



## **Procurement Outsourcing (PO) Market Update: July 2009 – Preview Deck**

**Topic: PO in Financial Services: From Wall Street  
to Martin Place – Unlocking Value from the  
Savings Goldmine**

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Financial Services has been at the forefront of outsourcing and offshoring but Procurement Outsourcing (PO) adoption is relatively low. Historically procurement did not attract enough attention among financial services buyers. As a result, procurement is generally understaffed and underinvested. This started to change in mid-2000s as a few pioneering financial services institutions started to outsource non-core procurement spend. The business case was attractive and outsourcing procurement helped them rapidly achieve maturity of the function.

This generated interest in the market and financial services started to adopt PO aggressively but new contract signings dropped in 2008. The current economic challenges and the recent spate of acquisitions changed the financial services landscape. Today, the fight for sustenance takes precedence – consequently outsourcing-related decision making is slow. There is heightened sensitivity around offshoring as well.

This research takes a look at the impact of the current economic crisis on adoption of PO services by financial services and provides Everest's outlook for the market. We focus on two primary areas:

- Business case and market size of PO in financial services
- Adoption trends and supplier landscape

## **The scope of analysis includes:**

- Third-party PO contracts and does not include shared services or captives
- Multi-process PO contracts that involve outsourcing of three or more activities from the Source-to-Pay (S2P) process, with at least US\$1 million in Annual Contract Value, and a contract length of at least three years
- All multi-process PO contracts across all industries and geographies signed as of 2008

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# Overview and abbreviated summary of key messages



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This research examines the impact of the current financial turmoil on adoption of PO services by financial services and provides Everest's outlook for the market. This report will assist key stakeholders (i.e., buyers and suppliers) understand the medium-term and long-term dynamics driving adoption of PO by financial services industry and will help them identify value creation opportunities as well as identify potential risks involved. In this backdrop, this report provides comprehensive coverage of the financial services industry within PO and includes detailed analyses on business case and market size of PO in financial services, and adoption trends and supplier landscape.

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

### Business case and market size of PO in financial services

- Fundamentally, the concept of core versus non-core is not as relevant in the financial services industry. Outsource-addressable spend in financial services is determined by critical versus non-critical
- There is a strong business case for PO in financial services. PO can impact a cost base representing 5-10% of revenues of a financial services organization, thus generating annual savings of US\$50-100 million for a US\$10 billion organization
- While the three key tenets of the PO value proposition – unit spend reduction, compliance, and operational effectiveness – hold true across all industries, the relative significance of each of these tenets differs by organization size within financial services

### Adoption trends and supplier landscape

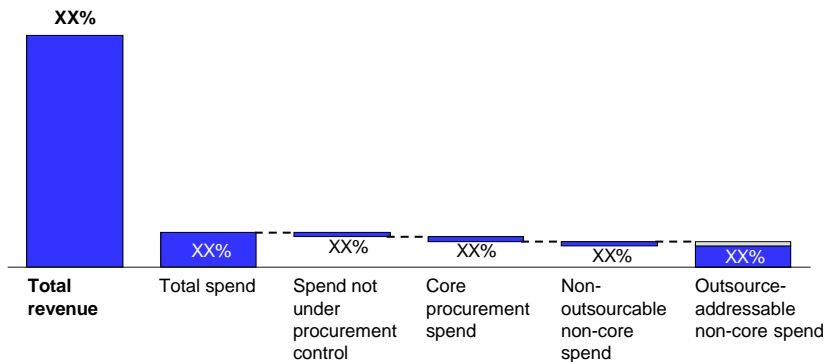
- PO in financial services is an under-penetrated market. Financial services is a significant adopter of outsourcing and offshoring services, but PO continues to be an under-penetrated market. Financial services accounts for only 10% of the multi-process PO contracts
- Given the relatively low levels of PO adoption in financial services, few suppliers have experience in providing PO services to financial services. Accenture is the clear and dominant leader with nearly 95% market share (by ACV)
- While the current supplier landscape for PO in financial services is highly concentrated, we expect several new suppliers to enter the market

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

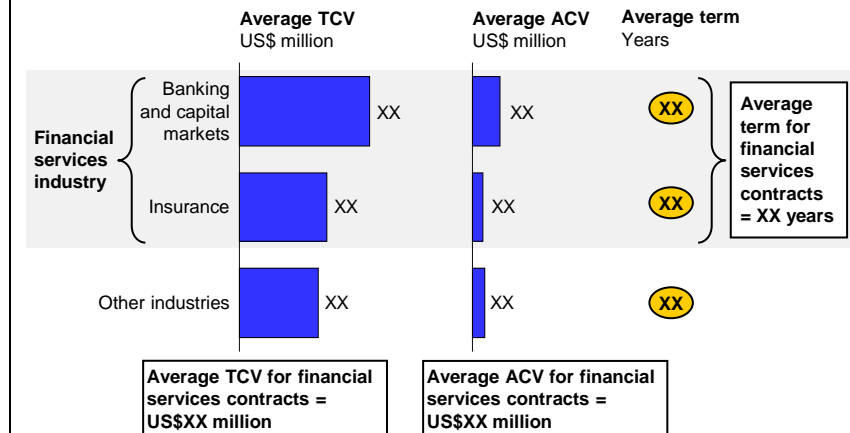
## ILLUSTRATIVE

### PO addressable cost-base in financial services organizations

Percentage of revenues

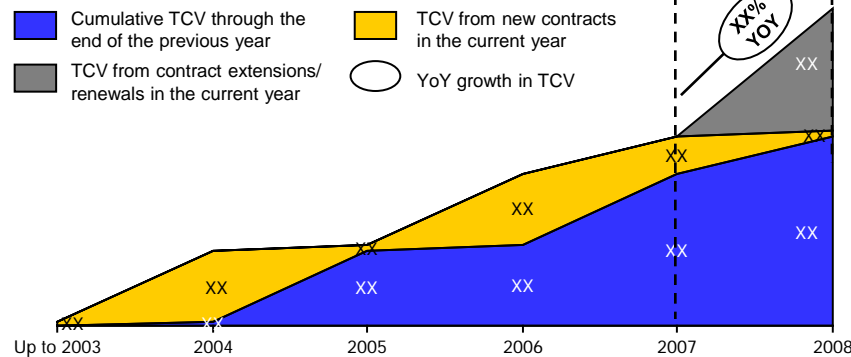


### Average size of PO contracts



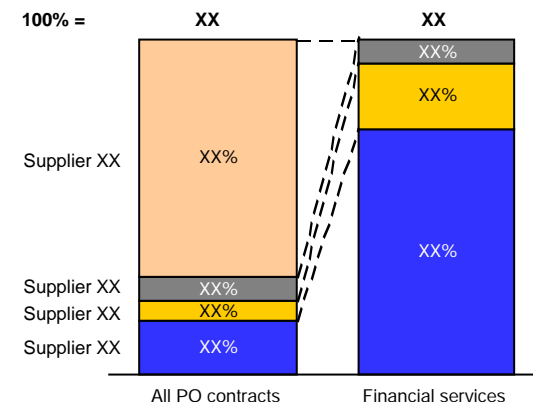
### Break-up of cumulative PO TCV in financial services over time

TCV in US\$ million



### PO supplier market share within financial services

Number of multi-process contracts



Source: Everest Research Institute (2009)

# Appendix: Additional PO research recommendations



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The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **PO in Manufacturing Industry – Tangible Bottom-Line Impact Drives Further Adoption** (ERI-2009-1-R-0338); 2009. Summarizes key PO market trends in manufacturing industry and facilitates PO stakeholders in taking informed business decisions. Focuses on the manufacturing industry within PO and provides insights and trends into various manufacturing segments
2. **PO Annual Report: Shifting Buyer Preferences Dictate New Engagement Models** (ERI-2009-1-R-0329); 2009. Examines the global 2008 PO market and provides insights, detailed analyses and implications for stakeholders into 2009 and beyond
3. **PO Technology Models: Creating Solutions That Deliver Value** (ERI-2009-1-R-0305); 2009. Investigates the role of procurement technology in PO and analyzes the current technology landscape in the PO market
4. **Global PO Supplier Landscape** (ERI-2008-1-R-0265); 2008. Analyzes the fast-changing global PO supplier landscape, investigate the changing market dynamics and emerging supplier trends, assesses supplier delivery capability across scale, scope, technology, and delivery footprint. It also provides an insight into the typical characteristics of the supplier groups
5. **PO Supplier Profile Compendium** (ERI-2008-1-R-0273); 2008. Provides accurate, comprehensive, fact-based snapshots of 16 PO suppliers. Also analyzes the fast-changing global PO supplier landscape and emerging supplier trends
6. **Outsourcing the Procure-to-Pay (P2P) Process** (ERI-2008-1-R-0224); 2008. This report examines the expanding market opportunity around the outsourcing of Procure-to-Pay (P2P) processes. It focuses on identifying the emerging value proposition of an end-to-end approach in addressing converging buyer requirements between the F&A and procurement processes. Based on extensive primary research, including a buyer survey and in-depth supplier interviews, the study explores perspectives on adoption trends, solution components, supplier capabilities, and the supplier landscape of the present market

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