



Procurement Outsourcing (PO) Annual Report: March 2010 – Preview Deck

PO in 2009: A Year of Prudent Growth

Background of the research

The PO market in 2009 witnessed increased levels of interest and market activity. However, the average contract values dropped due to the adoption of a conservative approach given the prevailing uncertain economic conditions. In the longer term, Everest expects these buyers to grow the scope of their PO engagements and in turn fuel future market growth. With the global economy reviving, Everest predicts growth in excess of 20% for 2010 and expects the multi-process PO market to reach nearly US\$1.3 billion in ACV

In this research study, we analyze the global multi process PO market in 2009. We focus on:

- Market size and buyer adoption trends
- PO Value proposition
- Contract characteristics across process and category scope, technology, global sourcing and pricing structures
- Supplier evaluation and relative position on the Everest PEAK matrix
- 2009 PO Market Star performers based on performance and capability building in 2009

The scope and methodology of this report includes:

- Third-party PO deals; it does not include shared services or captives
- ~200 multi-process PO deals signed as of 2009 with a minimum of three procurement processes, over US\$1 million in ACV, and a minimum contract term of three years
- Coverage across 15+ PO suppliers with multi-process capability including 4C Associates, Accenture, buyingTeam, Capgemini, Corbus, DSSI, Genpact, Global eProcure, HP, HCL, IBM, ICG Commerce, Infosys BPO, TCS, Wipro, WNS, and Xchanging

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Overview and abbreviated summary of key messages

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This report will assist key stakeholders (buyers, suppliers, technology providers) understand the changing dynamics of the PO market and help them identify the trends and outlook for 2010. In this backdrop, this report provides comprehensive coverage of the global PO market including detailed analysis on market size and growth, buyer adoption trends, PO value proposition, contract characteristics and supplier landscape.

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

Market size and buyer adoption

- The PO market reached US\$1.1 billion in ACV, representing roughly US\$7.5 billion in booked PO business, managing over \$140 billion of procurement spend for buyers
- New contract signings increased 28% YoY. However, the annual ACV growth for multi-process contracts in 2009 slowed down to 13%

Value proposition and contract characteristics

- Given the prevailing economic uncertainty in 2009, most buyers adopted a sourcing-centric approach to PO to generate quick savings and an attractive business case
- There is an emergence of several players offering SaaS as a delivery model
- The degree of offshoring in PO contracts has traditionally been low, but it has increased significantly more recently
- Companies are extensively leveraging the managed services model in combination with gain-sharing to provide skin-in-the-game for suppliers

Overview and abbreviated summary of key messages

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Supplier landscape

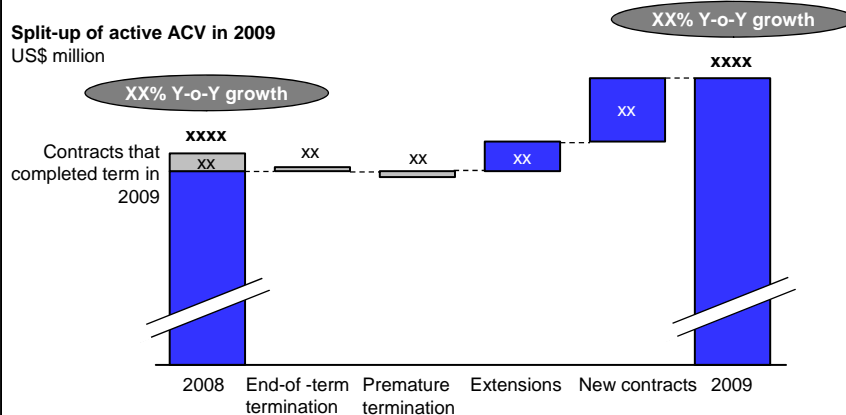
- As PO market matures, new players are entering the market and a third front is now emerging in the form of alliances and partnerships between P2P-focused and sourcing-focused suppliers
- Everest updated its classification of 15+ PO suppliers on the Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix into the categories of Leaders, Major Contenders, and Emerging Players. The PEAK matrix is a framework to assess the absolute matrix success and overall capability of suppliers
- Suppliers across PEAK categories witnessed an increase in their portfolio of single-process PO contracts in 2009
- Everest identified five suppliers as the “2009 PO Market Star Performers” based on their relative movement on PEAK – Accenture, IBM, ICG Commerce, Infosys BPO, and TCS

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

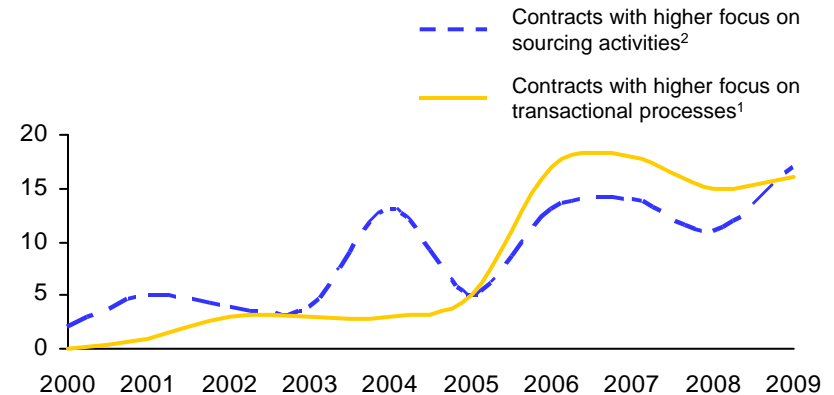
ILLUSTRATIVE

ACV growth in 2009 was driven by both organic and inorganic growth

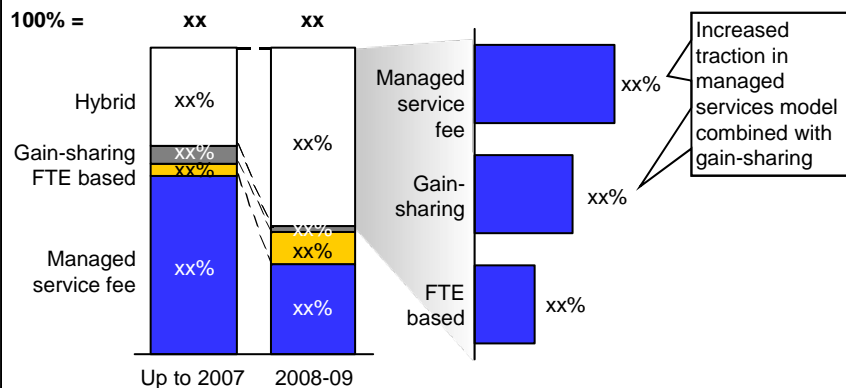
Split-up of active ACV in 2009
US\$ million



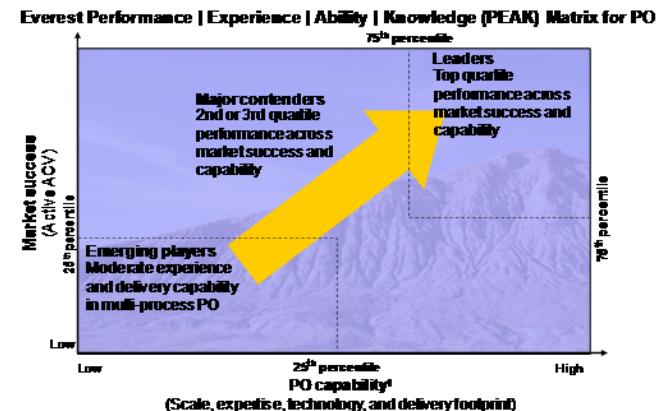
In 2009, most buyers adopted a sourcing-centric approach to PO



Adoption of PO pricing structures is evolving from pure managed service fee to hybrid models



Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix for PO



Source: Everest Research Institute (2010)

Major upcoming research

Q1-Q2 2010 PO research plan

TENTATIVE

Title	Goals of the research
1. Realizing Value from PO	This research paper is intended to educate PO stakeholders and help them ensure that they realize the full value from their PO initiative. The paper addresses the issue of non-core spend management being sub optimal and how PO has emerged as a solution to capture significant savings for non-core spend
2. Global PO Supplier Landscape	In this research study, we analyze the fast-changing global PO supplier landscape and its impact on the PO market. We focus on supplier position and market shares, delivery capability assessment, and modes of differentiation
3. PO Supplier Profile Compendium	Profile established PO suppliers across various dimensions including overall revenues, FTEs strength, key delivery locations, PO service suite, market positioning, overall PO delivery capability assessment, and Everest Research perspective on supplier
4. PO Savings – Realizing tangible business impact	PO can deliver a significant bottom-line impact as it addresses a large cost base. However realizing PO is very challenging. This research focuses on how buyers have realized savings by outsourcing procurement processes. The research profiles several buyer engagements where the suppliers have been able to create a tangible business impact
5. Role of SaaS providers in BPO	Our research indicates that the combination of BPO with SaaS can drive organizations to the next level of optimization. However, this model is still very nascent. This study intends to showcase leading SaaS providers and educate buyers and supplier of the growing success and importance of SaaS in BPO

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. **Pricing Structures in PO – Ensuring "Win-Win" Solutions** (ERI-2009-1-R-0371); 2009. This research focuses on PO pricing structures prevalent today, market trends in adopting different pricing structures, factors affecting contract pricing and best practices for buyers and suppliers
2. **PO in Financial Services: From Wall Street to Martin Place – Unlocking Value from the Savings Goldmine** (ERI-2009-1-R-0348); 2009. 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
3. **PO Technology Models: Creating Solutions That Deliver Value** (ERI-2009-1-R-0305); 2009. Investigates the role of procurement technology in PO and analyze 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. **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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