Everest Group
RESEARCH

Topic: Procurement Outsourcing (PO) – Annual Report 2013: Expertise and Technology Driving Growth

Procurement Outsourcing (PO)
Annual Report – June 2013 – Preview Deck

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Background and methodology of the research

Background of the research

The global multi-process Procurement Outsourcing (PO) market witnessed healthy growth of 10% in 2012. Inorganic growth emerged as a major driver, contributing around 60% to the increase in market size. Furthermore, buyers are drawing higher value from second and third generation PO engagements by augmenting traditional models such as increasing the depth and breadth of service coverage by new modes of scope expansion, including expansion into downstream F&A processes, and expansion into adjacent supply chain activities.

In this study, we analyze the global multi-process PO market in 2012. We focus on:

- Market size and buyer adoption
- Value proposition and client satisfaction assessment
- Solution characteristics across process scope, category scope, global sourcing, pricing structures, technology model, and performance metrics
- PO service provider landscape, covering service providers' market share and areas of investments

The scope of analysis includes:

- Third-party PO deals; it does not include shared services or Global In-house Centers (GICs)
- Around 400 multi-process PO deals signed as of 2012 with a minimum of three PO processes, over US$1 million in ACV, and a minimum contract term of three years
- Coverage across 20+ PO service providers with multi-process capability including Accenture, Aegis, Aquanima, Capgemini, Corbus, DSSI, Genpact, GEP, HCL, HCMWorks, HP, IBM, Infosys, Optimum Procurement, Procurian, Proxima, TCS, Wipro, WNS, Xchanging, and Xerox
- Global survey and one-on-one executive-level buyer interviews to understand how organizations perceive their PO engagements

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

This report will assist key stakeholders (buyers, service providers, and technology providers) understand the changing dynamics of the PO market and help them identify the trends and outlook for 2013. In this backdrop, this report provides comprehensive coverage of the global PO market including detailed analysis of market size and growth, buyer adoption trends, PO value proposition & buyer satisfaction, solution characteristics, and service provider landscape.

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

Market size and buyer adoption

- The PO market in 2012 grew at 10% reaching US$1.72 billion in ACV representing US$220 billion of managed procurement spend
- The average contract size continued to remain similar to the last few years
- While large buyers continue to dominate adoption, 2012 witnessed increased adoption from SMB

Value proposition and buyer satisfaction

- The overall satisfaction level among buyers is high. However, clients seek more category expertise and better stakeholder management from their service providers
- A combination of managed service fee with some skin-in-the-game for the service provider is the most common pricing model

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

Solution characteristics

- PO contracts are also expanding into adjacent supply chain processes
- While PO continues to focus on indirect spend, inclusion of direct spend category has witnessed significant growth
- The focus on outsourcing tail-end spend management is increasing. Service providers are creating/expanding capabilities across the globe with Central and Eastern Europe, China, and SE Asia exhibiting the highest growth

Service provider landscape

- IBM and Accenture continue to lead the PO market with more than 50% market share (by ACV). However, the competitive landscape is intensifying and the combined market share of the top two service providers is on a decline

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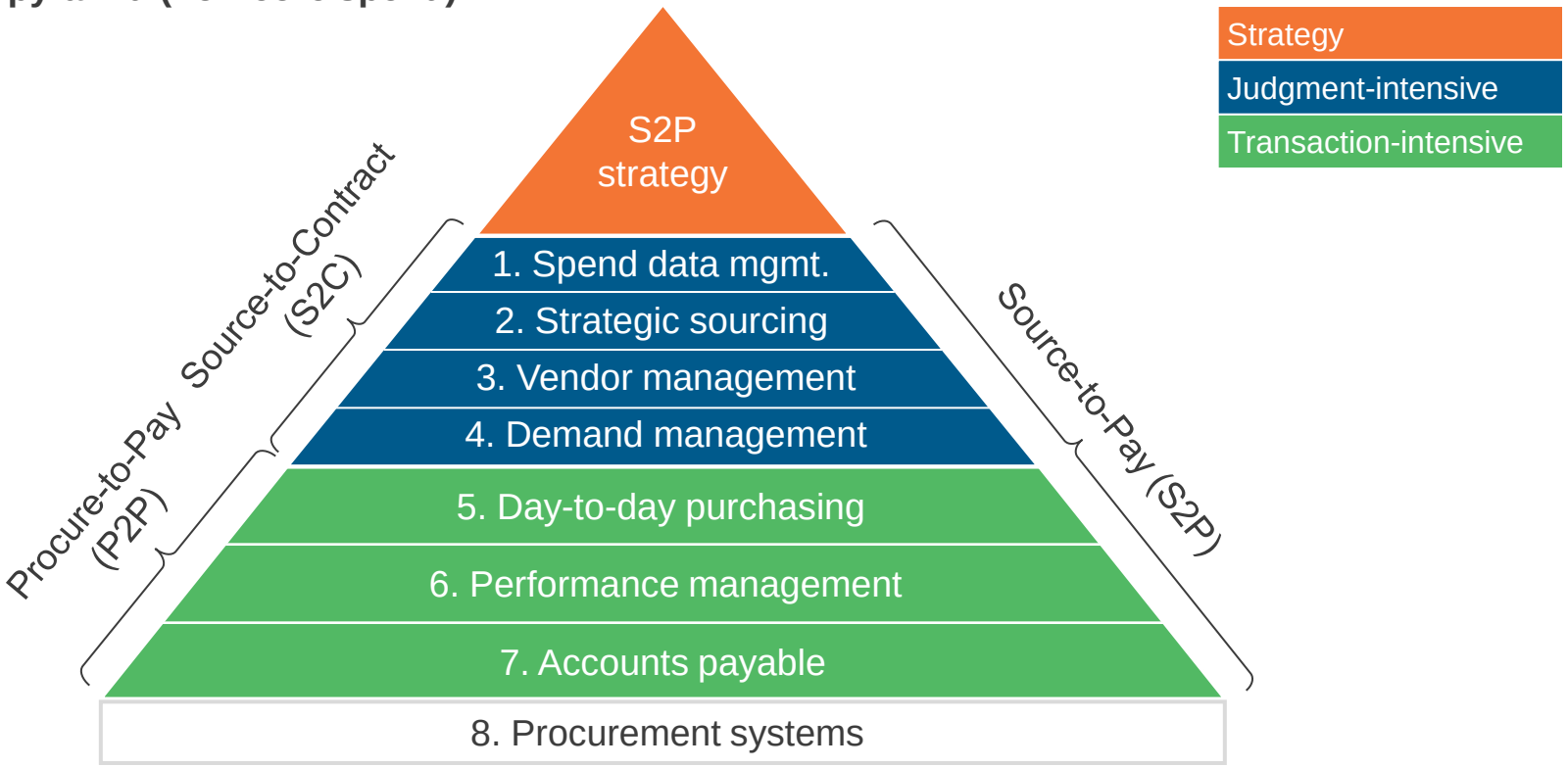
Everest Group distinguishes between Source-to-Contract (S2C) and Procure-to-Pay (P2P) processes

Procurement pyramid (non-core spend)



- Everest Group's analyses include multi-process PO contracts with a minimum of three procurement processes, over US$1 million in Annualized Contract Value (ACV), and a minimum contract term of three years. Typically, managed spend is greater than US$50 million
- Everest Group's analyses include all multi-process PO contracts signed as of 2012

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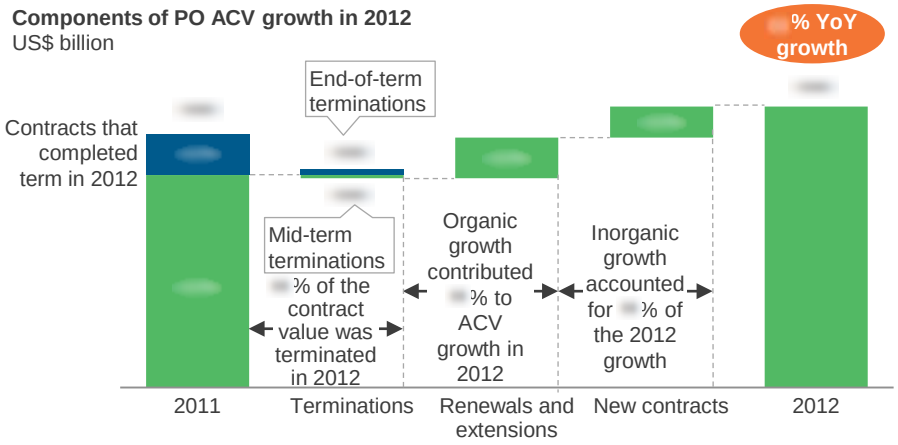
This study offers three distinct chapters providing a deep dive into key aspects of the PO market; below are four charts to illustrate the depth of the report

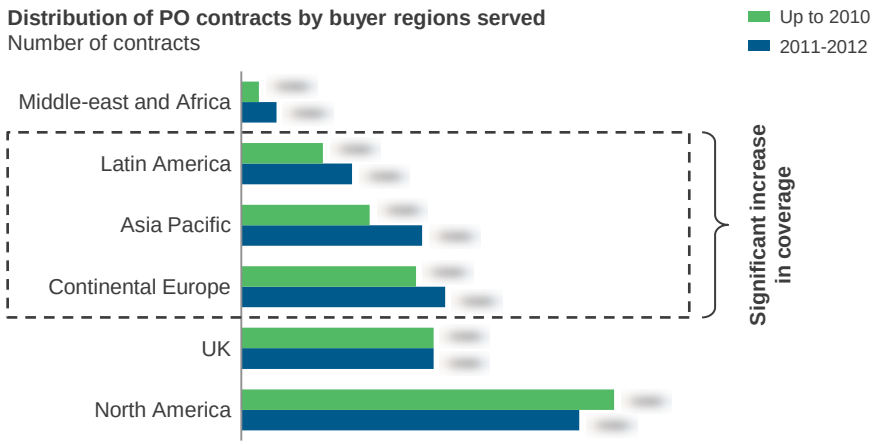
Market growth

Components of PO ACV growth in 2012
US$ billion

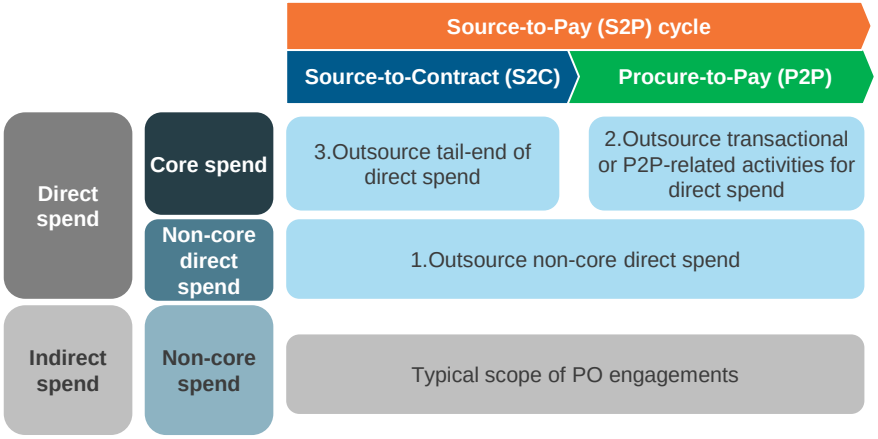


Inclusion of buyer regions in contracts

Distribution of PO contracts by buyer regions served
Number of contracts

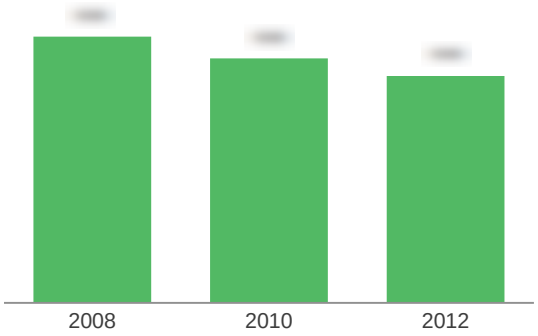


Direct spend management in PO



Market share of Accenture and IBM

Market share of the top two PO service providers (Accenture and IBM) over time
Percentage of market size (active ACV)



Source: Everest Group (2013)

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PO research calendar

Published Current

Topic	Release date
Unlocking Value From End-to-End Process Outsourcing: Focus on Procure-to-pay (P2P)	February 2013
Supply Chain Management (SCM) BPO – Beyond Procurement Outsourcing (PO)	March 2013
Procurement Outsourcing (PO) – Annual Report 2013: Expertise and Technology Driving Growth	June-2013
From Strategic Sourcing to Contracting – Source-to-Contract (S2C) a High Value Driver in PO	Q3-2013
Sourcing Contingent Workforce – Rise of MSP model	Q3-2013
PO – Service Provider Landscape with PEAK Matrix Assessment 2013	Q3-2013
PO – Service Provider Profile Compendium 2013	Q3-2013
Growth of Horizontal BPO in LATAM	Q3-2013
The Rise of Procurement and HR Collaboration – Effectively Managing HR-spend	Q4-2013
Evaluation of BPaaS Solutions for FAO/PO/HRO	Q4-2013
Tail-end Spend Management	Q4-2013

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Additional PO research recommendations

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

1. **Supply Chain Management (SCM) BPO – Beyond Procurement Outsourcing (PO)** (EGR-2013-1-R-0840); 2013. This report goes beyond PO to explore buyer adoption and solution characteristics in other supply chain areas and profiles the capabilities of several SCM BPO service providers. It analyzes the SCM BPO market across key business drivers, market growth, buyer adoption trends, and solution characteristics

2. **Procure-to-Pay (P2P) Outsourcing: Unlocking Value from End-to-End Process Outsourcing** (EGR-2013-1-R-0819); 2013. This report analyzes the key trends in P2P outsourcing within the FAO and PO market. It provides an understanding of the business value, adoption trends, solution characteristics, and service provider capability in P2P outsourcing

3. **Role of Procurement Outsourcing (PO) in Managing Direct Spend – Not so Indirect Any More** (EGR-2012-1-R-0684); 2012. The study analyzes the role of PO in managing direct spend categories, focusing on key differences between direct and indirect spend, market size, adoption trends, service provider investments related to direct spend outsourcing, models for leveraging PO to optimize direct spend, drivers, challenges, and best practices

4. **Procurement Outsourcing (PO) Annual Report 2012: The PO Market – Steadily Marching Forward** (EGR-2012-1-R-0683a); 2012. This report provides an overview of the overall PO market in 2011, including the size and growth of the market, adoption trends, contract characteristics, value proposition, service provider landscape, and market outlook for 2012

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