Elevating Procurement's Role in the Next Normal Through Digital Enablement – Procurement Outsourcing (PO) State of the Market Report 2021

December 2020: Complimentary Abstract / Table of Contents

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- 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

Contents

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Contents

Background of the research

Global economies came to a standstill in late Q1 2020, as health and safety became the prime concern due to the COVID-19 pandemic. Ongoing impacts from the pandemic include increasing pressure on businesses to cut costs, maintain operational continuity, and drive efficiency. As organizations align their procurement goals with their strategic business agendas, they expect the procurement function to drive business outcomes such as risk management, innovation, working capital optimization, and spend visibility in addition to its more traditional cost savings responsibilities. Procurement must deliver sustainable savings, streamline processes, proactively manage risks, and drive initiatives to elevate its role to a valued business partner in the next normal. In order to achieve this, procurement is engaging with service providers to leverage advanced domain and digital capabilities in enabling their end-to-end transformation journeys. Increasing focus on digital enablement and adoption of advanced/cognitive analytics, Robotic Process Automation (RPA), and mobility solutions, as well as demand from first-time outsourcers, are fueling growth in the PO market.

In this research, we focus on:

- Procurement’s role in navigating disruption and preparing for the next normal
- Delivery of sustainable value through digital enablement of procurement
- Leveraging of service providers for procurement transformation
- PO market overview and adoption trends
- Key buyer adoption trends
- Service provider landscape

Scope of this report:

Geography
Global

Industry
All

Services
Procurement services

Everest Group PO process map

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

Procurement pyramid

Detailed description of processes within Procurement

Strategy

Strategy (in-house)
- Procurement strategy
- Function management
- Value and performance management
- Policy and governance

Judgment intensive (S2C)

Spend analytics and insights
- Spend cube
- Opportunity assessment
- Market intelligence
- Supply base risk analytics

Category management and sourcing
- Supply base strategy
- Category strategy development
- Strategic sourcing
- Tactical sourcing
- Supplier transitions

Contract management and administration
- Contract creation & authoring
- Contract administration
- Contract compliance monitoring
- Contract optimization

Supplier relationship management
- Supplier performance management
- Supplier risk and compliance management
- Supplier development
- Supplier innovation

S2C

Transaction intensive (P2P)

Requisition and PO processing
- Requisition processing
- Approval workflow
- Purchase order creation and transmission
- Receipt processing
- Expediting/troubleshooting

Accounts payable
- Invoice receipt
- Invoice processing and matching
- Payment processing
- Purchasing card administration
- Supplier inquiries
- AP reporting

Travel and expense
- Expense report processing
- Reimbursement processing
- Compliance monitoring and audit
- Travel and expense card administration

P2P

S2P

Master data management
- Catalog/item data management
- Contract data management
- Supplier information management

Overview and abbreviated summary of key messages

COVID-19 has had a wide-ranging impact on enterprises, including increasing pressure to cut costs, maintain operational continuity, and drive efficiencies. This report explores procurement's role in navigating disruption and preparing for the next normal through digital enablement. It provides comprehensive coverage of the PO market and analyzes it across various dimensions, such as market overview, adoption trends, buyer objectives, service provider landscape, and the evolving market situation.

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

Navigating disruption and preparing for the next normal

- Procurement teams are executing on strategies to optimize working capital such as enforcing budget cuts, increasing governance over maverick spend, and renegotiating with suppliers
- Good spend visibility is driving better decision-making to deliver/enable business outcomes such as controlling costs, mitigating risks, and streamlining spend management

Delivering sustainable value through digital enablement

- In order to meet rapidly evolving organizational expectations in the next normal, procurement needs to prioritize digital enablement of end-to-end S2P processes
- Significant potential exists for enterprises to automate S2P transactional processes and activities to enhance productivity and lay the groundwork for a broader digital transformation agenda
- Organizations are also prioritizing digital transformation of procurement processes that are vulnerable to outages/shutdowns to enable business continuity and resilience

PO market overview and service provider landscape

- The multi-process PO market grew ~11% to reach US$3.2 billion in 2019; despite a short dip due to the COVID-19 disruptions, steady growth is expected to continue for the next few years
- While the large buyer segment continues to dominate the market, increasing adoption among small and mid-sized buyer segments are contributing to the overall PO market growth
- Accenture, GEP, and IBM accounted for more than 30% of the market share in terms of ACV

PO buyer adoption trends

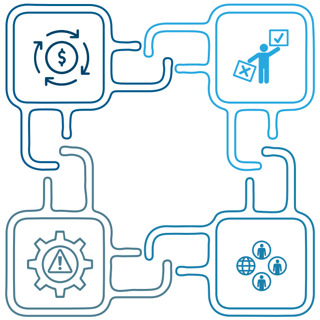
- Buyers are increasingly leveraging flexible pricing models such as hybrid pricing; COVID-19 is expected to further increase innovative pricing constructs where providers have more skin-in-the-game
- Significant gap exists between buyers' perceived importance and perception of service providers' performance in softer aspects such as relationship management, proactiveness, and innovation

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

Procurement's role in navigating disruption

Working capital optimization
Maintaining optimal cash flow is essential for the financial health of an enterprise, especially during major disruptions. Procurement, in collaboration with finance, is implementing a balanced cash strategy to ensure optimal cash flow without affecting supplier relationships during the COVID-19 crisis

Better decision-making
Procurement teams with comprehensive spend visibility across flows of money, goods, and services are helping businesses make informed decisions and drive initiatives to control costs, identify potential risks, ensure compliance, and streamline spend data management



Supplier risk management
Real-time monitoring of key suppliers during the COVID-19 disruption by procurement is helping businesses ensure timely supply of critical goods and services to ensure continuity of operations. Procurement teams are in touch with critical suppliers and have identified alternate suppliers that can be leveraged in case traditional suppliers fail to meet their commitments

Workforce flexibility and safety
Procurement is playing a key role to ensure business continuity by enabling workforce flexibility through engagements with contingent workforce providers to address fluctuating demand for skilled talent across regions impacted by the pandemic. It also procured urgent goods and services such as laptops, routers, and collaboration and productivity tools to support transition to remote working models

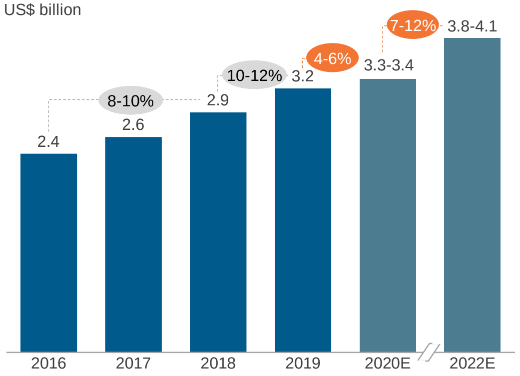
Delivering sustainable value through digital enablement

Digital levers	Key solutions	Use cases in S2P
Digitization	e-invoicing, OCR, and IDP (Intelligent Document Processing)	Automatic extraction of data from unstructured formats such as paper-based invoices
Automation	RPA (Robotics Process Automation) and workflow automation	• Automatic PO matching and validation • Automatic routing of approval workflows • Automatic processing of invoices
Analytics	Reporting/visualization, dynamic dashboarding, and predictive/prescriptive analytics	• Identification of over/duplicate payments • Fraudulent transactions/payments identification • Non-compliant claims detection
Mobility	Mobile apps, supplier portals, and chatbots	• Query resolution • Invoice status monitoring

Digital levers can also be made intelligent through infusion of AI/ML capabilities

PO market overview and service provider landscape

Multi-process PO active ACV
US$ billion



- The multi-process PO market registered a double-digit growth of ~11% to reach about US$3.2 billion in 2019 due to several factors:
  - Signing of large numbers of end-to-end transformation deals
  - Signing of new deals focusing on S2C and S2P processes
  - Adoption of digital levers and expanding scope in existing contracts
- Business disruptions, economic slowdowns, and uncertainties associated with the COVID-19 pandemic will lead to a short-term dip in growth due to factors such as:
  - Moderate to severe impact on major buyer segments such as manufacturing and CPG & retail
  - Delay in contract renewals and large-scale procurement transformation initiatives
- However, the market is expected to grow in double-digits for the next few years after this short-term disruption, driven by factors such as:
  - Accelerated shift from incremental opportunities to end-to-end modernization opportunities
  - Amplified interest among second- and third-generation outsourcers to engage with third parties in a more strategic manner

Note: Everest Group estimates market size and growth based on severity of COVID-19 impacts and buying trends observed across industries. Market size and growth forecasts do not consider potential second or third waves of COVID-19
Source: Everest Group (2020)

PO buyer adoption trends

Buyers' perceived importance: Medium-high	Buyers' perceived importance: Very high	Service provider's capabilities	Perception of service providers' performance: Very satisfactory	Perception of service providers' performance: Medium-high satisfactory
21%	79%	Process/domain expertise	71%	29%
30%	70%	Traditional technology capability	65%	35%
52%	48%	Next-generation technology capability	47%	53%
7%	92%	Relationship management	65%	35%
12%	88%	Proactiveness	38%	62%
30%	70%	Innovation	41%	59%
13%	87%	Implementation/transition management	74%	26%

1 Based on 40+ enterprise surveys and interviews conducted in 2020
Source: Everest Group (2020)

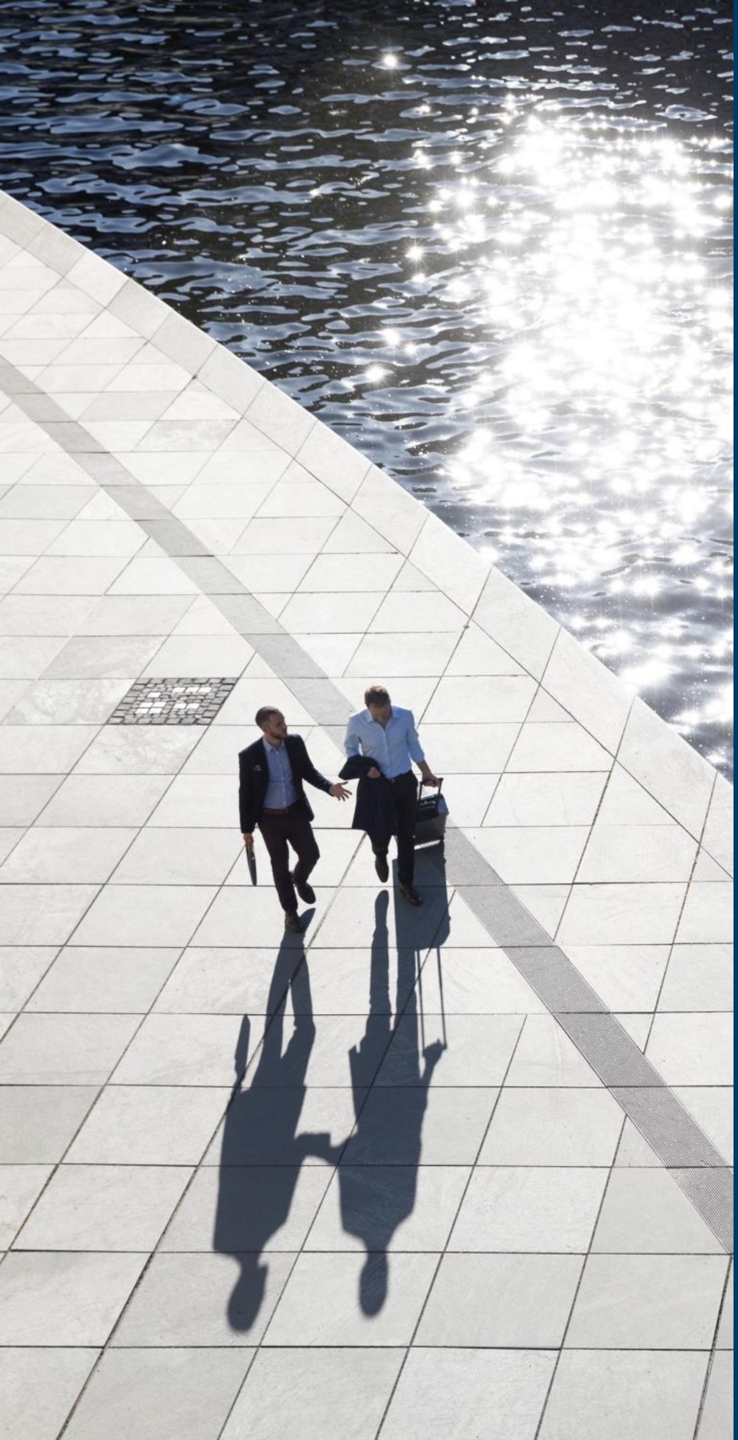
Research calendar – Procurement Outsourcing (PO)

Published | Planned | Current release

Flagship PO reports	Release date
Supply Chain Management (SCM) Business Process Outsourcing (BPO) Service Provider Compendium 2020	February 2020
Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2020	June 2020
Procurement Outsourcing (PO) – Service Provider Compendium 2020	September 2020
Supply Chain Management (SCM) BPO State of the Market Report 2020: COVID-19, A Wake-up Call for SCM	October 2020
Elevating Procurement's Role in the Next Normal Through Digital Enablement – Procurement Outsourcing (PO) State of the Market Report 2021	**December 2020**
Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	Q2 2021
Supply Chain Management (SCM) BPO – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	Q3 2021

Thematic PO reports	Release date
Business-Process-as-a-Service (BPaaS) Adoption Debunked – Current and Future Direction	September 2019
Application of Blockchain in Supply Chain Management – A Trailblazer Analysis	October 2019
Unlocking Digital Category Management	March 2020
Weaving a Customer-centric Supply Chain Through Effective After-sales Services	July 2020
Future-proofing Supply Chain Management: Building Resilience and Agility through Digital Transformation	December 2020
Enterprise Risk Management in the Post-COVID World	Q1 2021
Perfect Order Management	Q1 2021

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



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