Procurement Outsourcing (PO) – Service Provider Landscape with PEAK Matrix™ Assessment 2014

Procurement Outsourcing (PO)
Market Report: September 2014 – Preview Deck

EGR-2014-1-PD-1215

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1 Banking, financial services, and insurance

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Everest Group RESEARCH

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Background and methodology of the research

Background of the research

The global multi-process PO market witnessed robust growth of 12% in 2013. Both inorganic and organic factors contributed equally to the growth with a record number of new deal signings. The PO service provider landscape is evolving, as players continually enhance their capabilities to grab new opportunities. They are focussing on various innovative strategies to create differentiation in an increasingly competitive market. Numerous themes have emerged against this backdrop such as focus on Mergers & Acquisitions (M&A) to gain competitive edge, pursuit of opportunities in HRO+PO overlap, and technological advancements in cloud and mobility.

In this research, we analyze the PO service provider landscape across various dimensions:

- PO service provider landscape overview
- 2014 PO PEAK Matrix and Star Performers
- Service provider delivery capability assessment
- Emerging service provider trends

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 900 multi-process PO deals signed as of 2013, 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 19 PO service providers with multi-process capability, including Accenture, Aegis, Aquanima, Capgemini, Corbus, Genpact, GEP, HCL, HCMWorks, HP, IBM, Infosys, Optimum Procurement, Proxima, TCS, Tech Mahindra, Wipro, WNS, and Xchanging

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

1

- Everest Group's proprietary database of **900+ 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 Total Contract Value (TCV), Annualized Contract Value (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 19+ 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

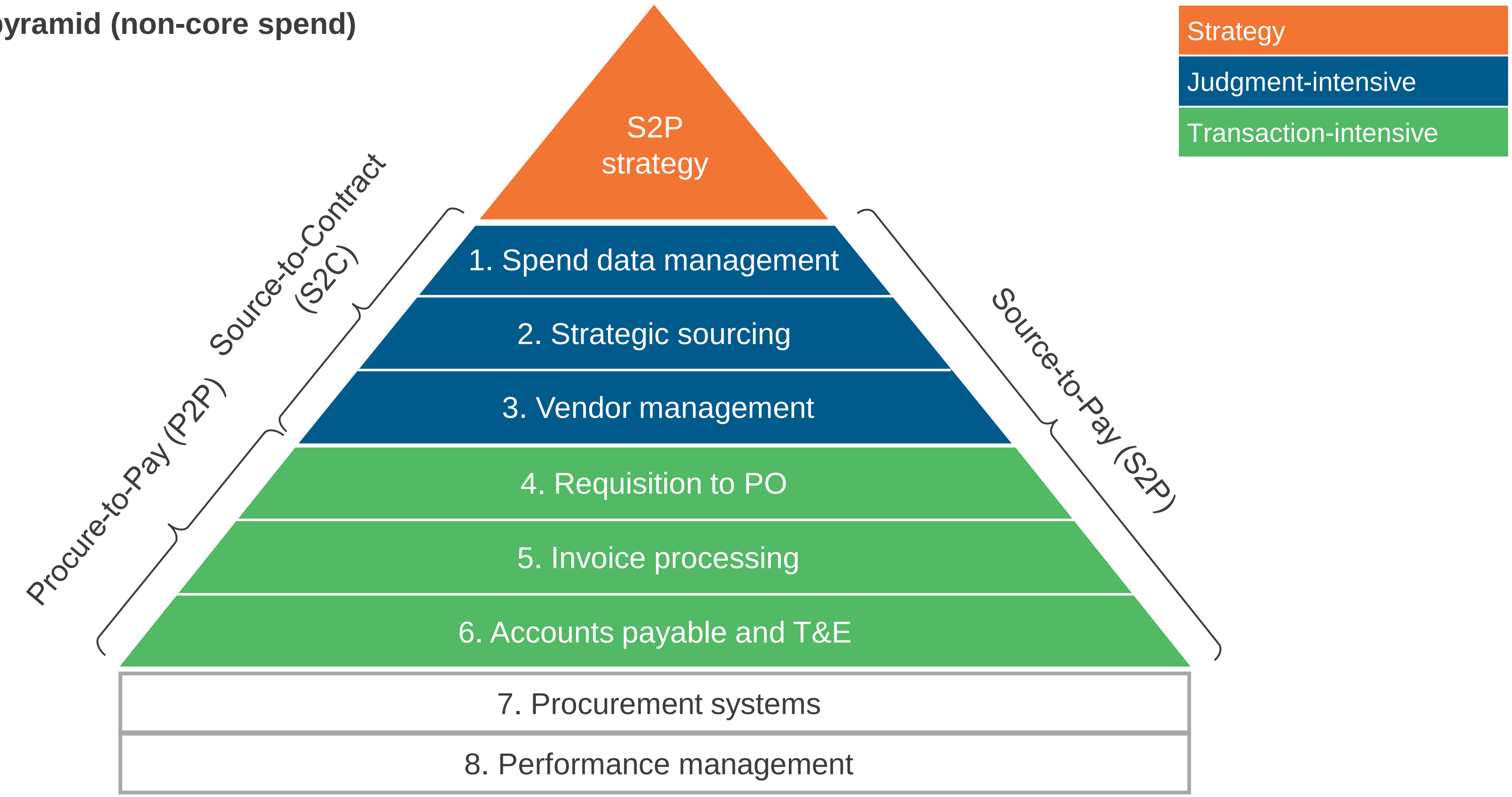
3

- **Buyer surveys and interactions**
  - Everest Group's **executive interviews and data collected** from **various buyers**
  - The data contains detailed buyer perspective on PO contracts, specifically on:
    - 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

Everest Group distinguishes between the Source-to-Contract (S2C) and Procure-to-Pay (P2P) processes

Procurement pyramid (non-core spend)



- Everest Group's analyses include multi-process PO contracts with a minimum of three procurement processes, over US$1 million in ACV, and a minimum contract term of three years. Typically, the managed spend is greater than US$50 million
- Everest Group's analyses include all multi-process PO contracts signed as of 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.

Some of the findings in this report are:

PO Service Provider Landscape overview

- The service provider landscape of PO is top-heavy with 80% share dominated by the top six providers
- Accenture and IBM alone account for over 50% of the market. After acquiring Procurian, Accenture has the highest share in the market
- GEP, Xchanging, and Infosys trail the global majors and provide stiff competition. Their combined share increased from 14% in 2011 to 20% in 2013

2014 PO PEAK Matrix and Star Performers

- Everest Group classifies 19 PO service providers on the Everest Group's proprietary PEAK Matrix framework into:
  - Leaders: Accenture, GEP, IBM, Infosys, and Xchanging
  - Major Contenders: Aegis, Aquanima, Capgemini, Corbus, Genpact, HCMWorks, HP, Proxima, TCS, Tech Mahindra, Wipro, and WNS
  - Emerging Players: HCL and Optimum Procurement
- Based on YoY movement of different service providers on the PEAK Matrix, Everest Group identified five service providers as the "2014 PO Market Star Performers" – Accenture, GEP, HCMWorks, Infosys, and Xchanging

Overview and abbreviated summary of key messages

Service provider delivery capability assessment

- We assessed the overall PO capability of service providers by evaluating them along six dimensions – market success, scale, scope, technology, delivery footprint, and buyer satisfaction levels
- Leaders outperform other players across nearly all the metrics assessed. They are further consolidating their position in the PO space
- Major Contenders, who also happen to be competing with Leaders at a certain level, are also bearing the brunt of the heightened competition. They are steadily ramping up their capabilities or improvising strategies to remain competitive in the arena

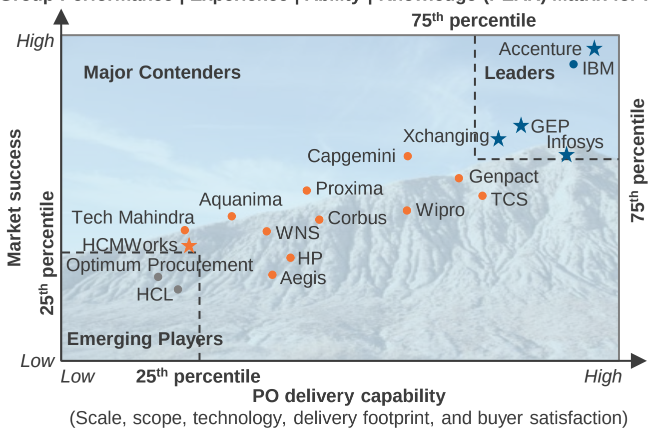
Emerging service provider trends

- Evolving market strategies, focus on M&A/partnerships, pursuing PO+HRO opportunities, advancements in cloud and mobility, and focused technological investments are some of the emerging service provider trends

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

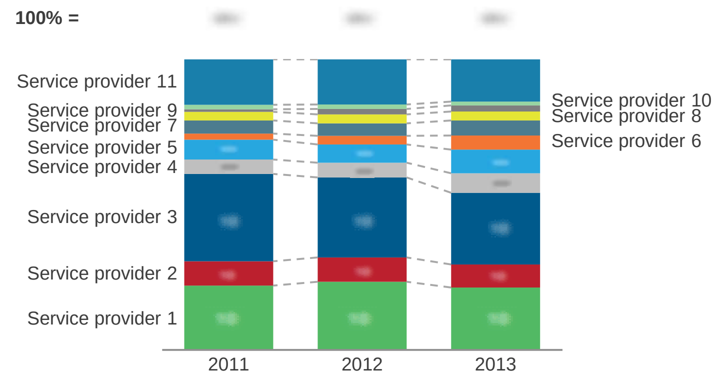
Everest Group PEAK Matrix for PO

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for PO



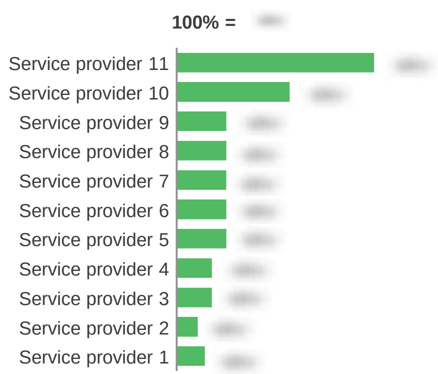
Global PO service provider market share

PO service provider market share
ACV in US$ billion



Service provider assessment parameters – market success

New multi-process contracts signed in 2013
Number of new contracts



Emerging service provider trends

Source: Everest Group (2014)

PO research calendar

Published | Current

Topic	Release date
Growth of Horizontal BPO in Latin America across FA, HR, and Procurement	February 2014
Betting on Tail Spend to Save Coin	March 2014
Business Case for Procurement and HR Collaboration	April 2014
Procurement Outsourcing (PO) – Annual Report 2014: Expanding New Horizons	June 2014
Procurement Outsourcing (PO) – Service Provider Landscape with PEAK Matrix™ Assessment 2014	September 2014
PO – Service Provider Profile Compendium 2014	Q3-2014
Evaluation of BPaaS Solutions for FAO/PO	Q3-2014
Procure-to-Pay (P2P) – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
SCM BPO – Service Provider Landscape with PEAK Matrix Assessment 2014	Q3-2014
PO Service Provider Landscape for Europe with PEAK Matrix Assessment	Q4-2014
SCM BPO Market Report	Q1-2015
SCM BPO – Service Provider Profile Compendium	Q1-2015
PO – Annual Report 2015	Q2-2015

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, which may be of interest

1. **Business Case for Procurement and HR Collaboration** (EGR-2014-1-R-1098); 2014. In the current, challenging economic environment, taking an integrated Human Resource Outsourcing (HRO) and Procurement Outsourcing (PO) approach can reap significant benefits. An integrated approach to HRO and PO can ensure that the operational expertise on the HR side is effectively combined with the sourcing and vendor management expertise on the procurement side to unlock the full value of outsourcing. However, there are organizational, operational, and technological challenges that the companies need to manage while pursuing an integrated approach

2. **Betting on Tail Spend to Save Coin** (EGR-2014-1-R-1076); 2014. Cost reduction has always been a prime concern for organizations across the globe. Today's increasingly stringent economic environment is further aggravating it, and pushing organizations to maximize savings from their cost base. In the past, traditional techniques of spend management have been instrumental in driving cost savings in procurement. Organizations started with optimizing direct spend and then, over time, moved to indirect spend as well. Tail-end Spend Management (TSM) can assist organizations to optimize this left-over spend and drive incremental savings of up to 15 to 17% on the addressable cost base

3. **Procurement Outsourcing (PO) – Annual Report 2014: Expanding New Horizons** (EGR-2014-1-R-1123); 2014. This report will assist key stakeholders (buyers, service providers, and technology providers) understand the changing dynamics of the PO market and help them identify the trends and outlook for 2014. In this backdrop, the report provides comprehensive coverage of the global PO market, including detailed analysis of market size and growth, buyer adoption trends, PO value proposition, solution characteristics, and service provider landscape

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

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At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
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- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

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