

Vendor Management System (VMS) State of the Market Report 2021 – Keeping Pace with Rapidly Evolving Buyer Expectations

September 2021: Complimentary Abstract / Table of Contents



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Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

Contents

1. Introduction and overview	5
• Research methodology	6
• Background and scope of the research	7
• Source of information	8
2. Summary of key messages	9
3. Introduction to Vendor Management System (VMS)	12
• Understanding Vendor Management System	13
• Evolution of VMS	14
4. VMS Market overview and adoption trends	15
• Summary	16
• VMS market size	17
• VMS adoption trends	18
– Industry	18
– Labor type	19
– Job family	20
– Buyer sizes	21
– Geographic scope	22
5. Geographical variations in the VMS market	23
• North America	25
• EMEA	26
• Asia Pacific	27

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Contents

6. Buyer perspective and key trends	28
• Summary	29
• Buyer satisfaction	30
• Direct sourcing	32
• Services procurement	35
• Key strengths and areas of improvement	37
• Vendor performance	38
• Key investment areas	39
6. VMS solution characteristics, outlook, and implications	42
• VMS partner ecosystem	43
• Commercial models	44
• Outlook and implications	45
7. Competitor overview	47
• Everest Group PEAK Matrix® for VMS	48
• VMS provider landscape	49
• VMS market share by Spend Under Management (SUM)	50
• VMS landscape by geography	51
• VMS market share by industry	52
8. Appendix	53
• Glossary of key terms	54
• Research calendar	55

This report is based on two key sources of proprietary information

Proprietary database of 18+ VMS technology vendors

- The database tracks the following elements for each vendor:
 - Breadth and depth of the product functionalities
 - Core and emerging technology capabilities
 - Innovation and investments
 - Partnerships with service providers and other technology vendors
 - Deployment and hosting options
 - Product-related training and support services
 - Availability and adoption of commercial model(s)
 - Security and governance

Proprietary operational information database of technology vendors (updated annually)

- The database tracks the following operational information for each vendor:
 - Spend Under Management (SUM) and revenue
 - Number of clients
 - Number of FTEs and FTE split by geography
 - Portfolio coverage in terms of industry, geography, process areas, and buyer size

Demonstrations and interactions with technology vendors and other industry stakeholders

- Detailed demos for a comprehensive product view and executive-level discussions with VMS vendors that cover:
 - Current state of the market
 - Vision and strategy
 - Annual performance and outlook
 - Opportunities and challenges
 - Emerging areas of investment

Buyer reference interviews, ongoing buyer surveys, and interactions

- Interviews with technology vendors' reference clients and enterprise VMS buyers to get the buyer perspective around:
 - Drivers and objectives for adopting VMS
 - Apprehensions and challenges
 - Assessment of vendors' performance
 - Emerging priorities / buying criteria
 - Outcomes achieved
 - Lessons and best practices adopted

Service providers assessed



Note: The source of all content is Everest Group unless otherwise specified

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract-specific information collected will only be presented back to the industry in an aggregated fashion

Background of the research

Background of the research

Vendor Management System (VMS) continues to be an important technology solution for enterprises across the globe. There is wide adoption across industries and geographies as more enterprises are leveraging contingent workers as a part of their workforce, and they need a technology solution to manage the entire contingent workforce management life cycle. In recent years, VMSs have not only enhanced the features and functionalities of core technology but also expanded the scope of services delivered to other areas within Contingent Workforce Management (CWM).

The annual state of the market report tracks the developments that occurred across the VMS industry in 2020. It also sheds light on the future trajectory of VMS, which is being set by the current market conditions, technology provider landscape, and buyer expectations. The VMS industry was experiencing decent growth till 2019; however, there is currently a disruption in the industry on account of the COVID-19 pandemic. While the immediate impact in 2020 has been in the form of a decrease in the demand, the market is expected to see an uptick in growth in the future. The unprecedented situation has forced service providers to accelerate the development of their technological capabilities in terms of product features, deployment options, product architecture, training & support, and partner ecosystem.

In this report, the focus is on:

- Evolving VMS dynamics in the COVID-19 era
- Geographical variations in the VMS market
- Buyer perception in terms of the VMS market
- Next-generation VMS trends

Scope of this report:



Products
Vendor Management
System (VMS)



Geography
Global



Technology vendors
VMS technology vendors

Overview and abbreviated summary of key messages

This report examines the global Vendor Management System (VMS) state of the market and provides an overview of the impact of COVID-19 on the market in 2020. It focuses on the major disruptions caused by the pandemic on the VMS industry and how the future trajectory of the industry is shaping up

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

VMS market size and adoption trends

Following a year of stagnation in 2020, the VMS market is expected to bounce back and grow at a faster pace as compared with the pre-COVID times. The VMS market declined by ~-3% in 2020, reaching a total of US\$172-177 billion. The market is expected to grow by 7 to 11% by 2023, reaching a total of US\$223-228 billion

Geographical variations in the VMS market


- North America is the biggest and relatively the most mature VMS market, followed by EMEA and APAC
- While growth in temporary labor stagnated in the past few years, the largest market in terms of VMS adoption, North America, is seeing a resurgence being driven by the rejuvenation happening in the CWM/MSP market
- EMEA is one of the most complex regions in terms of the ever-evolving regulations governing contingent workers, making a compelling case for VMS adoption

Buyer perspective and key trends

- While buyers expect to achieve all three benefits - cost, operational, and business impact - from VMS adoption, they are currently the most satisfied with the operational impact delivered by their VMSs
- Adoption and satisfaction with respect to the temporary labor module is relatively high; however, seeing the peer adoption and its benefits, we expect services procurement and talent pool modules to gain significant traction in the future
- Direct sourcing and services procurement are the most important functionalities/modules that buyers are expecting to leverage in the future
- Buyer satisfaction varies across parameters, with a high degree of differentiation among vendors in some areas; scope for improvement exists in innovation in technology, ease-of-integration, and reporting and analytics

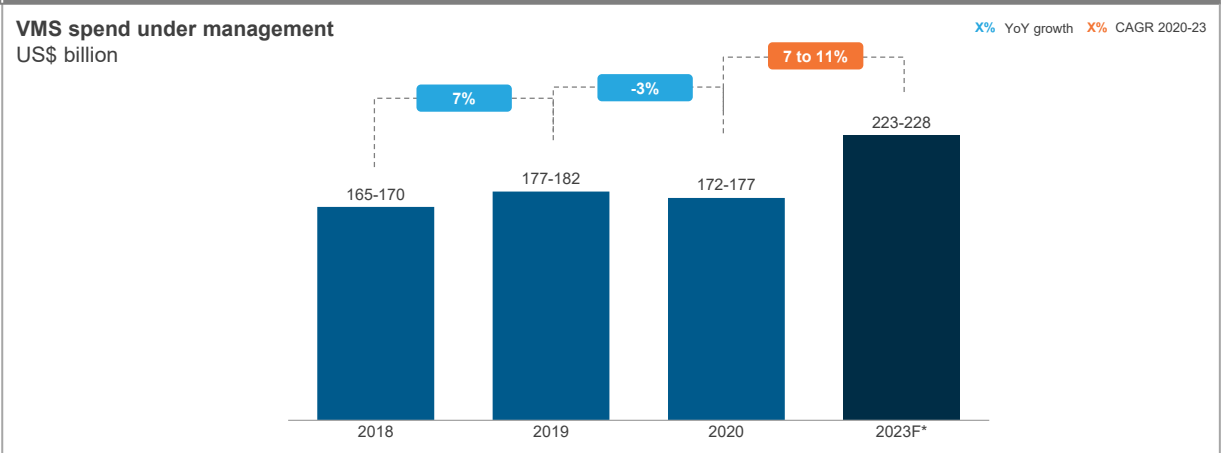
This study provides a deep dive into the various dimensions of growth of the VMS market; below are four charts to illustrate the depth of the report

Evolving VMS market

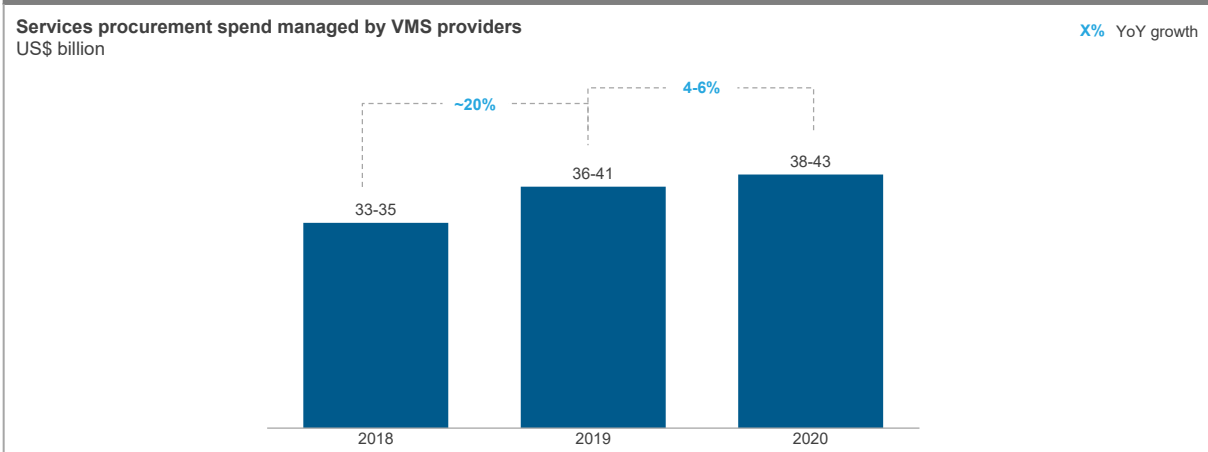


Traditional elements	Areas	Future VMS elements
Stand-alone VMS product with limited capabilities; on-premise deployment	Technology capabilities and infrastructure	Modular end-to-end CWM systems fully on-cloud with flexible and scalable architecture
Temporary labor procurement from staffing suppliers	Breadth and depth of services	Sourcing and management of the entire gamut of the contingent workforce (temporary, services procurement, ICs, and freelancers)
Focused on supplier management	Stakeholder focus	End-to-end management of the candidate lifecycle, in addition to supplier management
Basic tracking and reporting of SLAs/KPIs	Analytics	Descriptive and predictive analytics leveraging multiple data sources (spend, supplier, workforce, and market data)
No/limited leverage	Next-generation technologies	Leverage of cognitive & AI technologies to improve efficiency and provide actionable insights

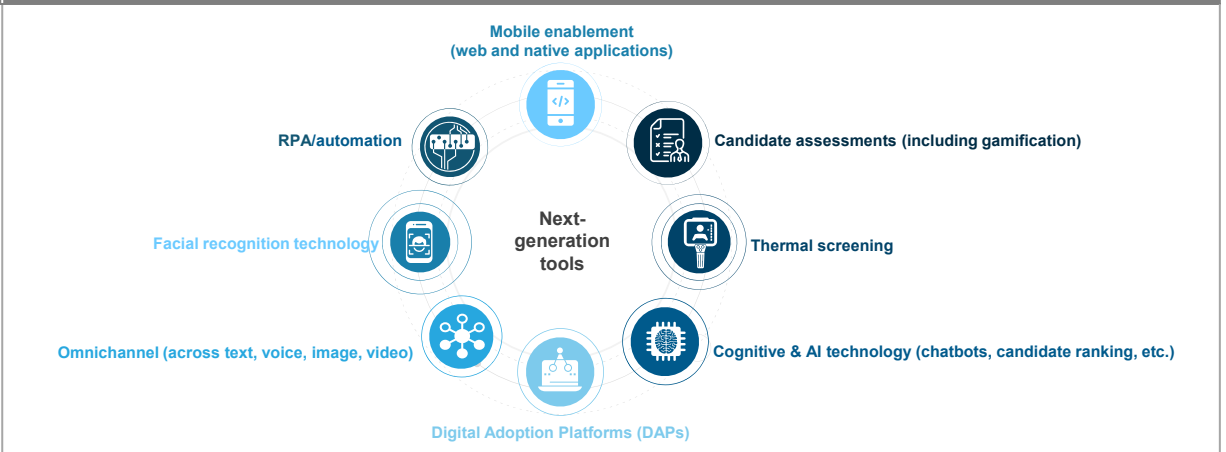
Global VMS market



Next-generation VMS trends



Key investments



Research calendar

Contingent Workforce Management

■ Published
 ■ Planned
 ■ Current release

Flagship reports

	Release date
Contingent Workforce Management (CWM) – Service Provider Landscape with Services PEAK Matrix® Assessment 2020	August 2020
CWM – Service Provider Profile Compendium 2020	October 2020
Tackling the Global Pandemic: Contingent Workforce Management (CWM) State of the Market Report 2021	October 2020
Vendor Management System (VMS) Products PEAK Matrix® Assessment with Technology Vendor Landscape 2021	March 2021
VMS – Service Provider Profile Compendium 2021	July 2021
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / Statement of Work (SOW) PEAK Matrix® Assessment 2021	July 2021
Vendor Management System (VMS) State of the Market Report 2021 – Keeping Pace with Rapidly Evolving Buyer Expectations	September 2021

Thematic reports

	Release date
Collaboration to beat disruption – Future of CWM	July 2020
Data & Analytics – Foundational Pillars of Efficient Services Procurement Management	August 2020
The Evolution of Vendor Management Systems (VMSs) for Contingent Workforce Management: What Will Differentiate the VMSs in the Future?	December 2020
A Practical Approach to Total Talent Acquisition	February 2021
MSP 4.0	July 2021
Demystifying Direct Sourcing	Q1 2022
Skills of the future	Q1 2022

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