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RESEARCH

Procurement Outsourcing (PO) Annual Report 2019: Evolving Imperatives for Procurement and What a Chief Procurement Officer (CPO) Should do to Remain Relevant

Procurement Outsourcing
Annual Report – July 2019: Complimentary Abstract / Table of Contents

EGR-2019-22-R-3245

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- Market Vista™
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

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Membership information

- This report is included in the following research program(s)
  - Procurement Outsourcing (PO)
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Custom research capabilities

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

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Background and methodology of the research

Background of the research

The global multi-process Procurement Outsourcing (PO) market is expected to witness a growth of 11-12% during 2018-2020 to reach US$3.6 billion in size by 2020. The growth is primarily driven by signing of large number of transformation deals, scope expansion of existing contracts with greater leverage of digital levers, and increasing focus of service providers on their consulting services to win BPS work. The market has also witnessed the focus of Chief Procurement Officer (CPO) expanding beyond driving down the overall spend and operating costs to delivering more strategic value to the larger enterprise, leveraging both technological solutions and supplier-enabled innovation. As a result, buyers are demanding more from service providers, who are looking for ways to meet these evolving business requirements and create differentiation in the market.

In this research study, we analyze the global HRO service provider landscape and its impact on the HRO market. We focus on:

- Key emerging themes
- Market overview
- Buyer adoption trends
- PO service provider landscape, covering service providers' market share across industry, geography, and buyer size

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 1,500 multi-process PO deals signed as of 2018, with a minimum of three procurement processes, over US$1 million in ACV, and a minimum contract term of three years
- Coverage across 16 PO service providers with multi-process capability, namely Accenture, Aegis, Aquanima, Capgemini, Chain IQ, Cognizant, Corbus, Exela Technologies, Genpact, GEP, HCL, IBM, Infosys, TCS, Wipro, and WNS

Overview and abbreviated summary of key messages (page 1 of 2)

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 2018-2020. In this backdrop, the report provides comprehensive coverage of the global PO market including detailed analysis of market size & growth, buyer adoption trends, key emerging themes, and service provider landscape.

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

Key emerging themes

- Focus of CPO is expanding beyond driving down the overall spend and operating costs to delivering more strategic value to the enterprise
- Factors such as talent shortage, increased digitalization, competition, and geopolitical risks are impacting procurement and the role of the CPO is changing to keep abreast with these evolving themes
- CPOs need to redesign current processes and streamline them as per the evolving digital landscape
- They also need to implement digital levers such as Robotic Process Automation (RPA), analytics, and AI to drive efficiencies, cost savings, and enhance customer experience
- With the evolving digital landscape, there is also a need to realign hiring and training strategies to keep the talent pool updated
- Key metrics used for measuring success (KPIs and SLAs) also need to be revised in order to focus more on outcome-based business metrics to keep in line with the evolving digital landscape

Market overview

- The multi-process PO market is expected to witness a growth rate of 11-12% during 2018-2020 to reach US$3.6 billion in size by 2020
- Global growth dynamics vary significantly, with North America continuing to lead the market and emerging geographies such as Asia Pacific (APAC), Latin America (LATAM), and Middle East and Africa (MEA) witnessing the highest Year-on-Year (YOY) growth in 2018
- Emerging buyer segments including energy & utilities, healthcare & pharma, and media have witnessed high growth over the last one year from increased new deal signings in mature geographies in 2018

Overview and abbreviated summary of key messages (page 2 of 2)

Buyer adoption trends

- Percentage of contracts with P2P focus is increasing, which is driven by more first-generation outsourcing buyers looking for external support in managing transactional work
- Competitive bidding continues to remain the most popular sourcing method, with more buyers leveraging an advisor-led approach to maximize the value delivered by service providers
- Penetration of hybrid pricing models is increasingly driven by leverage of next-generation levers (such as RPA and AI) by service providers to bring more value as well as to drive further efficiencies and cost savings
- Share of onshoring has slightly declined, primarily due to the decrease in the number of S2C-focused deals signed in 2018. Offshoring and nearshoring still remain the dominant delivery models
- Buyers are increasingly focusing on business impact, apart from cost and operational impact. The importance placed on provider proactiveness and innovation is also increasing

Service provider landscape

- Everest Group classified 16 PO providers on the PEAK Matrix. Leaders – Accenture, GEP, IBM, & Infosys; Major Contenders – Capgemini, Chain IQ, Cognizant, Corbus, Exela Technologies, Genpact, HCL, TCS, Wipro, and WNS; Aspirants – Aegis and Aquanima
- The market is dominated by a limited set of players. Accenture, IBM, and GEP continue to command more than 50% share of the market
- Each geography and vertical has a different set of leading service providers in terms of market share. Accenture is the only service provider to appear in the top five service providers across all regions and industries

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Everest Group's PO process map encompasses the entire Source-to-Pay (S2P) value chain

Procurement pyramid (non-core spend)

Strategy

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

Judgment intensive

Spend data management
- Baseline analysis
- Data "cube" construct
- Opportunities' definitions

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

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

Source-to-Contract (S2C)

Transaction intensive

Requisition to PO
- Approval workflow
- Material requisition
- Purchase order
- Expediting/troubleshooting

Invoice processing
- Material/invoice receipt
- Invoice payment

Accounts payable and T&E
- Master data maintenance
- Process payment request
- Travel and Expense (T&E) claims processing
- Purchase-card administration
- Month-end closing
- Vendor inquiries
- Reporting

Procure-to-Pay (P2P)

S2P

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

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

Beyond the process dimension, PO contracts also have a "procurement-spend category" one

👍 High prevalence of third-party outsourcing

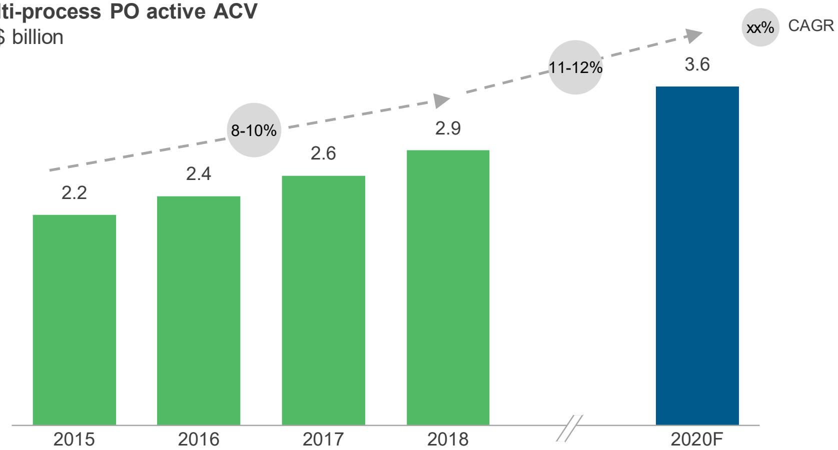
👎 Low prevalence of third-party outsourcing

			Source-to-Pay (S2P) cycle	
			Source-to-Contract (S2C)	Procure-to-Pay (P2P)
Direct spend	**Core spend**	• Goods and services that are key to manufacture/deliver the final product/service • They are proprietary or specific to the organization • For example: Iron ore for a steel manufacturer and rubber for a tire manufacturer	👎	👍
Direct spend	**Non-core direct spend**	• Goods and services that are commonly required to manufacture/deliver the final product/service • They are commodities in that industry • For example: Lubricants, packaging, and Maintenance, Repair, & Overhaul (MRO)	👍	👍
Indirect spend	**Non-core spend**	• Non-production goods and services that are not required to manufacture/deliver the final product/service, but are required to operate the organization • For example: Spend categories such as facilities, office supplies, travel & logistics, marketing-/sales-related spend, and IT/telecom	👍	👍

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

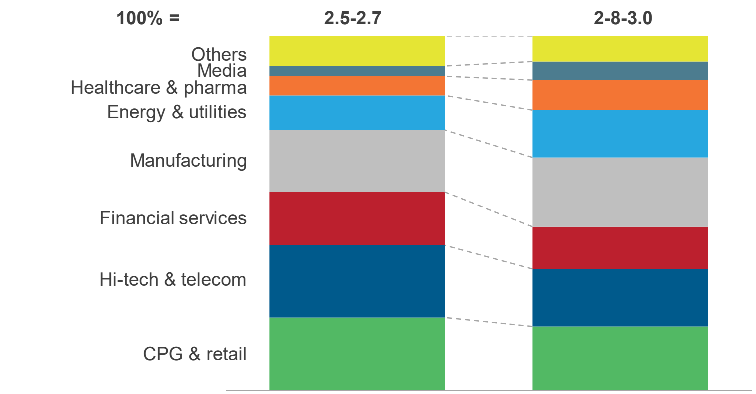
Market growth

Multi-process PO active ACV
US$ billion

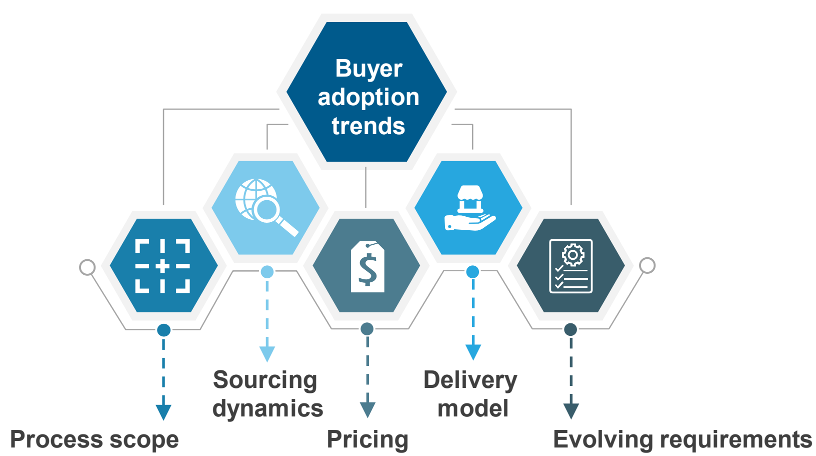


PO adoption by buyer industry

Distribution of active PO contracts by buyer industry
ACV in US$ billion



Buyer adoption trends



Factors impacting the CPOs roles and responsibilities

Research calendar – Procurement Outsourcing (PO)

Published | Planned | Current release

Flagship PO reports	Release date
Procurement Outsourcing (PO) BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	March 2018
Supply Chain Management (SCM) BPO – Annual Report 2018: Moving Toward a Digital Supply Chain Ecosystem	July 2018
Procurement Outsourcing (PO) Annual Report 2018: Driving Strategic Value from Procurement	September 2018
Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019	April 2019
Procurement Outsourcing (PO) Annual Report 2019: Evolving Imperatives for Procurement and What a Chief Procurement Officer (CPO) Should do to Remain Relevant	**July 2019**
Procurement Outsourcing (PO) Service Provider Compendium 2019	July 2019
SCM Service Provider Landscape with PEAK Matrix Assessment 2019	Q4 2019

Thematic PO reports	
Understanding Strategic Sourcing and its David and Goliath Landscape	November 2018
Is It Time to Outsource Direct Spend Categories?	February 2019
Journey Toward Integrated Supply Chain Management	June 2019
Procurement Outsourcing (PO) Buyer Report 2019	July 2019
Looking Beyond Order Management – the Emergence of Perfect Order	Q3 2019
CPO vs CFO – Expectations vs Reality	Q3 2019
SCM Blockchain Trailblazers	Q3 2019

Note: For a list of all of our published PO reports, please refer to our website page

Additional PO research references

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

1. **Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019** (EGR-2019-22-R-3143); 2019. This report examines the dynamics of the global PO service provider landscape and its impact on the PO market. Based on the comprehensive Everest Group PEAK Matrix, each of the 16 PO service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also provides key insights into service provider position & growth in the market, changing market dynamics, and assessment of service provider delivery capabilities. It will assist key stakeholders (service providers, buyers, and technology providers) understand the current state of the PO service provider landscape.

2. **Procurement Outsourcing (PO) Annual Report 2018: Driving Strategic Value from Procurement** (EGR-2018-22-R-2778); 2018. This report will assist key stakeholders (buyers, service providers, and technology providers) in understanding the changing dynamics of the PO market and help them identify the trends and outlook for 2018-2020. In this backdrop, the report provides comprehensive coverage of the global PO market including detailed analysis of market size & growth, buyer adoption trends, key emerging themes, solution characteristics, and service provider landscape.

3. **Supply Chain Management (SCM) BPO – Annual Report 2018: Moving Toward a Digital Supply Chain Ecosystem** (EGR-2018-22-R-2704); 2018. This report examines the global 2017 SCM BPO market. It will assist key stakeholders (buyers, service providers, and technology providers) in understanding the changing dynamics of the SCM BPO market and help them identify the trends and outlook for 2017-2018. The report provides comprehensive coverage of the global SCM BPO market including a detailed analysis of state of the market, SCM BPO market size & adoption trends, and service provider landscape

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

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Everest Group®

About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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