



Understanding Strategic Sourcing and its David and Goliath Landscape

Procurement Outsourcing (PO)

Market Report – November 2018: Complimentary Abstract / Table of Contents

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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

During 2016-2017, the global strategic sourcing BPO market grew at a CAGR of 12-17% to reach approximately US\$ 1 billion. The growth is driven by an increase in outsourcing of strategic sourcing by enterprises to leverage service providers' category expertise and digital capabilities. However, the enterprises face several difficulties when selecting a procurement provider. The key reason is that in addition to many broad based BPO players, there are several niche procurement consulting firms. The market is fast-evolving and continues to reshape with acquisitions, partnerships, and emergence of new players.

In this study, we analyze the global strategic sourcing BPO market in 2017. We focus on:

- Market overview and adoption by geography, industry, and buyer size
- Advantages and challenges to strategic sourcing adoption by enterprises
- PO service provider landscape and analysis of emergence of niche procurement consulting firm and changing service provider landscape

The scope of analysis includes:

- Third-party PO deals; it does not include shared services or Global In-house Centers (GICs)
- Coverage across 30+ broad based PO service providers and niche procurement consulting firms, namely 4C Associates, Accenture, Aegis, Aquanima, Argon Consulting, Capgemini, CenterPoint Group, CGN Global, ChainIQ, Corbus, Dragon Sourcing, Dryden Group, Efficio Consulting, Genpact, GEP, Gibson Consulting Group, HCL, IBM, Infosys, Inprova Group, Insight Sourcing Group, Optibuy, Paladin Associates, Pinnacle Sourcing, Proxima, ProcureAbility, Procure It Right, TCS, Wipro, and WNS

Note: Aegis and STARTEK have completed their merger

Overview and abbreviated summary of key messages

This report will assist enterprises in understanding the changing dynamics of provider landscape and taking informed decision while selecting service providers. In this backdrop, the report provides comprehensive coverage of the strategic sourcing market including detailed analysis of market size and growth, buyer adoption levels, advantages & challenges of strategic sourcing adoption, and service provider landscape (including the emerging niche procurement consulting firms).

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

Strategic sourcing overview

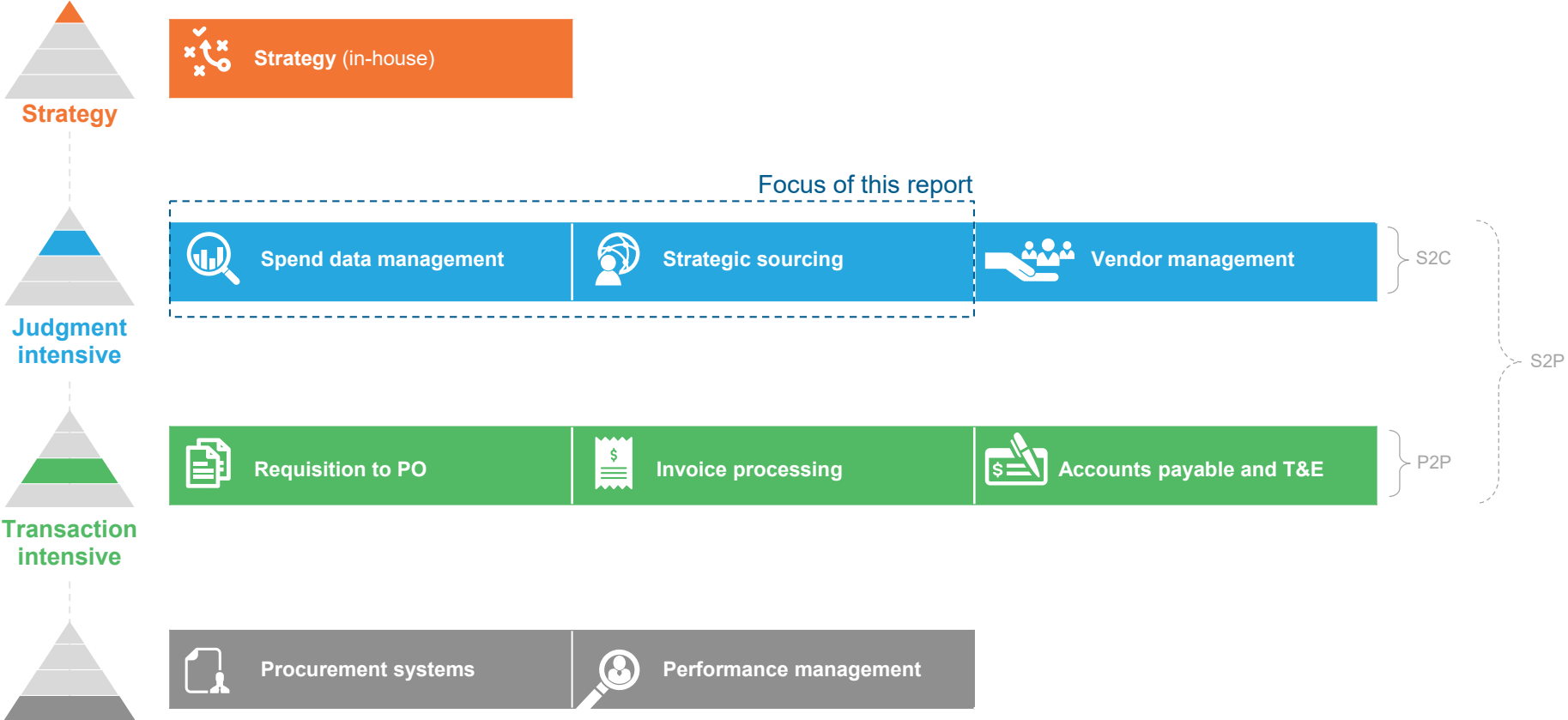
- Strategic sourcing is a process of creating a viable procurement ecosystem with the lowest total cost of ownership
- It is an elaborate, dynamic, and continuous process – requiring a lot of man hours and expertise
- It helps cut costs, streamline processes, and improve risk and compliance management
- Despite the advantages, heavy capital requirements inhibit widespread adoption due to lack of expertise, technology, and talent
- Enterprises are opting to outsource their strategic sourcing function to take advantage of the service providers' category expertise and digital capabilities. However, reasons to outsource vary significantly by the type of industry, enterprise location, and their size

Supplier Landscape

- Procurement outsourcing landscape is dominated by broad-based BPO providers
- These players vary significantly in capabilities and are constantly looking to strengthen their strategic sourcing capabilities and have made both organic and inorganic investments
- In addition to these, there are several niche procurement consulting firms in the market
- They have built different set of capabilities to focus on specific segments of the market
- We expect strategic sourcing market to continue to grow and reshape the provider landscape

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

Procurement pyramid (non-core spend)



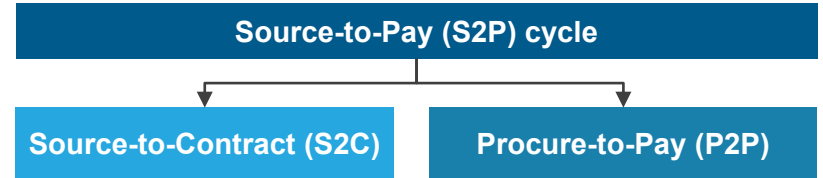
Beyond the process dimension, PO contracts also have a “procurement-spend category” dimension



High prevalence of third-party outsourcing



Low prevalence of third-party outsourcing



		Source-to-Contract (S2C)	Procure-to-Pay (P2P)
Direct spend			
Core spend <ul style="list-style-type: none"> • Goods and services that are key ingredients 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 			
Non-core direct spend <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 			

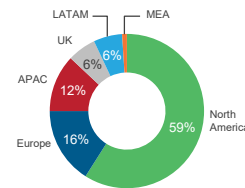
This study offers key insights on the strategic sourcing market in terms of its size, adoption, and supplier landscape; below are four charts to illustrate the depth of the report

Strategic sourcing process

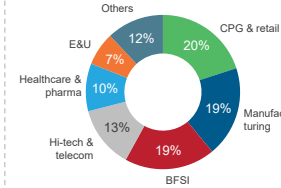


Strategic sourcing adoption

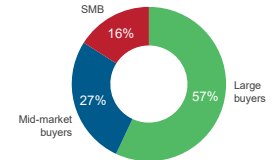
By geography



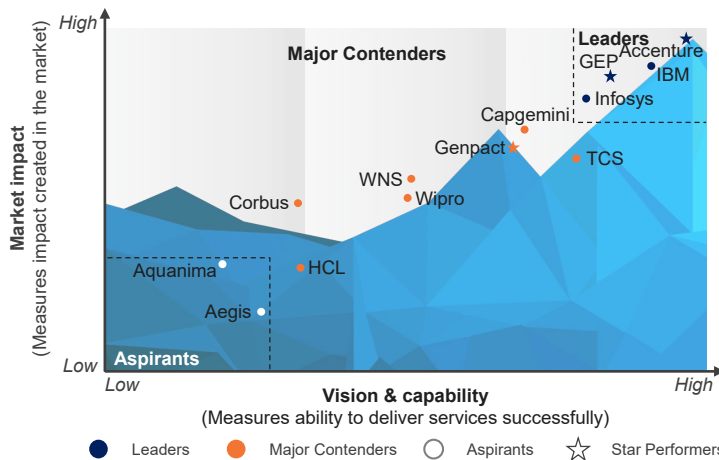
By industry



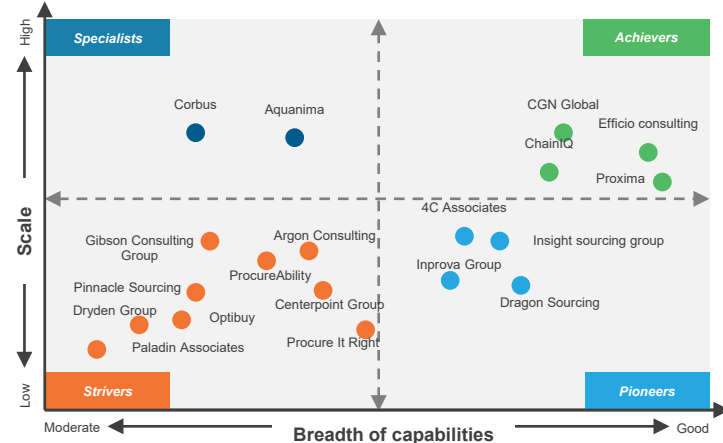
By buyer size



Everest Group PEAK Matrix™ for PO



Service provider landscape – Niche procurement firms



Research calendar – Procurement Outsourcing (PO)

Published
 Planned
 Current release

Flagship PO reports

Release date

PO Service Provider Landscape with PEAK Matrix™ Assessment 2017	June 2017
BPS Delivery Automation (BPSDA) – Service Provider Landscape with PEAK Matrix™ Assessment 2017	July 2017
Procurement Outsourcing (PO) Annual Report – 2017: Leap toward Digital Transformation	July 2017
SCM BPO Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	December 2017
Procurement Outsourcing (PO) Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	March 2018
Supply Chain Management (SCM) Annual Report – Annual Report 2018	July 2018
Procurement Outsourcing Annual Report 2018: Driving Strategic Value from Procurement	September 2018

Thematic PO reports

Release date

Unlocking Next-Generation Value through Technology-Embedded Business Process Services	July 2016
PO – Viewpoint – Procurement Analytics 3.0	February 2017
3PL or 4PL: An Increasingly Complex Decision	June 2017
The Future of Procurement in the Digital Age	March 2018
The Growing Importance of Supplier Management	June 2018
Understanding strategic sourcing and its David and Goliath landscape	November 2018
Challenges and Trends in Outsourcing Direct Spend Management	Q4 2018

Note: For a list of all PO reports published by us, please refer to our [website page](#)

Additional PO research references

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

- 1. Procurement Outsourcing (PO) BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018**
([EGR-2018-22-R-2588](#)); 2018. This report examines the global PO service provider landscape and its impact on the PO market. It focuses on service provider positions and growth in the PO market, changing market dynamics & emerging service provider trends, and assessment of service provider delivery capabilities
- 2. The Future of Procurement in the Digital Age** ([EGR-2018-22-V-2416](#)); 2018. This paper is intended for enterprise operations executives who are looking to understand the changing procurement ecosystem, its potential implications, and the challenges they must overcome to truly transform the function
- 3. Supply Chain Management (SCM) BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018**
([EGR-2017-10-R-2496](#)); 2017. This report examines the global SCM service provider landscape and its impact on the SCM market. It focuses on service provider positions and growth in the SCM market, changing market dynamics & emerging service provider trends, and assessment of service provider delivery capabilities

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

Shirley Hung, Vice President:

shirley.hung@everestgrp.com

Vatsal Gupta, Senior Analyst:

vatsal.gupta@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91 806-781-9999

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

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