Topic: Procurement Outsourcing (PO) – Service Provider Landscape with PEAK Matrix™ Assessment 2013

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

EGR-2013-1-PD-0966

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Information technology	**Recruitment process**
Cloud Vista	**Contact center**
Global sourcing	**Service provider intelligence**
PricePoint	**Transaction Intelligence**

Custom research capabilities
- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1 Banking, financial services, and insurance

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Background and methodology of the research

Background of the research

The global multi-process Procurement Outsourcing (PO) market witnessed healthy growth of 11% in 2012. Organic growth emerged as a major driver, contributing around 60% to the increase in market size. With rise in maturity, the competitive intensity is also increasing. Beyond new book of business, service providers are focusing on expanding existing client relationships and providing value-added services around Low Cost Country Sourcing (LCCS), direct spend management, and tail-end spend management. BPaaS and analytics are playing a more invasive role in PO services than ever before. The definition and scope of PO services is also expanding into downstream F&A and adjacent supply chain activities

In this research, we analyze the global PO service provider landscape in 2012. We focus on:

- Relative position of 20+ service providers on Everest Group PEAK Matrix for PO
- 2013 PO Star Performers
- Service provider delivery capability assessment
- Emerging service provider investment themes
- Implication for buyers and service providers

The scope and methodology of this report includes:

- Third-party PO deals; it does not include shared services or Global In-house Centers (GICs)
- Over 390 multi-process PO deals signed as of 2012, with a minimum of three procurement processes over US$1 million in ACV and a minimum contract term of three years. Typically, managed spend is greater than US$50 million
- Coverage across 20+ PO service providers with multi-process capability, including Accenture, Aegis, Aquanima, Capgemini, Corbus, DSSI, Genpact, GEP, HCL, HCMWorks, HP, IBM, Infosys, Optimum Procurement, Procurian, Proxima, TCS, Wipro, WNS, Xchanging, and Xerox

Everest Group's PO research is based on various sources of proprietary information

1

- Everest Group's proprietary database of **390+ multi-process PO contracts** (updated annually)
- The database tracks the following elements of each multi-process PO contract:
  - Buyer details, including industry, size, and signing region
  - Contract details, including TCV, ACV, term, start date, managed spend, and pricing structure
  - Scope, including coverage of buyer geography, process, and category
  - Technology, including core procurement technology, service provider's add-on tools (if any), ownership, and maintenance
  - Global sourcing, including delivery locations and level of offshoring

2

- Everest Group's proprietary database of **operational capability of 20+ PO service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - Key Leaders
  - Major PO clients and recent wins
  - Overall revenue, total managed spend, and PO employees
  - Recent PO-related developments
  - PO revenue-split by geography, industry, and client size
  - PO delivery locations
  - PO service suite
  - Quality certifications
  - Procurement-related technology capability

3

- **Ongoing buyer surveys and interactions**
  - Everest Group's **executive interview and data collection** from **20+ PO buyers**
  - The data contains the following detailed buyer perspective about PO contracts:
    - Drivers for adopting PO and assessment of service provider performance
    - The level of buyer satisfaction and the underlying reasons

Service providers covered in the analysis

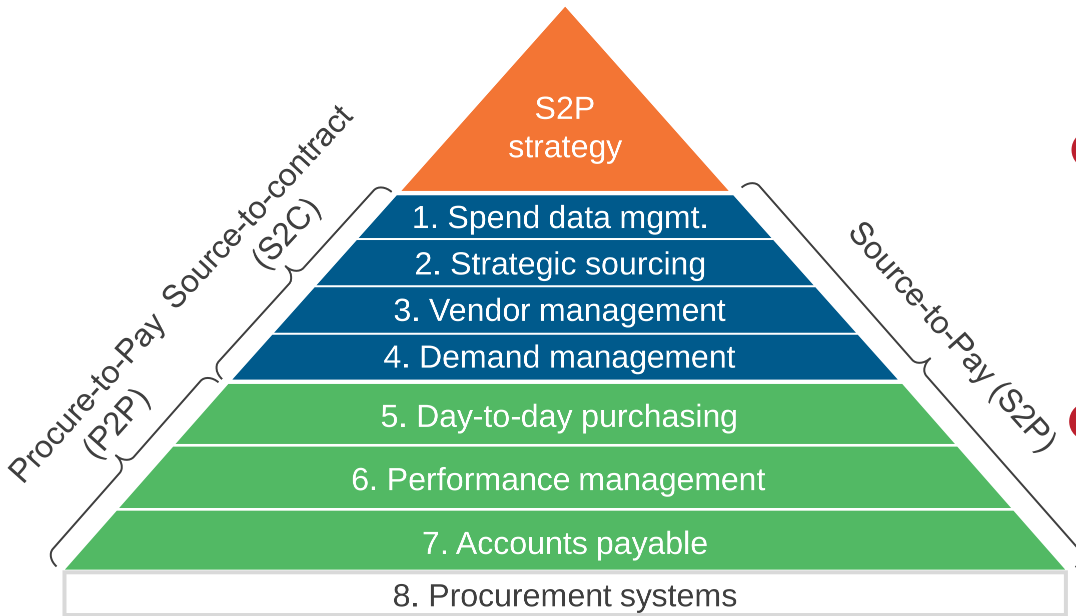
accenture, AEGIS, aquanima, Capgemini, CORBUS, DSSI, GENPACT, gep, HCL, HCMWORKS, hp, IBM, Infosys, Optimum, Procurian, Proxima, TATA CONSULTANCY SERVICES, WIPRO, WNS, Xchanging, xerox

Note: Accenture acquired Procurian in October 2013 while this report is based on market activity till December 2012. As a result, this report covers Accenture and Procurian as two separate service providers but provides Everest Group's initial perspective on the implications of the acquisition for the PO market

The Source-to-Pay (S2P) process spans the entire procurement function

Strategy (done in-house)
- Mission/corporate strategy
- Business strategy
- Geographic strategy
- Technology strategy

Procurement pyramid (non-core spend)



Strategy
Judgment-intensive
Transaction-intensive

1 **Spend data management**
- Baseline analysis
- Data "cube" construct
- Opportunities definition

2 **Strategic sourcing**
- Sourcing strategy
- Vendor selection
- Contracting
- Sourcing implementation
- Category management

3 **Vendor management**
- Vendor relationship management
- Contract administration
- Service level/standards monitoring

4 **Demand management**
- Specifications/standards
- Transformation/change management
- Process and systems implementation

5 **Day-to-day purchasing**
- Approval workflow
- Material requisition
- Purchase order
- Expediting/ troubleshooting
- Material/invoice receipt
- Invoice payment

6 **Performance management**
- Financial performance
- Compliance management
- Policies and procedures
- Performance and results reporting

7 **Accounts payable**
- Master data maintenance
- Process payment request
- T&E claims processing
- EDI/P-card administration
- Month-end closing
- Vendor inquiries
- Reporting

8 **Procurement systems**
- E-auctions
- Catalog management
- Solution hosting

Source: Everest Group (2013)

Overview and abbreviated summary of key messages

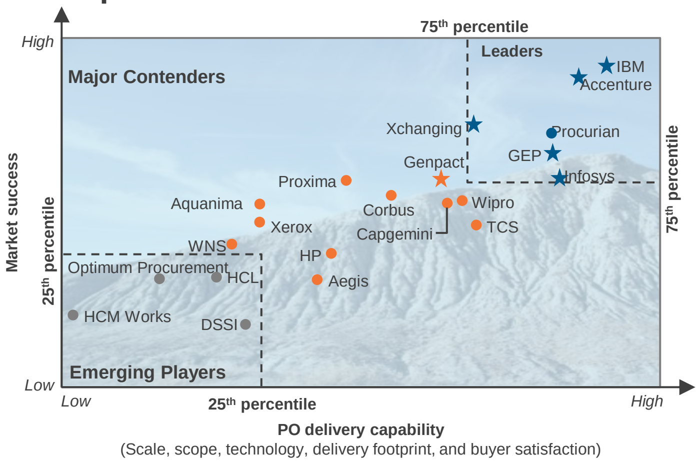
This report examines the global PO service provider landscape and its impact on the PO market. It focuses on service provider position and growth in the PO market, changing market dynamics and emerging service provider trends, and assessment of service provider delivery capabilities. It also identifies the key implications of the research findings for buyers and service providers.

Some of the findings in this report are:

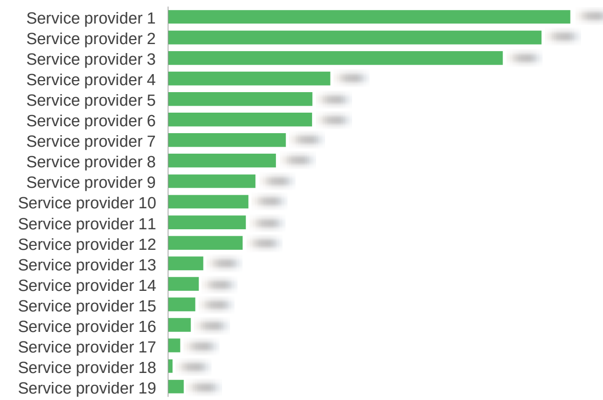
Everest Group PEAK Matrix for PO	• Based on Everest Group's comprehensive evaluation framework, PEAK Matrix, the 20+ established PO service providers evaluated are segmented into three categories – Leaders, Major Contenders, and Emerging Players • There are now six service providers in the Leaders category with three 2012 Major Contenders becoming the Leaders on 2013 PEAK Matrix
2013 PO Star Performers	• Everest Group identified six service providers as the "2013 PO Market Star Performers" based on the relative year-on-year movement of each service provider on the PEAK Matrix – Accenture, Genpact, GEP, IBM, Infosys, and Xchanging
Service provider delivery capability assessment	• We assessed the overall PO capability of service providers by evaluating them along six dimensions – 2012 market success and wins, scale, scope, technology, delivery footprint, and buyer satisfaction levels. • Leaders continue to maintain **a** lead over Major Contenders and Emerging Players
Emerging service provider trends	• **Due to** the rising competitive intensity in the market, PO service providers made significant strategic investments across various dimensions to differentiate themselves

This study offers four distinct chapters providing a deep dive into key aspects of PO service provider landscape; below are four charts to illustrate the depth of the report

Everest Group PEAK Matrix for PO



Global PO service provider market share



Service provider assessment parameters – Technology

Service provider	Tie-and-run	Augmentation	Platform
Service provider 1	XX-XX%	XX-XX%	XX-XX%
Service provider 2	XX-XX%	XX-XX%	XX-XX%
Service provider 3	XX-XX%	XX-XX%	XX-XX%
Service provider 4	XX-XX%	XX-XX%	XX-XX%
Service provider 5	XX-XX%	XX-XX%	XX-XX%
Service provider 6	XX-XX%	XX-XX%	XX-XX%
Service provider 7	XX-XX%	XX-XX%	XX-XX%
Service provider 8	XX-XX%	XX-XX%	XX-XX%
Service provider 9	XX-XX%	XX-XX%	XX-XX%
Service provider 10	XX-XX%	XX-XX%	XX-XX%
Service provider 11	XX-XX%	XX-XX%	XX-XX%

Emerging service provider trends

Top 10 investment themes in PO

1. Contract renewals
2. Emerging geographies – APAC, LATAM, and MEA
3. Upstream strategic sourcing capability
4. BPaaS / cloud offerings
5. Direct spend / MRO
6. Tail-end spend management
7. Low Cost Country Sourcing (LCCS)
8. Analytics
9. Integrated F&A and procurement offerings
10. Expansion into broader supply chain

Source: Everest Group (2013)

PO research calendar

Published | Current

Topic	Release date
PO – Annual Report 2013: Expertise and Technology Driving Growth	June 2013
Webinar Deck: Next Generation of BPO Relationships	June 2013
Managed Service Provider (MSP) – Mastering the Winds of Change	October 2013
Source-to-Contract (S2C) Outsourcing – Significant Value Potential but Difficult to Implement	October 2013
SMAC in PO – How SMAC can Unlock Additional Value in PO Services	October 2013
PO – Service Provider Landscape with PEAK Matrix Assessment 2013	October 2013
PO – Service Provider Profile Compendium 2013	Q4-2013
Role of analytics in BPO	Q4-2013
Growth of Horizontal BPO in Latin America	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. **Procurement Outsourcing (PO) – Annual Report 2013: Expertise and Technology Driving Growth** (EGR-2013-1-R-0889); 2013. This report provides an overview of the overall PO market in 2012, including its size & growth, adoption trends, contract characteristics, value proposition, service provider landscape, and market outlook for 2013

2. **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

3. **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

4. **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

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

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From **insight** to ***action***.

At a glance

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