

Procurement Outsourcing (PO) State of the Market 2023 – Driving Outcomes and Value Through Evolving Engagements

December 2023: Complimentary Abstract / Table of Contents



Our research offerings

This report is included in the following research program(s):

Procurement and Supply Chain

- ▶ Amazon Web Services (AWS)
- ▶ Application Services
- ▶ Artificial Intelligence (AI)
- ▶ Asset and Wealth Management
- ▶ Banking and Financial Services Business Process
- ▶ Banking and Financial Services Information Technology
- ▶ Catalyst™
- ▶ Clinical Development Technology
- ▶ Cloud and Infrastructure
- ▶ Contingent Staffing
- ▶ Contingent Workforce Management
- ▶ Customer Experience Management Services
- ▶ CX Excellence
- ▶ CXM Technology
- ▶ Cybersecurity
- ▶ Data and Analytics
- ▶ Digital Adoption Platforms
- ▶ Digital Services
- ▶ Digital Workplace
- ▶ Employee Experience Management (EXM) Platforms
- ▶ Employer of Record (EOR)
- ▶ Engineering Research and Development
- ▶ Enterprise Platform Services
- ▶ Exponential Technologies
- ▶ Finance and Accounting
- ▶ Financial Services Technology (FinTech)
- ▶ GBS Talent Excellence
- ▶ Global Business Services
- ▶ Google Cloud
- ▶ HealthTech
- ▶ Human Resources
- ▶ Insurance Business Process
- ▶ Insurance Information Technology
- ▶ Insurance Technology (InsurTech)
- ▶ Insurance Third-Party Administration (TPA) Services
- ▶ Intelligent Document Processing
- ▶ Interactive Experience (IX) Services
- ▶ IT Services Excellence
- ▶ IT Talent Excellence
- ▶ Life Sciences Business Process
- ▶ Life Sciences Commercial Technologies
- ▶ Life Sciences Information Technology
- ▶ Locations Insider™
- ▶ Marketing Services
- ▶ Market Vista™
- ▶ Microsoft Azure
- ▶ Microsoft Business Application Services
- ▶ Modern Application Development (MAD)
- ▶ Mortgage Operations
- ▶ Multi-country Payroll
- ▶ Network Services and 5G
- ▶ Oracle Services
- ▶ Outsourcing Excellence
- ▶ Payer and Provider Business Process
- ▶ Payer and Provider Information Technology
- ▶ Pricing Analytics as a Service
- ▶ Process Intelligence
- ▶ Process Orchestration
- ▶ Procurement and Supply Chain
- ▶ Recruitment
- ▶ Retail and CPG Information Technology
- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ SAP Services
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
- ▶ Sustainability Technology and Services
- ▶ Talent Genius™
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Value and Quality Assurance (VQA)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Learn more about our
custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations,
risk, technologies

Locations: costs, skills,
sustainability, portfolios

Contents

1. Introduction and overview	5
• Research methodology	6
• Everest Group PO process map	7
• Key information on the report	8
• Focus of the research	9
2. Summary of key messages	10
3. Value from outsourcing procurement	13
• Procurement engagements overview	14
• Process-specific distribution of PO contracts	17
– Process-specific value drivers	18
• Managed spend in PO engagements	23
– Spend category-specific trends	24
– Spend category-specific value drivers	26
– Savings trends across spend categories	28
4. Capturing value through innovative pricing constructs	29
• Types of pricing constructs	30
• Factors impacting adoption of pricing constructs	31
• Pricing adoption trends within PO market	33
– Scope of services	35
– Contract length	36
– Deal size	37

For more information on this and other research published by Everest Group, please contact us:

Shirley Hung, Partner

Vignesh K., Vice President

Prateek Singh, Practice Director

Akash Thunga, Senior Analyst

Amir Khan, Senior Analyst

Anay Shrivastava, Analyst

Contents

• Gain-share pricing model	38
• Output-based pricing model	40
5. PO market overview and adoption trends	41
• Market size and growth	42
• Geographic distribution of PO contracts	43
• Industry segment distribution of PO contracts	44
• Distribution of new contracts	45
• Delivery location trends	46
• Process-specific FTE trends	47
• Key delivery centers across regions	48
6. Key buyer adoption trends	49
• Contractual activity	50
• Bidding process	52
• Buyer objectives and associated satisfaction	53
• Buyer satisfaction results on PO providers	54
• Provider strengths and areas of improvement	55
7. Appendix	56
• Glossary	57
• Research calendar	59

Background and scope of the research

PO market grew significantly in 2022 as providers expanded scope into strategic procurement areas in addition to downstream procurement operations and improved penetration further across regions and industries. However, starting early 2023, high inflation and economic uncertainty, along with recessionary headwinds, have delayed decision-making concerned to large-scale digital transformation and high-value strategic engagements just as they seemed to pick up pace during 2021-22. While this will lead to growth moderation in 2023-24 period, PO market is still expected to grow steadily owing to the support providers offer in navigating through the economic uncertainty, handling cost pressures, and reducing Total Cost of Ownership (TCO). To make the most of outsourcing engagements, enterprises are looking to optimize value and achieve better ROI through better alignment on expectations and innovative engagement constructs. Value drivers for enterprises vary significantly across the S2P value chain depending on the nature of processes and their strategic importance. Similarly, outsourced spend managed by providers also impacts the value delivered depending on the nature and scale of spend and the categories outsourced. Providers and enterprises are trying to bridge the gap between expected value and value delivered through better understanding and alignment on the desired outcomes across the procurement value chain. While diverse SLAs/KPIs are leveraged to track and measure outcomes across processes, enterprises are showing increasing willingness to adopt innovative pricing constructs to ensure providers have more skin-in-the-game. Consequently, hybrid pricing constructs involving outcome- and output-based pricing components continue to be highly leveraged in current PO engagements.

This research also provides a comprehensive coverage of the PO market during 2022-23 and analyzes it across various aspects including regional variations, buyer adoption trends, growth drivers, and the PO service provider landscape.

In this research, we focus on:

- Value from outsourcing procurement function
- Capturing value through innovative pricing constructs
- PO market overview and adoption trends
- Key buyer adoption trends

Scope of this report



Geography
Global



Industry
Information about 23+ leading PO service providers across the globe has been leveraged for this study



Services
Procurement

Overview and abbreviated summary of key messages

This research provides comprehensive coverage of the PO market during 2022-23 and analyzes it across various aspects including regional variations, buyer adoption trends, and growth drivers.

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

Value from outsourcing procurement

- Providers deliver value through various approaches aimed at cost avoidance, cost reduction, and deliver value beyond savings such as stakeholder satisfaction, quality, compliance, and supplier relations
- Strategic processes outsourcing is experiencing high growth driven by access to category expertise, spend insights, and market intelligence. P2P process outsourcing is driven by enterprises need to digitalize downstream procurement operations to drive higher efficiency, productivity, and accuracy along with reduced operational costs and cycle times

Capturing value through innovative pricing constructs

- As enterprises are using innovative pricing structures to extract value from outsourcing it is essential to understand that there is no one-size-fits-all pricing strategy
- Hybrid pricing provides organizations with delivery assurance associated with traditional pricing constructs while encouraging innovation and risk sharing through output-/outcome-based constructs

PO market overview

- The PO market showed strong growth of 12-14% during 2021-22. We expect a marginal growth slowdown in 2023 and a bounce back to 11-13% growth in 2024
- Service providers are expanding their S2C talent pool at a faster rate than P2P in line with increased demand from enterprises seeking support in upstream procurement areas

PO buyer trends


- Importance of operational impact and business impact reduced as cost reduction becomes the top priority for enterprises as they navigate the economic uncertainty around recessionary trends
- There has been a reduction in enterprise satisfaction levels across most provider capability areas

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


Value from outsourcing procurement

	Spend analytics and insights	Category management and sourcing
Value drivers	<ul style="list-style-type: none"> Improving spend visibility through unified spend data across processes and systems Leveraging AI-ML-based advanced analytics for identifying spend optimization opportunities Predictive and prescriptive analytics-powered demand management Deploying cognitive intelligence solutions to identify savings opportunities 	<ul style="list-style-type: none"> Network of global suppliers to enable sourcing across regions Utilize category market intelligence on pricing, quality, and supplier base to devise better negotiation strategy Access to a pool of diverse category experts to enable specialized category management Support with ongoing supplier management including active risk monitoring and performance management Assist in business continuity planning through backup suppliers Streamline tactical sourcing through catalogs and preferred suppliers
Outcomes	<ul style="list-style-type: none"> Improved spend visibility Better demand management Improved cost savings 	<ul style="list-style-type: none"> Reduction in supply disruption Optimized category and portfolio strategy Better negotiation success Overall cost reduction Reduction in maverick spend


Provider value proposition




Access to category experts




Advanced analytics solutions




Global sourcing capability



Global delivery presence

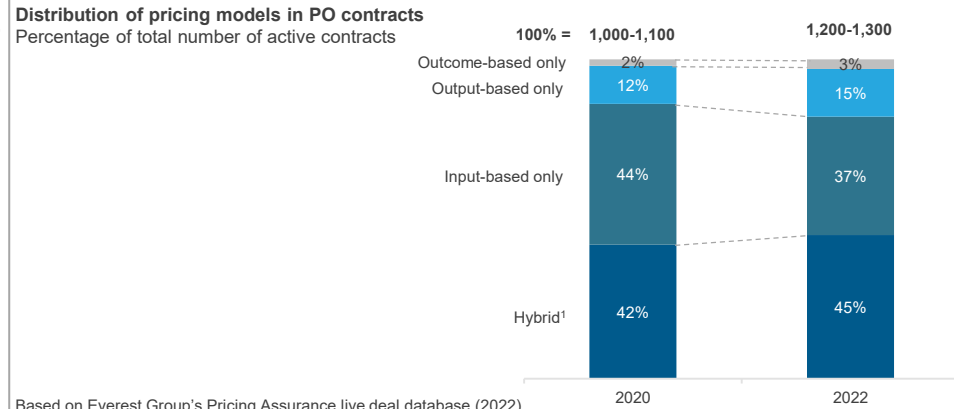


Category knowledge and strategy templates

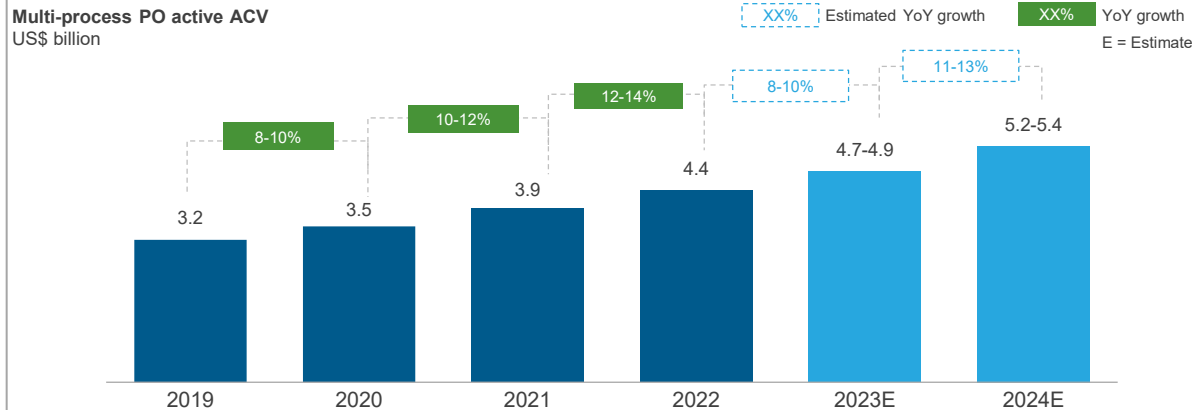


Access to market intelligence

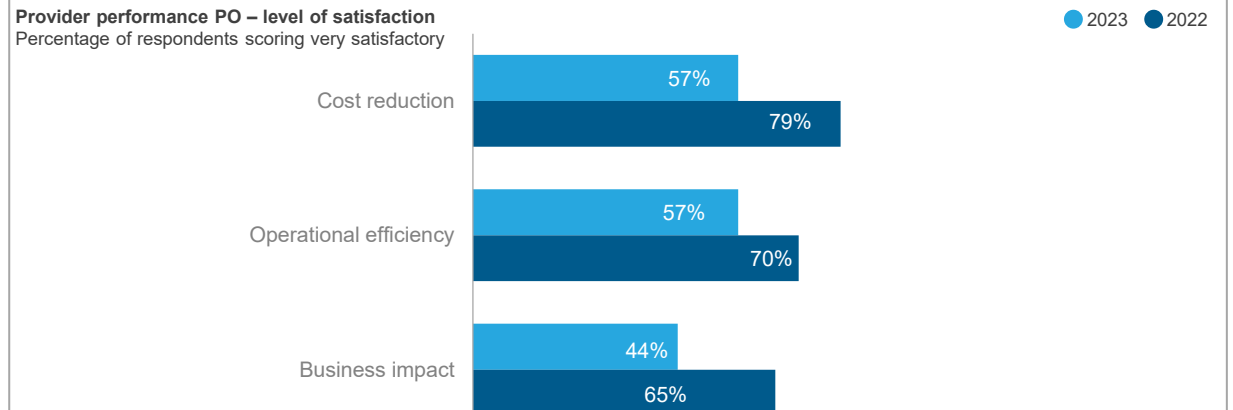
Pricing construct adoption within PO market



PO market adoption



Buyer satisfaction results



Research calendar

Procurement Outsourcing (PO)

Published
 Planned
 Current release

Reports title	Release date
Procurement Outsourcing (PO) – Service Provider Compendium 2022	November 2022
Leveraging Data Analytics to Build a Truly Connected and Collaborative Supply Chain	November 2022
Procurement Outsourcing (PO) State of the Market Report 2023 – Modern Sourcing and Outsourcing in Uncertain Times	January 2022
Sourcing for Sustainability: Driving Environmental, Social, and Governance (ESG) Initiatives through Procurement	June 2023
Supply Chain Management (SCM) BPS – Service Provider Landscape with PEAK Matrix® Assessment 2023	June 2023
Supply Chain Management (SCM) BPS – Service Provider Compendium 2023	August 2023
Procurement Outsourcing (PO) – Service Provider Landscape with Services PEAK Matrix® Assessment 2023	September 2023
Evolution of the Procure to Pay Technology Landscape	September 2023
Supply Chain Management (SCM) BPS State of the Market Report 2023	December 2023
Procurement Outsourcing (PO) – Service Provider Compendium 2023	December 2023
Procurement Outsourcing (PO) State of the Market 2023 – Driving Outcomes and Value Through Evolving Engagements	December 2023
The Transformation of Procurement in the Generative AI Age	Q1 2024
Logistics of the Future	Q1 2024
Procurement Outsourcing Buyer Pulse Report 2024	Q1 2024
Exploring Circularity in Supply Chain	Q2 2024

Note: [Click](#) to see a list of all of our published Procurement and Supply Chain reports



Everest Group is a leading research firm helping business leaders make confident decisions. We guide clients through today's market challenges and strengthen their strategies by applying contextualized problem-solving to their unique situations. This drives maximized operational and financial performance and transformative experiences. Our deep expertise and tenacious research focused on technology, business processes, and engineering through the lenses of talent, sustainability, and sourcing delivers precise and action-oriented guidance. Find further details and in-depth content at www.everestgrp.com.

Stay connected

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-80-61463500

Delhi
india@everestgrp.com
+91-124-496-1000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

Toronto
canada@everestgrp.com
+1-214-451-3000

Website
everestgrp.com

Social Media
 @EverestGroup
 @Everest Group
 @Everest Group
 @Everest Group

Blog
everestgrp.com/blog

NOTICE AND DISCLAIMERS

IMPORTANT INFORMATION. PLEASE REVIEW THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. THROUGH YOUR ACCESS, YOU AGREE TO EVEREST GROUP'S TERMS OF USE.

Everest Group's Terms of Use, available at www.everestgrp.com/terms-of-use/, is hereby incorporated by reference as if fully reproduced herein. Parts of these terms are pasted below for convenience; please refer to the link above for the full version of the Terms of Use.

Everest Group is not registered as an investment adviser or research analyst with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), or any state or foreign securities regulatory authority. For the avoidance of doubt, Everest Group is not providing any advice concerning securities as defined by the law or any regulatory entity or an analysis of equity securities as defined by the law or any regulatory entity.

All Everest Group Products and/or Services are for informational purposes only and are provided "as is" without any warranty of any kind. You understand and expressly agree that you assume the entire risk as to your use and any reliance upon any Product or Service. Everest Group is not a legal, tax, financial, or investment advisor, and nothing provided by Everest Group is legal, tax, financial, or investment advice. Nothing Everest Group provides is an offer to sell or a solicitation of an offer to purchase any securities or instruments from any entity. Nothing from Everest Group may be used or relied upon in evaluating the merits of any investment. Do not base any investment decisions, in whole or part, on anything provided by Everest Group.

Products and/or Services represent research opinions or viewpoints, not representations or statements of fact. Accessing, using, or receiving a grant of access to an Everest Group Product and/or Service does not constitute any recommendation by Everest Group that recipient (1) take any action or refrain from taking any action or (2) enter into a particular transaction. Nothing from Everest Group will be relied upon or interpreted as a promise or representation as to past, present, or future performance of a business or a market. The information contained in any Everest Group Product and/or Service is as of the date prepared, and Everest Group has no duty or obligation to update or revise the information or documentation. Everest Group may have obtained information that appears in its Products and/or Services from the parties mentioned therein, public sources, or third-party sources, including information related to financials, estimates, and/or forecasts. Everest Group has not audited such information and assumes no responsibility for independently verifying such information as Everest Group has relied on such information being complete and accurate in all respects. Note, companies mentioned in Products and/or Services may be customers of Everest Group or have interacted with Everest Group in some other way, including, without limitation, participating in Everest Group research activities.