Procurement Outsourcing (PO) State of the Market Report 2022 – Accelerating Value through Strategic PO Engagements

January 2022: Complimentary Abstract / Table of Contents

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custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: service providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

Contents

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Introduction and overview

- Research methodology
- Key information on the report
- Background of the research
- Focus of the research

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

01
Robust definitions and frameworks

Procurement pyramid, multi-process PO definition, Total Value Equation (TVE), PEAK Matrix®, and market maturity

02
Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, and web-based surveys

03
Diverse set of market touchpoints

Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership

04
Fact-based research

Data-driven analysis with expert perspectives, trend analysis across market adoption, contracting, and service providers

Proprietary contractual database of over 1,600 PO contracts (updated annually)

Year-round tracking of 19+ PO service providers

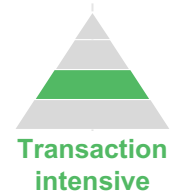Large repository of existing research in PO

Over 30 years of experience in advising clients on strategic IT, business services, engineering services, and sourcing decisions

Executive-level relationships with buyers, service providers, technology providers, and industry associations

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

Strategy

Judgment intensive

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

S2P

Transaction intensive

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

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

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This report is based on multiple key sources of proprietary information

- Everest Group's proprietary database of 1,600+ 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

- Everest Group's **proprietary database of operational capability** of **19+ PO service providers** (updated annually)
- The database tracks the following for each service provider:
  - Revenue, managed spend, and number of FTEs
  - Number of clients
  - Revenue split by geography, region, and industry
  - PO service suite
  - Location and size of delivery centers
  - Technology solutions developed

- **Service provider briefings**
  - Vision and strategy
  - Annual performance and future outlook
  - Key strengths and improvement areas
  - Emerging areas of investment

- **Buyer reference interviews, ongoing buyer surveys, and interactions**
  - Everest Group's executive interviews and data collected from various buyers
  - The data contains detailed buyer perspectives about PO contracts, specifically on:
    - Drivers for adopting PO and assessment of service providers' performance
    - The level of buyer satisfaction and the underlying reasons

Service providers assessed

accenture

AQUANIMA
Grupo Santander

Capgemini

CHAIN IQ
SIMPLY SMART

Cognizant

CORBUS
A Soin Company

corcentric

Dragon Sourcing

exela
TECHNOLOGIES

EXL

genpact

GEP
Insight Drives Innovation

HCL

IBM

Infosys

tcs | TATA CONSULTANCY SERVICES

Tech Mahindra

wipro

WNS
Extending Your Enterprise

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 and scope of the research

PO service providers have played a significant role in helping enterprises maintain business continuity of procurement operations and overcoming the challenges associated with COVID-19-related disruptions. PO service providers are increasingly moving toward becoming strategic partners for companies as they engage in more strategic areas that are focused on driving improved outcomes, rather than only run processes. They continue to strengthen their domain expertise and digital capabilities to offer a wide range of solutions to address specific client requirements. Service providers are helping companies transform their procurement operations and drive the adoption of advanced digital technologies such as advanced analytics and Robotic Process Automation (RPA) by leveraging in-house capabilities, partnership ecosystems, and targeted investments.

This research 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.

In this research, we focus on:
- Components of high value PO engagements
- Approach to the S2P digital ecosystem
- Emerging trends influencing PO deals
- PO market overview and adoption trends
- Key buyer adoption trends
- Service provider landscape

Scope of this report:

Geography
Global

Industry
All

Services
Procurement services

Abbreviated summary of key messages

Components of high value PO engagements

- The majority of PO engagements still tend to be operational/tactical on the maturity curve while best-in-class engagements are outcome-driven
- The maturity of an organization's engagement model with a service provider is dependent on six operating model components – outsourced coverage / scope of services, transformation, organizational governance and delivery model, performance, pricing structures, and skills and talent management

Approach to S2P digital ecosystem

- S2P technology capabilities have expanded with core automation and robust information as the foundation for digital transformation
- Optimizing objectives often requires moving away from a single ERP or suite – organizations should evaluate the current digital maturity of operations, and the benefits of different approaches and solutions to build their procurement digital ecosystem
- Digital transformation in procurement requires the integration of suite / best-of-breed solutions with the supply data lake supported by information repository solutions

Emerging trends influencing PO deals

- Emerging themes, such as increasing focus on ESG initiatives, will influence the way enterprises engage with PO service providers in the next normal
- Demographic changes, regulatory requirements, investor preferences, and opportunities for sustainable value creation are leading to an increasing focus on ESG at the C-suite level
- Post the COVID-19 pandemic, there has been a renewed focus on risk management across the board with procurement playing a key role in managing supplier-related risks
- As businesses adapt their cost strategies to align with the changing market dynamics and consumer preferences, there is an increased focus on emerging approaches such as zero-based budgeting and should-cost modeling

PO market overview and adoption trends
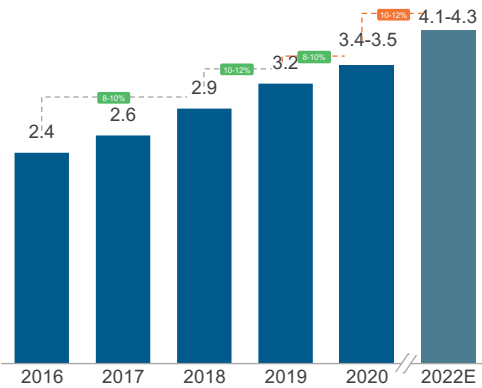
- Buyer propensity to outsource and increase PO spend is increasing even after the economic impacts of the pandemic
- Despite the initial pandemic-induced slowdown, the multi-processes PO market grew at a healthy rate of 8-10% to reach US$3.4-3.5 billion in 2020
- While North America and Europe continue to lead the market, APAC and LATAM are emerging geographies with high growth

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

PO market overview

Multi-process PO active ACV
US$ billion

| xx% | YoY Growth |
| XX% | CAGR |

2016: 2.4
2017: 2.6 (8-10%)
2018: 2.9 (10-12%)
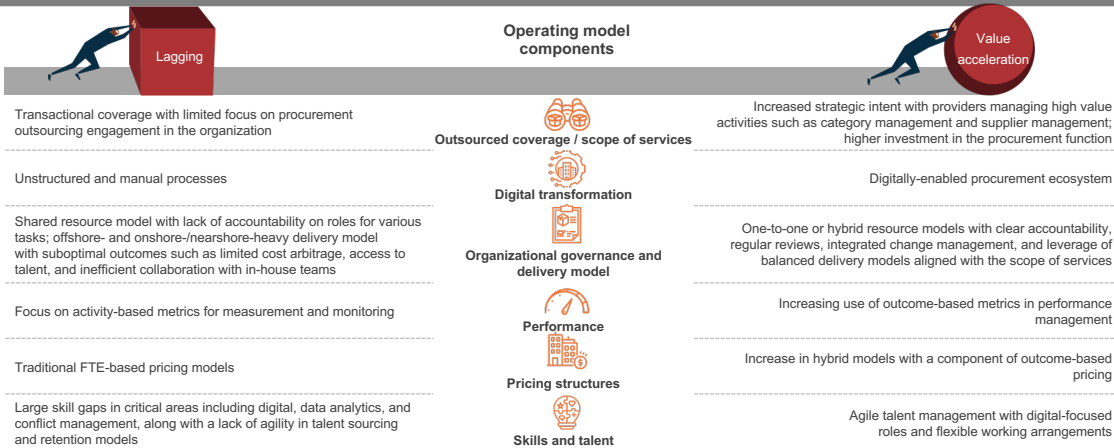2019: 3.2 (8-10%)
2020: 3.4-3.5 (10-12%)
2022E: 4.1-4.3 (10-12%)

- The multi-process PO market registered a growth of 8-10% to reach US$3.4-3.5 billion in 2020, despite a short-term dip in growth due to business disruptions, economic slowdowns, and uncertainties associated with the COVID-19 pandemic
- Market growth was driven by factors such as:
  – Increase in the adoption of plug & play digital technologies focused on quicker RoI
  – Amplified interest among second- and third-generation outsourcers to engage with third parties in a more strategic manner
  – Increasing adoption of digital levers and the expanding scope in existing contracts
- The market is expected to grow at ~10-12% in the upcoming few years led by:
  – Accelerated shift from incremental opportunities to end-to-end modernization opportunities
  – Increased openness among buyers to explore ways to engage with third-party providers in upstream procurement areas such as sourcing, spend management, and category management in addition to downstream P2P operations
  – Demand from SMB and mid-market segments especially in regions such as Asia Pacific
  – Increase in large multi-tower transformation deals particularly in mature geographies such as North America and Europe. Most of these deals include components of consulting, F&A, IT, HR, and SCM in addition to procurement

Emerging trends influencing PO deals

Emerging themes influencing PO engagements in the next normal

- Increasing focus on ESG
- Outsourcing of services / SoW-based spend
- Enhanced risk management focus
- Revamping cost optimization strategies

Procurement operating model components

Lagging — Value acceleration

Operating model components

Lagging	Operating model components	Value acceleration
Transactional coverage with limited focus on procurement outsourcing engagement in the organization	Outsourced coverage / scope of services	Increased strategic intent with providers managing high value activities such as category management and supplier management; higher investment in the procurement function
Unstructured and manual processes	Digital transformation	Digitally-enabled procurement ecosystem
Shared resource model with lack of accountability on roles for various tasks; offshore- and onshore-/nearshore-heavy delivery model with suboptimal outcomes such as limited cost arbitrage, access to talent, and inefficient collaboration with in-house teams	Organizational governance and delivery model	One-to-one or hybrid resource models with clear accountability, regular reviews, integrated change management, and leverage of balanced delivery models aligned with the scope of services
Focus on activity-based metrics for measurement and monitoring	Performance	Increasing use of outcome-based metrics in performance management
Traditional FTE-based pricing models	Pricing structures	Increase in hybrid models with a component of outcome-based pricing
Large skill gaps in critical areas including digital, data analytics, and conflict management, along with a lack of agility in talent sourcing and retention models	Skills and talent	Agile talent management with digital-focused roles and flexible working arrangements

Adoption of digital technology in PO contracts

Technology	2017-19	2019-21	2021-23F
Basic analytics	Early adoption	Matured adoption	Matured adoption
RPA	Initial pilot	Matured adoption	Matured adoption
Advanced analytics	Initial pilot	Matured adoption	Matured adoption
IoT	Initial pilot	Initial pilot	Matured adoption

Legend:
- Initial pilot
- Early adoption
- Matured adoption

- Service providers are playing an important role in the digital transformation of procurement operations. While basic analytics and RPA are included in most PO engagements, there is an increased adoption of advanced analytics and RPA in conjunction with AI/ML in strategic / more mature PO engagements in areas such as spend management, demand/supply planning, category management, supplier management, accounts payable, and process transformation
- The increase in the penetration of RPA solutions, especially in P2P, has helped enterprises automate routine, transactional activities and reduce manual intervention. Over the next two to three years, enterprises with mature procurement operations aim to achieve near touchless P2P operations with only exceptions and errors being managed by people
- More pilots are expected for IoT in future PO engagements with improved data quality, better access to data, and increased focus on stakeholder experience

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Research calendar
Procurement

Flagship reports	Release date
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	August 2021
Procurement Outsourcing (PO) – Service Provider Compendium 2021	September 2021
Supply Chain Management (SCM) BPS PEAK Matrix® Assessment 2021	December 2021
Procurement Outsourcing (PO) State of the Market Report 2022 – Accelerating Value through Strategic PO Engagements	**January 2022**
Supply Chain Management (SCM) BPS – Service Provider Compendium 2022	Q1 2022
Supply Chain Management (SCM) BPS State of the Market Report 2022	Q1 2022

Thematic reports	Release date
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
Business Process Services (BPS) 4.0: Heralding the Start of a New Era	February 2021
Getting Your Business in Order through Integrated Order Management	July 2021
Achieving Sustainable Cost Reduction through Digital Technologies	October 2021
Supplier Management Toolkit: Risk Management in Outsourcing	December 2021
Procurement Outsourcing (PO) – Evolving Buyer Expectations	Q1 2022
Environment, Social, Governance (ESG) in Procurement	Q1 2022

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

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