Everest Group®

State of the Market Report | Procurement

Supply Chain Management (SCM) BPS State of the Market Report 2022 – Increasing Role of Third-party Providers in Reimagining Supply Chain Operations

April 2022: Complimentary Abstract / Table of Contents

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

01

Robust definitions and frameworks

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

02

Primary sources of information

Annual contractual and operational RFIs, service provider briefings and buyer interviews, 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 700 SCM contracts (updated annually)

Year-round tracking of 14+ SCM service providers

Large repository of existing research in SCM

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

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

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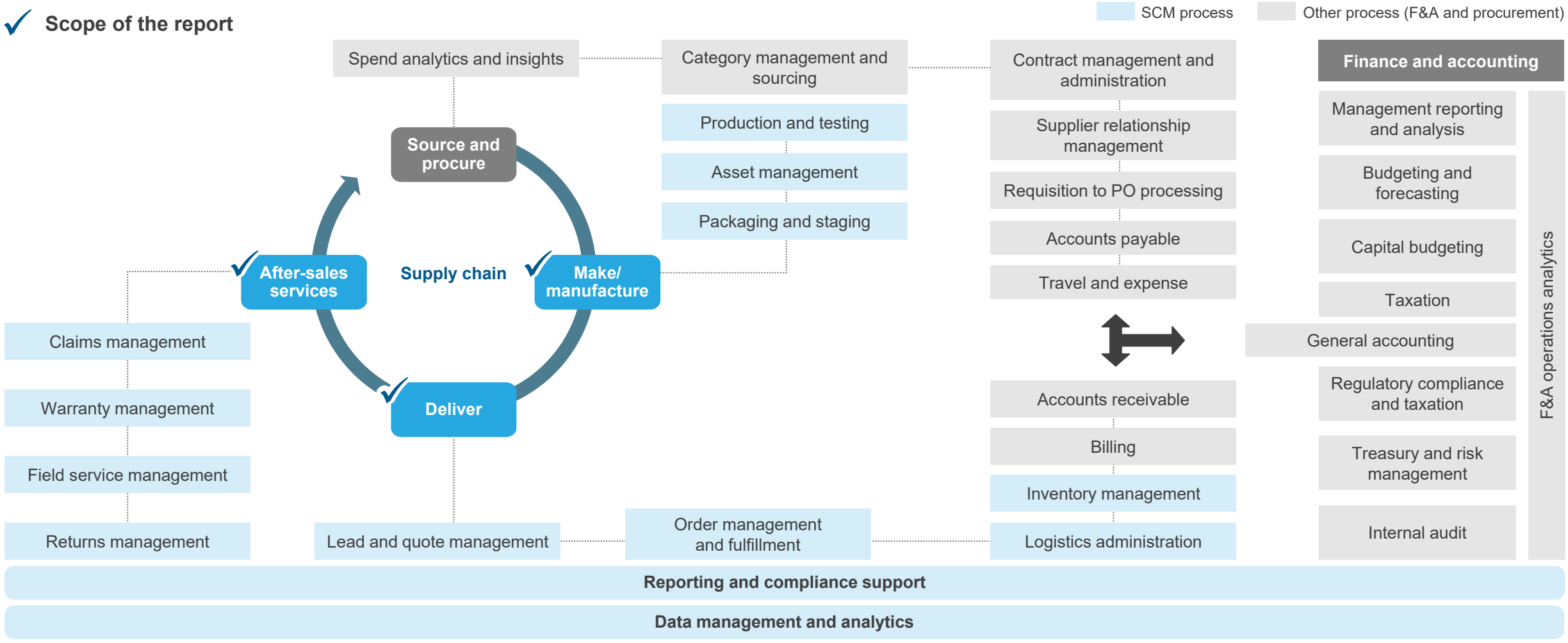
SCM is a combination of three key subfunctions – make/manufacture, deliver, and after-sales services



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Everest Group's SCM process map breaks each element of the value chain into subprocesses

Lead and quote management
- Lead generation and management
- Obtain and respond to Request for Proposal (RFP) / Request for Quote (RFQ)
- Quote generation

Order management and fulfillment
- Install base and contract management
- Schedule product receipt
- Consolidate and ship order
- Shipping document management
- Track and trace shipment
- Receive and verify product receipt
- Expedite/substitute

Logistics administration
- Optimize warehouse network
- Coordination with logistics provider
- Transport scheduling/management

Inventory management
- Inventory planning
- Inventory optimization
- Vendor Managed Inventory (VMI) support
- Monitor inventory levels
- Manage internal warehouse movement

Make/manufacture

Production and testing | Asset management | Packaging and staging

Deliver

- Lead and quote management
- Order management and fulfillment
- Logistics administration
- Inventory management

After-sales services

- Claims management
- Warranty management
- Field service management
- Returns management

Data management and analytics

Master data management | Supply chain analytics

Reporting and compliance support

Claims management
- Claims receipt and verification
- Claims processing and settlement
- Claims service helpdesk

Warranty management
- Warranty contract registration
- Defect investigation
- Warranty processing
- Service helpdesk

Field service management
- Workforce management
- Distribution management
- Partner and service network management

Returns management
- Returns authorization
- Return/repair documentation
- Problem assessment and categorization
- Returns tracking and scheduling
- Reverse logistics

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Background and scope of the research

While the COVID-19 pandemic has caused unprecedented disruptions to global supply chains, the SCM BPS market proved to be quite resilient and is, in fact, projected to grow to a pre-pandemic level over the next few years. The market is experiencing increased openness among organizations to engage with third-party providers, and providers have started playing the role of a strategic partner in buyers' transformation priorities.

Buyer priorities are also evolving with rapid shifts in key focus areas such as outsourcing of strategic SCM processes and ESG-related initiatives, with an objective of achieving business outcomes. As the global talent shortage continues, the need for developing robust talent management strategies, along with employee upskilling/reskilling and recruitment activities, is also rising. Service providers are playing a pivotal role in catering to this new demand and are expanding their capabilities through not only in-house investments but also through inorganic routes. The SCM BPS market experienced multiple acquisitions and partnerships during the pandemic including partnerships with niche/specialist start-ups addressing specific demands.

This research provides comprehensive coverage of the SCM BPS 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:

- Challenges faced by organizations
- Key emerging SCM trends that will impact the future of the SCM BPS market
- SCM BPS market overview and adoption trends
- SCM buyer trends
- SCM BPS service provider landscape

Scope of this report

Geography
Global

Industry
All

Services
SCM BPS

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Abbreviated summary of key messages

Key emerging SCM trends that will impact the future of the SCM BPS market

- While the pandemic has aggravated some of the underlying supply chain issues, it has also created new challenges for organizations' supply chains
- Multiple challenges have accelerated the demand for third-party support across complex SCM processes, industry-specific processes, and ESG initiatives. Service providers are also reevaluating their talent strategy and digital capabilities to cater to new demands

SCM market overview and adoption trends

- The SCM BPS market showcased a sharp recovery in 2021 to reach US$2.4-2.6 billion and is expected to grow at the pre-pandemic rate of 16-18% in 2021-23
- While the overall SCM BPS market is expected to grow rapidly, after-sales services will grow the fastest as compared with other subfunctions
- While North America and Europe continue to lead the market in terms of adoption, APAC is an emerging geography with high growth

SCM buyer trends

- While the current SCM outsourcing penetration remains low, bundled SCM deals (deals with the inclusion of other functional processes) have grown to represent almost half of the active SCM contracts
- The adoption of outcome-based commercial constructs in SCM is increasing; pandemic disruptions have further accelerated the adoption of hybrid pricing models
- Technology adoption, an evolving service provider landscape, a focus on business outcomes, and the expectation of quicker tangible results have led to a decrease in the average contract length for SCM outsourcing deals

SCM service provider landscape

- The top four providers contributed more than 50% of the market share in terms of ACV
- Significant difference exists between the client satisfaction scores of Leaders and other providers, especially in next-generation technology capabilities and implementation/transition management parameters

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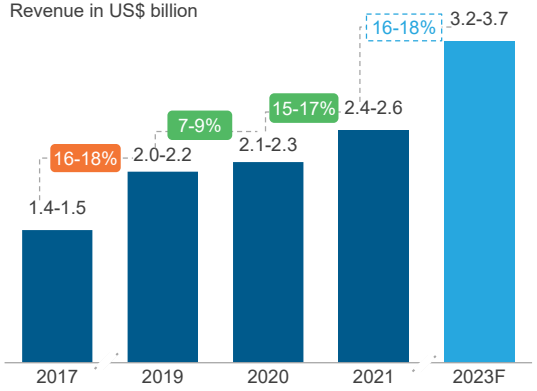
This study offers five distinct chapters providing a deep dive into key aspects of SCM BPS market; below are four charts to illustrate the depth of the report

SCM BPS market overview

SCM BPS market size and growth
Revenue in US$ billion



The following factors will drive growth in the next few years	
	More openness from enterprises to outsource strategic supply chain processes such as supply/demand planning
	Increasing willingness to adopt digital technology solutions such as control towers and planning platforms to enable supply chain visibility and inventory planning
	Shift toward an agile data-driven supply chain with a focus on customer experience through personalization and customized offerings
	A shifting focus toward achieving business outcomes over cost reduction will drive the demand for third-party services in the areas such as risk management, inventory optimization, and demand forecasting

Key emerging supply chain trends that will impact the future of the SCM BPS market

- Increasing demand for third-party support in complex processes and industry-specific processes
- Expectations from supply chains to drive ESG-related initiatives
- Increasing adoption of supply chain-as-a-service
- Increasing adoption of digital technologies
- Greater focus on developing robust talent strategies

Adoption of digital technologies in SCM

Relative adoption Low High

Technologies	Current adoption	Potential adoption	Use cases		
			Make/manufacture	Deliver	After-sales services
Control tower			Real-time asset monitoring and defect identification	• Shipment tracking • Inventory visibility • Monitoring process and SLA compliance (e.g., FIFO rate and dwell time)	• Field service coordination • Customer request tracking
Advanced analytics/AI			• Product price management • Demand/supply planning • Supplier risk predictions	• Inventory optimization • Route planning • Order prioritization	• Fraudulent claims prediction • Dealer performance analysis
IoT			Remote asset monitoring and data collection	Location authentication and quality assurance	• Spare parts tracking • Real-time defect investigation
Automation			Production line automation	• Inventory tracking • Driverless material handling	Customer self-service through chatbots
Blockchain			Asset monitoring	Distribution tracking and tracing	• Smart contracting • Spare parts provenance

Supply Chain-as-a-service (SCaaS)

Benefits of SCaaS
Leverages best-in-class technology
Enables a lower initial investment and variable cost structure
Enables scalability
Drives adaptability and agility

Barriers in adopting a SCaaS solution
Some of the existing technologies can get obsolete
There is a possibility of losing or relinquishing control
There are issues related to implementation as well as trusting of vendors
There are change management concerns

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Research calendar
Procurement Outsourcing (PO)

Published | Planned | Current release

Reports title	Release date
Weaving a Customer-centric Supply Chain Through Effective After-sales Services	July 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
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
Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2021	August 2021
Procurement Outsourcing (PO) – Service Provider Compendium 2021	September 2021
Achieving Sustainable Cost Reduction through Digital Technologies	October 2021
Enterprise Risk Management in the Post-COVID-19 World	December 2021
Collapsing the Supply Chain: Top 14 Start-ups Redefining Real-time Transportation Visibility	December 2021
Supply Chain Management (SCM) BPS – Service Provider Landscape with PEAK Matrix® Assessment 2022	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	February 2022
Supply Chain Management (SCM) BPS State of the Market Report 2022 – Increasing Role of Third-party Providers in Reimagining Supply Chain Operations	**April 2022**
Procurement Outsourcing (PO) – Evolving Buyer Expectations	Q2 2022

Note: Click to see a list of all of our published PO/SCM reports.

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