Procurement Outsourcing (PO) – PO Service Provider Landscape for Europe with PEAK Matrix^{TM} Assessment

Procurement Outsourcing (PO)
Market Report: February 2015 – Preview Deck

EGR-2015-1-PD-1369

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- Other | Market intelligence, service provider capabilities, technologies, contract assessment

1 Banking, financial services, and insurance

Table of contents (page 1 of 2)

Table of contents (page 2 of 2)

Background and methodology of the research

Background of the research

The multi-process PO market in Europe stands at US$610 million, which is nearly one-third of the global PO market and grew at 13% Year over Year (YoY) in 2013. Europe is the second largest geography for PO after North America and the adoption trends are similar to the global PO trends. However, the service provider landscape is in stark contrast – various regional players have a more prominent standing and some of the global BPO players are yet to grab a sizable share in Europe. In the wake of an intense competition, service providers are enhancing their capabilities to grab new opportunities in Europe. This confluence of competing forces is shaping the market in various interesting ways.

In this research, we analyze the Europe PO market and its service provider landscape across various dimensions

- Overview and adoption trends in the PO market in Europe
- 2015 PO PEAK Matrix for Europe
- Service provider delivery capability assessment
- Solution characteristics of PO in Europe

The scope and methodology of this report include:

- 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 16 PO service providers with multi-process capability, including Accenture, Aquanima, Capgemini, Corbus, Genpact, GEP, 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 over **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 over 16 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

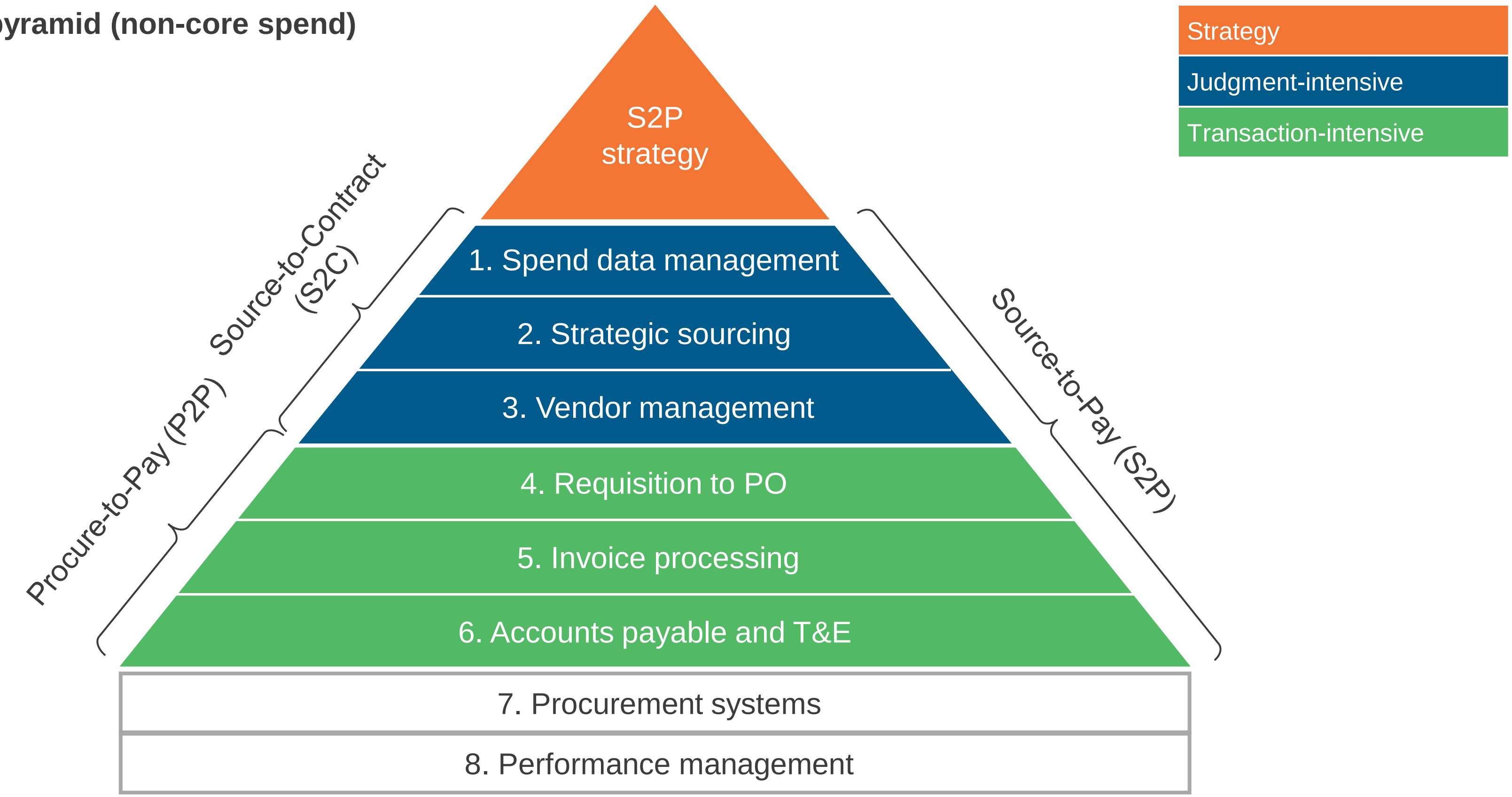
3

- **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 its 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 European PO market and its service provider landscape. It focuses on the growth and adoption trends in Europe, service provider positioning, and solution characteristics of Europe-focused PO contracts. The PEAK Matrix analysis presented in this report gauges the relative performance of service providers in Europe

Some of the findings in this report are:

Market overview and adoption trends

- The size of the PO market in Europe is ~US$600 million which is 31% of the global PO market
- United Kingdom is the largest geography within Europe with a 50% share
- Currently, the adoption of PO in Europe is largely driven by a few industries, Dominance of service providers varies by industry focus
- Accenture has the highest share in Europe followed by Xchanging and IBM

2014 PO PEAK Matrix for Europe

- Everest Group classifies 16 PO service providers on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix into the three categories of Leaders, Major Contenders, and Emerging Players
  - **Leaders:** Accenture, IBM, and Xchanging
  - **Major Contenders:** Aquanima, Capgemini, Genpact, GEP, Infosys, Optimum Procurement, Proxima, Wipro, and WNS
  - **Emerging Players:** Corbus, HP, TCS, and Tech Mahindra

Service provider delivery capability assessment

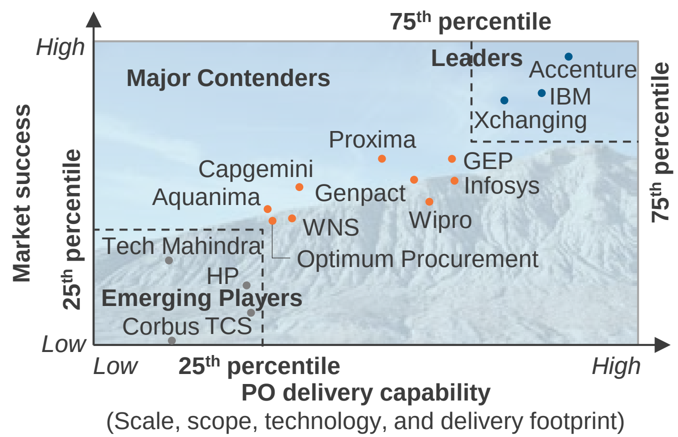
- We assessed the overall PO capability of service providers by evaluating them along six dimensions – market success, scale, scope, technology, delivery footprint, and buyer satisfaction levels
- Leaders outperform other players across nearly all the metrics assessed
- Major Contenders are providing a stiff competition to the Leaders, a few are nearly at the cusp of the Leaders quadrant

Solution characteristics of Europe-focused contracts

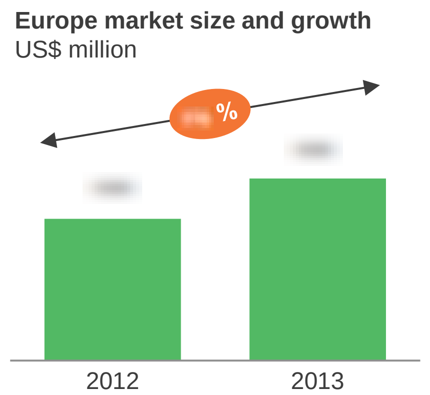
- Despite small differences, solution characteristics of PO in Europe were similar to global trends
- Most of the contracts signed in Europe are S2C in nature, similar to global contractual activity. However, category scope varies in Europe
- The sourcing model for PO in Europe is an offshore-focused delivery model for P2P processes leveraging onshore locations for S2C, especially strategic sourcing and category management

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

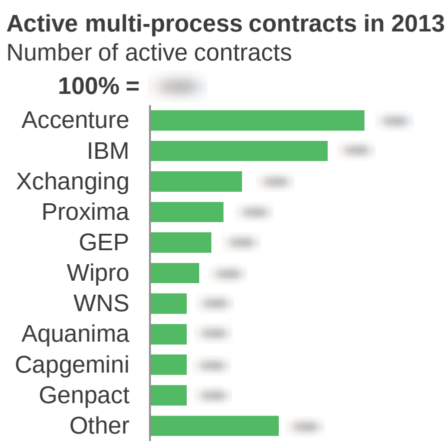
Everest Group PEAK Matrix for PO in Europe



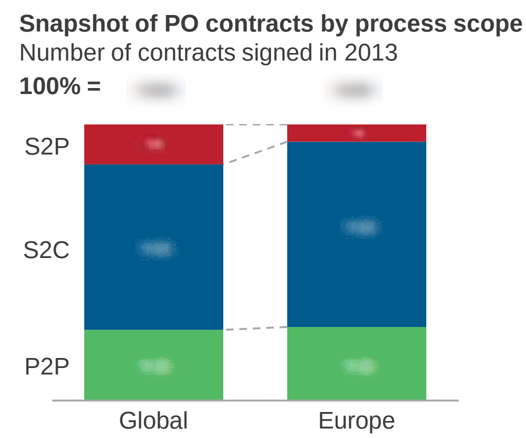
Europe PO market size and growth



Service provider assessment parameters – market success



Process scope of Europe-focused PO contracts



Source: Everest Group (2015)

PO research calendar

Published | Current

Topic	Release date
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
BPS Code of Conduct: A Shared Solution for Protecting Confidential Information	October 2014
Procure-to-Pay (P2P) – Service Provider Landscape with PEAK Matrix™ Assessment 2014	October 2014
Rising Anti-Incumbency in Outsourcing: Breaking Up Is Not Hard to Do	October 2014
Service Delivery Automation (SDA) Market in 2014 – Moving Business Process Services Beyond Labor Arbitrage	October 2014
PO – Service Provider Profile Compendium 2014	November 2014
Procurement Transformation - Driving Performance & Results Beyond the Limits of Leverage	November 2014
SCM BPO – Service Provider Landscape with PEAK Matrix™ Assessment 2014	November 2014
PO Service Provider Landscape for Europe with PEAK Matrix™ Assessment	February 2015
SCM BPO Market Report	Q1-2015
Technology in business process services (BPS) – Next step in the evolution	Q1-2015
The convergence of FAO, PO, and SCM functions	Q1-2015
Service Provider Technology Landscape – The Pecking Order	Q2-2015
PO – Annual Report 2015	Q2-2015
PO – Service Provider Landscape with PEAK Matrix™ Assessment 2015	Q3-2015

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. **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

2. **Procurement Outsourcing (PO) – Service Provider Landscape with PEAK Matrix™ Assessment 2014** (EGR-2014-1-R-1215); 2014. 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 & emerging service provider trends, and assessment of service provider delivery capabilities

3. **Procurement Outsourcing (PO) – Service Provider Profiles Compendium 2014** (EGR-2014-1-R-1299); 2014. This report provides accurate, comprehensive, and fact-based snapshots of service providers in the multi-process PO market. The study provides a detailed five-page profile of each PO service provider assessed, with a comprehensive picture of their service suite, scale of operations, recent developments & investments, technology solutions, and delivery locations. In addition, each profile provides the positioning of the service provider on the Everest Group 2014 PO PEAK Matrix with an insightful analysis of its capabilities

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

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