



Topic: Supply Chain Management (SCM) BPO – Beyond Procurement Outsourcing (PO)

Procurement Outsourcing (PO)
Market Report – March 2013 – Preview Deck

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Background and methodology of the research

Background of the research

Traditionally outsourcing of supply chain functions is centered around sourcing and procurement of indirect goods and services or Procurement Outsourcing (PO). However, as the PO market continues to mature, organizations are beginning to realize the potential benefits of outsourcing other supply chain functions such as order management and fulfillment, logistics, inventory management, returns management, and master data management. The value proposition of Supply Chain Management (SCM) BPO expands beyond cost reduction, as it can lead to creation of favorable business outcomes around activities such as inventory management, efficient cash flow management, and customer/vendor experience.

This study 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.

In this study, we analyze the SCM BPO market across various dimensions:

- Market overview and key business drivers
- Buyer adoption trends and solution characteristics
- Service provider landscape

Scope of the study and sources of information:

- The scope of this report is third-party SCM BPO and does not include coverage of shared services / Global In-house Centers (GICs)
- Key exclusions
 - Outsourcing of sourcing and procurement processes: Covered separately under [Everest Group's PO offering](#)
 - Outsourcing of manufacturing processes: Primarily associated with contract manufacturing and are not classified as BPO services
 - Outsourcing of logistics and warehousing operation to third-party logistics and warehousing service providers

Table of contents (page 1 of 2)

Topic	Page no.
Background and methodology	5
Summary of key messages	7
Section I: Market overview and key business drivers	11
• Summary	12
• Definition and process map	13
• Market size and growth	16
• Value proposition of SCM BPO	18
• Scale and maturity of SCM BPO	19
• SCM BPO challenges and best practices	22
Section II: Buyer adoption trends and solution characteristics	23
• Summary	24
• Buyer adoption trends and approach	25
• SCM BPO solution characteristics	28
– Process scope	28
– Global sourcing	29
– Technology	30
– Pricing	31
– Performance metrics	32

Table of contents (page 2 of 2)

Topic	Page no.
Section III: Service provider landscape	33
• Summary of service provider capabilities	34
• Detailed service provider profiles	35
– Capgemini	35
– Genpact	39
– HCL	43
– Infosys	47
– TCS	51
Appendix	54
• Glossary of terms	55
• PO research agenda	57
• Additional research references	58

Overview and abbreviated summary of key messages

This report provides a comprehensive coverage of the SCM BPO market and gives insights into the key trends that are shaping the SCM BPO market. It provides an understanding of the business value, market size & growth, adoption trends, solution characteristics and profiles five BPO service providers with robust SCM BPO capabilities.

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

Market overview, value proposition and key challenges

- SCM BPO witnessed a growth of over 10% during 2009-2011
- SCM BPO has a strong cost+ value proposition. It enables enterprises to address several business pain-points such as inefficient cash-flow management, delays in order-to-deliver, high inventory carrying costs, and customer dissatisfaction due to inefficient after-sales services
- SCM BPO poses various unique challenges as it covers the entire product life cycle. These include cross-functional dependencies, fragmented technology landscape, direct exposure to the end customer, and lack of a mature service provider landscape

Buyer adoption trends

- Adoption of SCM BPO is higher in organizations where the supply chain is defined around “product” life cycle as compared to “services” life cycle

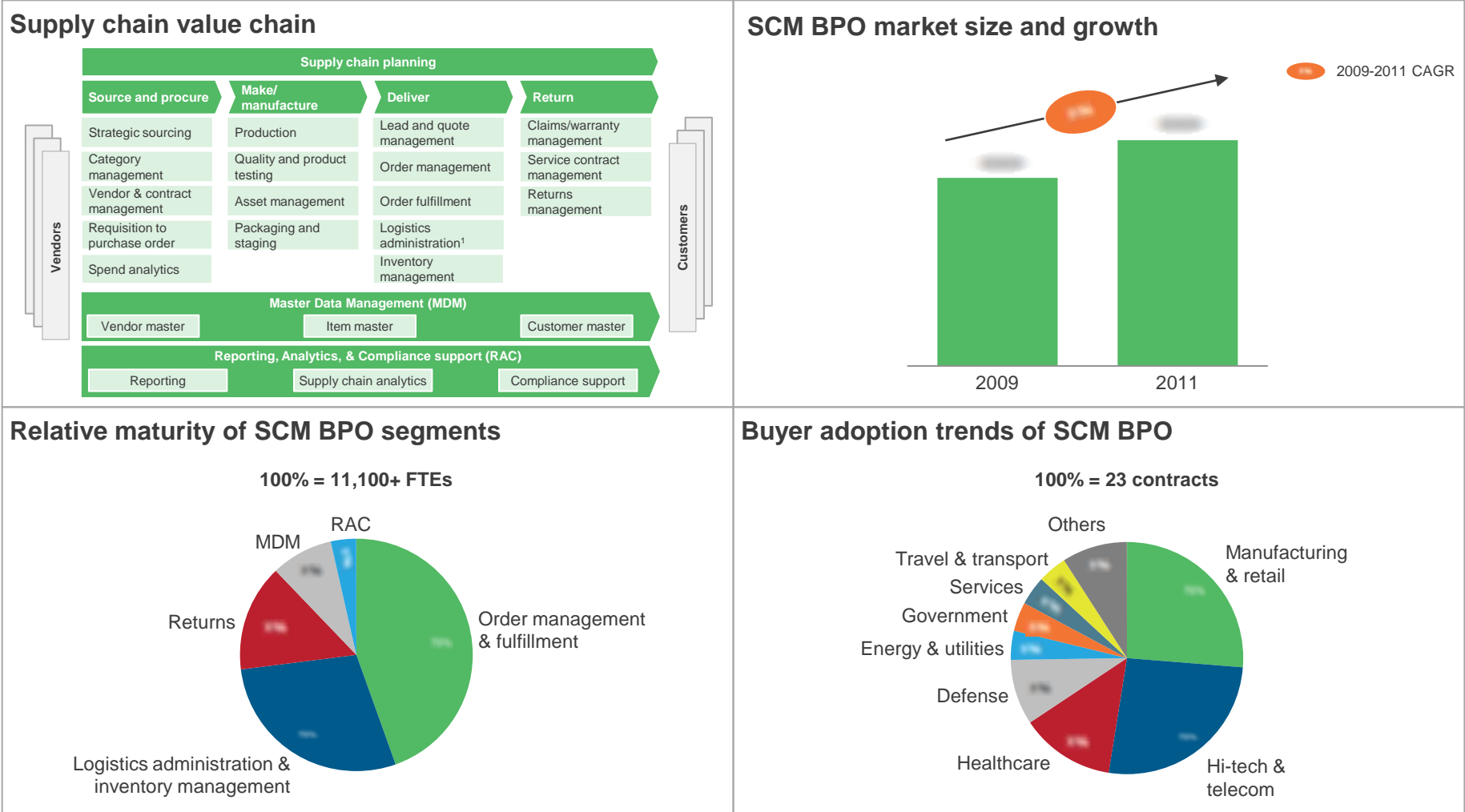
Solution characteristics

- Offshoring is high in SCM. Onshore/nearshore presence exists primarily to provide language and voice support.
- Augmentation of existing technology landscape leveraging delivery/process/functional enablers is the predominant SCM BPO technology model

Service provider landscape

- The service provider landscape for SCM BPO can be divided into BPO providers and logistics specialists

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



Source: Everest Group (2013)

PO research agenda

Published Current

Topic	Release date
PO Service Provider Landscape – Investing in Building Expertise	July-2012
PO Service Provider Profile Compendium	August-2012
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
From Strategic Sourcing to Contracting – Source-to-Contract (S2C) a High Value Driver in PO	Q1-2013
PO Annual Report	Q1-2013
Sourcing Contingent Workforce – Rise of MSP model	Q2-2013
PO Service Provider Landscape	Q2-2013
PO Service Provider Profile Compendium	Q2-2013
The Rise of Procurement and HR Collaboration – Effectively Managing HR-spend	Q3-2013
Growth of Horizontal BPO in LATAM	Q3-2013
Evaluation of BPaaS Solutions for FAO/PO/HRO	Q4-2013
Tail-end Spend Management	Q4-2013

Additional PO research references

The following documents are recommended for additional insight on 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) Annual Report 2012: The PO Market – Steadily Marching Forward** ([EGR-2012-1-R-0683a](#)); 2012. This report provides comprehensive coverage of the global PO market including detailed analysis on market size and growth, buyer adoption trends, PO value proposition, contract characteristics, and service provider landscape
2. **Role of Procurement Outsourcing (PO) in Managing Direct Spend – Not so Indirect Any More** ([EGR-2012-1-R-0684](#)); 2012. This study focuses on the role of PO in managing direct spend categories. The study analyzes key differences between direct and indirect spend, market size, adoption trends, and service provider investments related to direct spend outsourcing. It also highlights the models for leveraging PO to optimize direct spend, its drivers, challenges, and best practices
3. **Order-to-Cash (O2C) Outsourcing – Creating a Top-line Impact** ([EGR-2013-1-R-0816](#)); 2013. This report provides a comprehensive coverage of the O2C outsourcing market and gives insights into the key trends that are shaping the O2C market within FAO. It provides an understanding of the business value, adoption trends, solution characteristics, and service provider capability in O2C outsourcing

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