

Contingent Workforce Management (CWM) and Vendor Management System (VMS) State of the Market Report 2023 – Thriving in the Next Normal

December 2022: Complimentary Abstract / Table of Contents



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Background of the CWM/MSP research

This report examines the dynamics of the global CWM/MSP and services procurement / Statement of Work service providers, and their impact on the market. It also sheds light on the future trajectory of the CWM market, which is being led by the current market conditions, service provider landscape, and buyer expectations.

The CWM/MSP market is a growing outsourcing market in the world today. The industry is further experiencing traction on account of the aftereffects of the pandemic, with contingent hiring increasing across the globe. The service provider landscape is evolving, with providers increasing the breadth and depth of their offerings. They are making investments to manage all types of contingent workers, to enhance scope of services, and to ensure process digitization.

In this research, we focus on:

- Evolution of CWM/MSP market
- CWM market size and growth
- Buyer adoption and demand trends
- Key future growth drivers

Scope of this report



Geography
Global



Industry
All industries



Services
Contingent Workforce
Management (CWM) and
services procurement

Background of the VMS 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 are highlighting the need for 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 have also expanded the scope of services delivered to other areas within Contingent Workforce Management (CWM). The increasing scope of services has led to an evolution in the vendor landscape, with many technology vendors building capabilities to cater to specialized client needs across geographies and industries.

The VMS technology landscape is evolving, with providers increasing the breadth and depth of their functionalities/offerings. They are investing to enhance the User Interface / User Experience (UI/UX) of the solution and providing a mobile-enabled solution for their clients. They are building additional capabilities to enhance compliance management, talent pool creation, and vendor and candidate sourcing. It is a burgeoning market, rapidly evolving in terms of product features, deployment options, product architecture, training & support, and a partner ecosystem.

In this study, we analyze the VMS technology landscape across various dimensions:

- Evolving VMS dynamics post the COVID-19 era
- Geographical variations in the VMS market
- Buyer adoption trends in terms of the VMS market
- Key future growth drivers

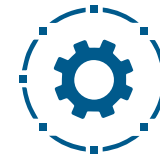
Scope of this report



Geography
Global



Industry
All industries



Services
Vendor Management
Systems (VMS)

Overview and abbreviated summary of key messages

This report examines the dynamics of the global CWM/MSP and VMS vendors, and their impact on the market. It also sheds light on the future trajectory of the CWM/MSP and VMS market, which is being led by the current market conditions, service provider landscape, and buyer expectations

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

CWM and VMS market growth and projections

- Following a year of stagnation in 2020, the CWM and VMS markets bounced back and grew at a faster pace as compared with the pre-COVID-19 times
- VMS and CWM providers' services procurement SUM is increasing rapidly on the back of rising awareness and maturing relationships between enterprises and these providers
- North America is the biggest and relatively the most mature CWM and VMS market. EMEA is one of the most complex regions in terms of the ever-evolving regulations governing various types of contingent workers, making a compelling case for CWM and VMS adoption
- Despite the impending recession, CWM outsourcing, and VMS market is expected to grow further in the coming years, as companies realize the benefits of flexible workforce models. Providers have taken their changing requirements into account and are pivoting their offerings toward end-to-end contingent workforce functionalities

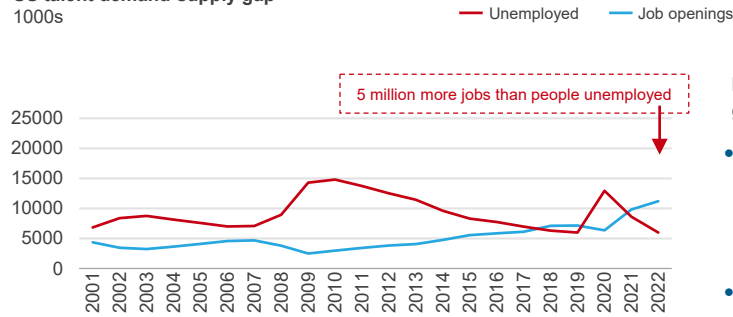
CWM and VMS market key trends

- Services procurement is one of the most important functionalities/modules that buyers are expecting to leverage in the future. CWM and VMS providers are rapidly making huge investments in response to this increasing demand
- While direct sourcing was mostly a nice-to-have capability up until a few years ago, it is now becoming mainstream and is here to stay
- Even though independent contractors only account for a small portion of the overall spend managed by the CWM and VMS providers currently, they are gradually increasing in number
- As enterprises realize the benefits and service providers strengthen their capabilities, the demand for Total Talent Acquisition (TTA) solutions is increasing
- MSPs are investing in purpose-built direct sourcing technology to facilitate rapidly increasing demand for TTA adoption

This study offers distinct chapters providing a deep dive into key aspects of MSP/CWM and VMS market; below are four charts to illustrate the depth of the report

Macro trends from the global talent market

US talent demand-supply gap
1000s

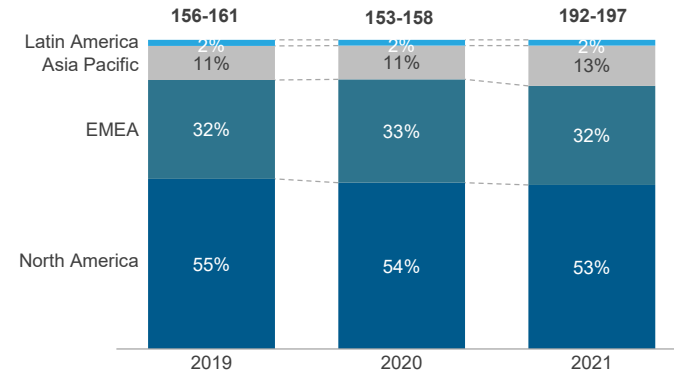


Persisting unprecedented talent demand-supply gap in the market

- This unprecedented gap is caused by a perfect storm of circumstances: an aging population, changing talent demographics, a low supply of skilled workers, and changing employee expectations
- In major markets such as the US, monthly job openings continue to outpace the number of unemployed people looking for jobs – the gap was about 5 million in September 2022

Geographical variations in the CWM market

CWM outsourcing market size by geographic region
US\$ billion



Key future growth drivers

Services procurement

Services procurement spend managed by CWM and VMS providers has seen robust growth in the last few years, spurred on by the rising awareness and demand for flexible engagement models

Independent contractors

Even though independent contractors only account for a small portion of the overall spend managed by the CWM and VMS providers currently; they are gradually increasing in number

Direct sourcing

While direct sourcing was mostly a nice-to-have capability until a few years ago, it is now becoming mainstream and is here to stay

Consulting & advisory

Enterprises are demanding a range of consulting services; providers are making rapid moves to grab the opportunity

Diversity, equity, & inclusion

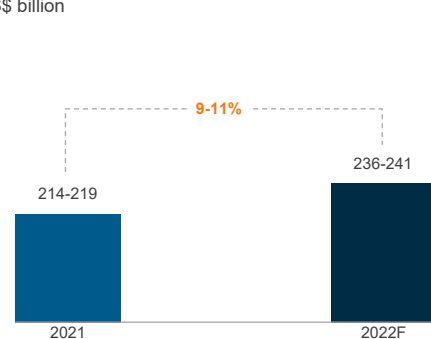
DE&I is increasingly becoming a key focus area for enterprises making them opt for external help to begin or improve DE&I initiatives

Investments in technology and analytics

Holistic insights into the CWM program leveraging multiple data sources is a key focus area for MSPs and VMSs

Global VMS market size

VMS spend under management
US\$ billion



- The VMS market bounced back and experienced a sharp recovery in 2021 due to the following reasons:
 - Rise in the number of active VMS deals owing to increasing focus on digital transformation and enterprises' demand to enhance spend visibility and improve compliance
 - Higher adoption from small-market enterprises due to increased availability of cost-effective and specially tailored light VMS solutions in the market
 - Expansion of the scope of the already existing VMS deals to other geographies and worker types including services procurement / SoW and independent contractors
- The VMS market is expected to grow at a decent pace in 2022 and beyond as well, owing to the increasing demand for contingent workers globally

Research calendar

Contingent Workforce Management

Published
 Planned
 Current release

Reports title	Release date
Workday Acquires VNDLY: Enabling an Integrated Platform-Driven Approach for Total Talent Management (TTM)	December 2021
Future of Work Series Reimagining Workforce and Workplace Mechanics: Who Will Do the Work?	February 2022
Direct Sourcing for Contingent Workforce: a Talent-Centric Approach to Address Today's Unprecedented Workforce Challenges	March 2022
Vendor Management System (VMS) PEAK Matrix® Assessment with Technology Vendor Landscape 2022	May 2022
Vendor Management System (VMS) – Technology Vendor Compendium 2022	July 2022
Future of Work Series Reimagining Workforce and Workplace Mechanics: How Will Work Be Done	August 2022
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / Statement of Work (SOW) PEAK Matrix® Assessments 2022	August 2022
Direct Sourcing Technology as a Gateway to Total Talent Acquisition (TTA)	September 2022
The Role of Technology in Enabling Strategic Contingent Workforce Management (CWM)	October 2022
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / Statement of Work (SOW) Provider Compendium 2022	November 2022
Contingent Workforce Management (CWM) and Vendor Management System (VMS) State of the Market Report 2023 – Thriving in the Next Normal	December 2022
Vendor Management System (VMS) PEAK Matrix® Assessment with Technology Vendor Landscape 2023	Q2 2023
Vendor Management System (VMS) – Technology Vendor Compendium 2023	Q3 2023
Contingent Workforce Management (CWM) / Managed Service Provider (MSP) and Services Procurement / Statement of Work (SOW) PEAK Matrix® Assessments 2023	Q3 2023

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