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Procurement Outsourcing (PO)
Market Update: June 2010 – Preview Deck

Topic: The Dynamic PO Supplier Landscape – Evolving From Segment Focus to End-To-End Capabilities

ERI-2010-1-PD-0415

Background and methodology of the research

Background of the research

Procurement Outsourcing (PO) has generated immense interest in the BPO market as a solution to help companies realize savings and create bottom-line impact. Today PO service providers manage more than US$140 billion of spend for their clients. As the PO market grows and matures, new players enter the market while the existing players strengthen their position, thus making the PO supplier landscape increasingly dynamic. In 2009, several partnerships were announced between segment-focused suppliers in an attempt to enhance their end-to-end Source-to-Pay (S2P) capability. Other investments especially technology related (like the launch of platform-based PO offerings) as well as building category expertise have come to the fore.

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

- Types of PO suppliers and characteristics of different supplier segments
- Supplier evaluation and relative position on the Everest PEAK Matrix
- Changes to global supplier landscape in 2009
- Key areas of investments by suppliers

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, GlobaleProcure, HCL, HP, IBM, ICG Commerce, Infosys BPO, TCS, Wipro, WNS, and Xchanging

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Overview and abbreviated summary of key messages (page 1 of 2)

This report will assist key stakeholders (buyers, suppliers, technology providers) understand the changing dynamics of PO market supplier landscape and help them identify market leaders, major contenders, emerging players, and the star performers coming out of 2009. In this backdrop, this report provides comprehensive coverage of the global PO supplier landscape including detailed analysis on market shares, capability assessment, landscape movement in 2009, and supplier landscape by type of core offering and segment focus.

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

Global PO supplier landscape

- The PO supplier landscape shows a three-way division by type of core offering – sourcing-focused suppliers, transactional or P2P-focused suppliers, and end-to-end S2P suppliers
- Accenture and IBM are the only two suppliers with truly global end-to-end PO capabilities. However, more recently, the PO market witnessed a number of alliances and partnerships between P2P-focused and sourcing-focused suppliers (like ICG Commerce – Genpact, TCS – Denali, Steria – HPI, Wipro – Ariba, and HP – GlobaleProcure). Capgemini acquired IBX and launched a broader S2P offering. The supplier landscape is also expanding with the entry of new players such as OPI and Steria
- Contract characteristics and go-to-market strategies differ across the three PO supplier segments

Overview and abbreviated summary of key messages (page 2 of 2)

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Supplier market share and delivery capability

- Everest classifies the PO supplier landscape into leaders, major contenders, and emerging players on the Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix. The PEAK Matrix is a framework to assess the absolute market success and capability of suppliers
- Clear leadership positions have been established by Accenture, IBM, and ICG Commerce, but there is a large group of major contenders constituted by a number of sourcing-focused players (4C Associates, buyingTeam, GlobaleProcure, and Xchanging) and P2P-focused players (Capgemini, Corbus, Genpact, HP, Infosys, TCS, Wipro, and WNS) that has intensified competition in the market
- Accenture and IBM account for nearly 65% of the overall PO market in terms of ACV. ICG Commerce dominates the sourcing-focused supplier group. However, no clear leadership position has been established among the P2P-focused suppliers
- Accenture and IBM emerged as the truly global leaders in the market, but regional leadership positions continue to exist. Individual supplier shares also vary by industry
- Everest assessed PO capabilities of 15+ suppliers across scale, expertise, technology, and delivery footprint

PO supplier landscape movement in 2009

- The PEAK leaders (Accenture, IBM, and ICG Commerce) continued to dominate PO market activity in 2009 and signed the majority of new contracts. GlobaleProcure, Infosys BPO, and TCS also reported a number of new PO contract signings in 2009
- Many suppliers engaged in capability investments during 2009 (in terms of M&A, partnerships, or internal investments) focused around two major themes, i.e., building technology capability and enhancing end-to-end S2P capability
- Everest identified five suppliers as the "2009 PO Market Star Performers" – IBM, Accenture, ICG Commerce, Infosys BPO, and TCS. We chose these five suppliers based on the relative movement of 15+ PO suppliers on the Everest PEAK matrix from 2008 to 2009

This study offers three distinct chapters providing a deep dive into the global PO supplier landscape; below are four charts to illustrate depth of the report

ILLUSTRATIVE

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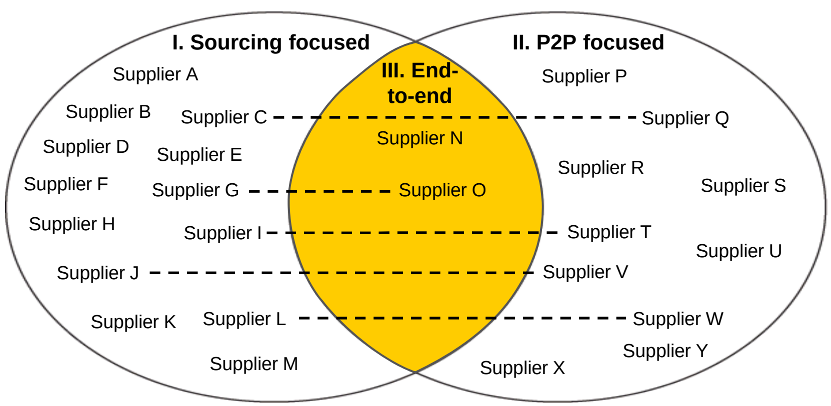
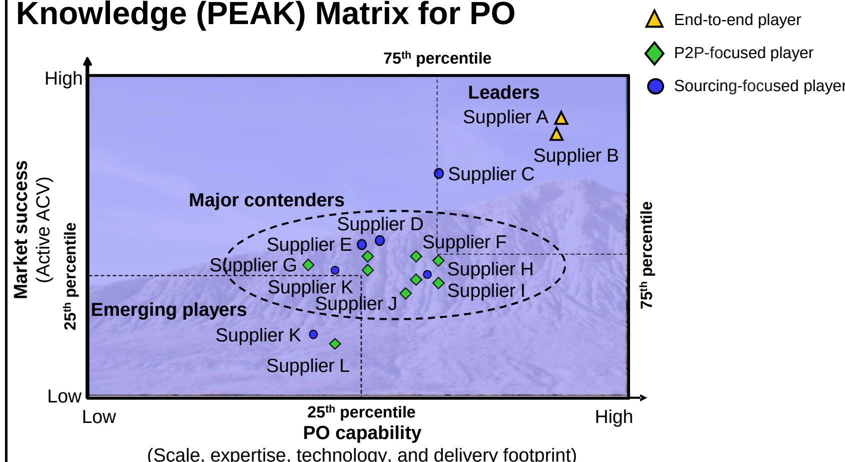
The PO supplier landscape also shows a three-way division by type of core offering

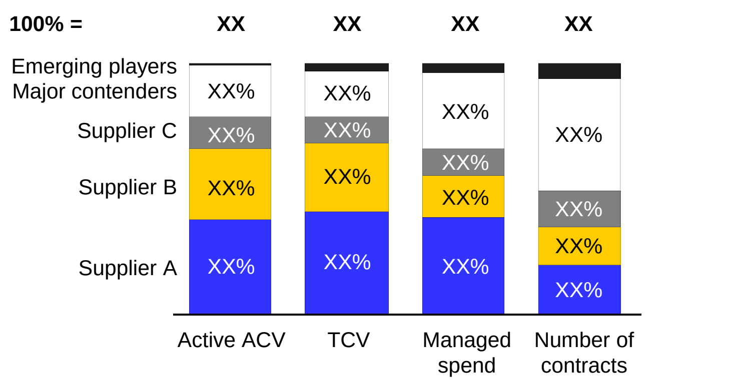


Everest Performance | Experience | Ability | Knowledge (PEAK) Matrix for PO



PO supplier market shares

Global PO supplier market share as of 2009
Active ACV, TCV, and managed spend in US$ billion and number of contracts



PO delivery capability assessment

● High ◕ Medium-high ◑ Medium

		Scale	Scope	Technology capability	Delivery footprint	Overall assessment
Leaders	Supplier A	High	High	High	High	High
	Supplier B	High	Medium-high	Medium-high	High	High
	Supplier C	High	Medium-high	High	High	High
Major contenders	Supplier D	High	High	Medium-high	High	High
	Supplier E	High	Medium-high	Medium-high	High	High
	Supplier F	High	High	High	High	High
Emerging players	Supplier G	High	Medium-high	High	Medium-high	High
	Supplier H	Medium	Medium	Medium-high	Medium-high	Medium-high
	Supplier I	Medium	Medium	Medium	Medium	Medium

Source: Everest Research Institute (2010)

Major upcoming research
Q1-Q2 2010 PO research plan

TENTATIVE

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Published (shaded)

Title	Goals of the research
1. PO Annual Report – The Year of Prudent Growth	In this research report, we analyze the global multi-process PO market in 2009. We focus on the PO market size, buyer adoption trends, PO value proposition, contract characteristics and supplier evaluation and relative position on the Everest PEAK matrix. This report also indentifies the "2009 FAO Market Star Performers" based on performance and capability building in 2009
2. Get More From Your Non-Core Spend	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
3. PO Supplier Profile Compendium	Profile established PO suppliers across various dimensions including overall revenues, FTE 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 created 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

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 Annual Report – PO in 2010: The Year of Prudent Growth** (ERI-2010-1-R-0401); 2010. In this research report, we analyze the global multi process PO market in 2009. We focus on the PO market size, buyer adoption trends, PO value proposition, contract characteristics and supplier evaluation and relative position on the Everest PEAK matrix. This report also indentifies the "2009 FAO Market Star Performers" based on performance and capability building in 2009

2. **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

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. **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

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

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