below are four charts to illustrate the depth of the report

Savings in S2C outsourcing

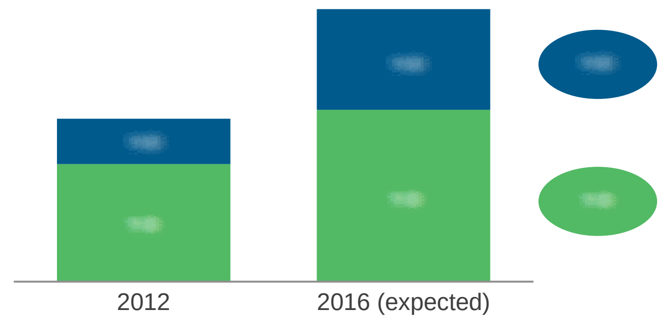
Typical PO savings/managed spend
Percentage



S2C market size

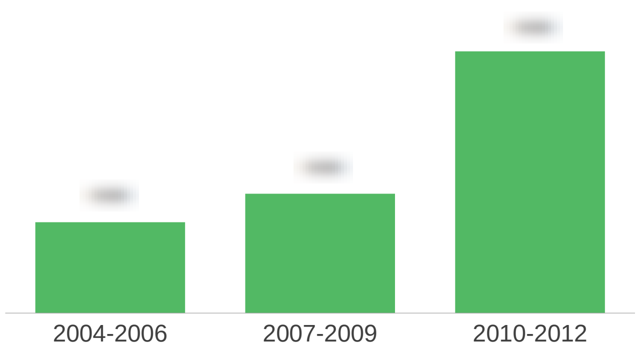
P2P and S2C outsourcing market size
ACV in US$ billion

XX% Expected YoY growth



Role of technology in S2C outsourcing

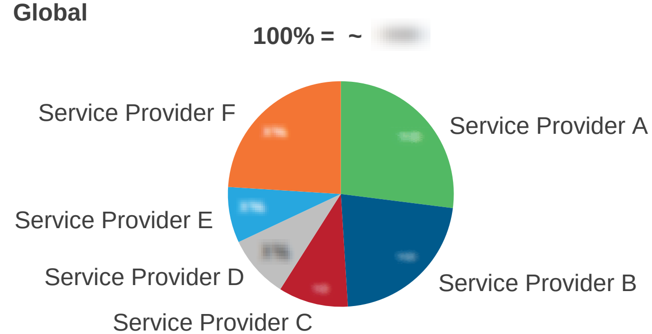
Platform-based S2C/S2P contracts over time
Number of contracts



S2C/S2P outsourcing market share

S2C and S2P outsourcing market share
Active ACV; US$ million

Global



Source: Everest Group (2013)

PO research calendar

Published | Current

Topic	Release date
Unlocking Value From End-to-End Process Outsourcing: Focus on Procure-to-pay (P2P)	February 2013
Supply Chain Management (SCM) BPO – Beyond Procurement Outsourcing (PO)	March 2013
Procurement Outsourcing (PO) – Annual Report 2013	June-2013
S2C Outsourcing – Significant Value Potential but Challenging to Implement	October-2013
Sourcing Contingent Workforce – Rise of MSP model	Q4-2013
PO – Service Provider Landscape with PEAK Matrix Assessment 2013	Q4-2013
PO – Service Provider Profile Compendium 2013	Q4-2013
The Rise of Procurement and HR Collaboration – Effectively Managing HR-spend	Q4-2013
Growth of Horizontal BPO in Latin America	Q4-2013
Evaluation of BPaaS Solutions for FAO/PO/HRO	Q4-2013
Tail-end Spend Management	Q4-2013

Additional PO research recommendations

The following documents are recommended for additional insight into the topic covered in this research. The recommended documents either provide additional details on the topic or complementary content that may be of interest

1. **Supply Chain Management (SCM) BPO – Beyond Procurement Outsourcing (PO)** (EGR-2013-1-R-0840); 2013. This report goes beyond PO to explore buyer adoption and solution characteristics in other supply chain areas and profiles the capabilities of several SCM BPO service providers. It analyzes the SCM BPO market across key business drivers, market growth, buyer adoption trends, and solution characteristics

2. **Procure-to-Pay (P2P) Outsourcing: Unlocking Value from End-to-End Process Outsourcing** (EGR-2013-1-R-0819); 2013. This report analyzes the key trends in P2P outsourcing within the FAO and PO market. It provides an understanding of the business value, adoption trends, solution characteristics, and service provider capability in P2P outsourcing

3. **Role of Procurement Outsourcing (PO) in Managing Direct Spend – Not so Indirect Any More** (EGR-2012-1-R-0684); 2012. The study analyzes the role of PO in managing direct spend categories, focusing on key differences between direct and indirect spend, market size, adoption trends, service provider investments related to direct spend outsourcing, models for leveraging PO to optimize direct spend, drivers, challenges, and best practices

4. **Procurement Outsourcing (PO) Annual Report 2013: Expertise and technology driving growth** (EGR-2013-1-R-0889). This report provides an overview of the overall PO market in 2011, including the size and growth of the market, adoption trends, contract characteristics, value proposition, service provider landscape, and market outlook for 2013

For more information on this and other researches published by Everest Group, please contact us:

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