

NEWS RELEASE

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Global Sourcing expected to drive growth in Procurement Outsourcing market in next 12-18 months, says Everest Research Institute

***Enhanced delivery models to expand the value proposition that drives PO growth
and alters supplier landscape***

DALLAS, November 20, 2007 — Global sourcing in Procurement Outsourcing (PO) is expected to significantly expand during the next 12 to 18 months, according to a new study by the [Everest Research Institute](#). According to the study, suppliers' value propositions are increasingly more attractive due to increased technology innovations and improved skills, as well as an increased buyer acceptance of the global sourcing concept. Buyers will tap procurement suppliers that use global sourcing to improve their delivery value conducive to judgment-intensive, sourcing-related processes such as bid evaluation, vendor contract compliance and specification development.

The Institute's study, [Global Outsourcing in Procurement Outsourcing](#), reveals that the Procurement Outsourcing market is gaining traction as evidenced by suppliers that now manage nearly US \$50 billion of non-core procurement spend for their clients. According to the Institute, the proportion of Procurement Outsourcing contracts with an offshore component has increased from 50 percent to nearly 90 percent over the last two years.

"Until recently, the adoption of offshore in Procurement Outsourcing has been limited when compared to other outsourced general and administrative functions such as finance and accounting," said [Katrina Menzigian](#), Vice President, Everest Research Institute. "We are now seeing a shift to a globally leveraged three-tiered delivery model with on-site, in-region and off-shore resources. Despite the growth we're seeing, there still remain challenges in managing operational costs and realizing savings that must be managed in order to maintain the continued growth in global sourcing for procurement outsourcing services."

"The use of global sourcing can act as a tool for restructuring the overall cost profile of PO deals by offsetting some of the upfront investments driven by operational requirements," said [Saurabh Gupta](#), Research Director, Everest Research Institute and co-author of the report. "In this way, global sourcing can favorably tip the scale in favor of outsourcing procurement by driving increased savings potential, as well as enhanced operational capabilities."

Other study findings include:

- Offshore-centric companies such as [Genpact](#), [HCL](#), and [Infosys BPO](#) have entered the Procurement Outsourcing market and are making significant investments in people and technology.
- Service providers with a strong background in accounts payables are entering the procurement market with procure-to-pay offerings. For many, this is only an entry point, with plans underway to expand capabilities to include sourcing components. This market entry path is especially prevalent with India-based finance and accounting providers, for whom global sourcing is a core business tenant.
- Opportunities for value creation through offshoring exist for procure-to-pay and analytics. Additionally, there are sub-processes within strategic sourcing and vendor management that have significant offshore potential.
- Better buyer education, detailed process definition to create visibility into roles and responsibility, mentoring and training programs of supplier resources, and tool and process standardization would help increase overall offshoring levels in the PO market.
- Procure-to-pay-focused contracts tend to have a higher degree of offshore possibilities than sourcing-focused contracts.

To read more about the results of the [Global Outsourcing in Procurement Outsourcing](#) study, an extract of the report is available at www.outsourcing-center.com. To purchase the report or receive more information about other research services, please [e-mail info@everestresearchinstitute.com](mailto:info@everestresearchinstitute.com) or call +1-214-451-3110.

About Everest Research Institute

[Everest Research Institute](#) (www.everestresearchinstitute.com) serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, service providers, and investors in the global outsourcing and offshoring marketplace. The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute's distinguished [Board of Advisors](#), senior executives and thought leaders oversee the Institute's research agenda to ensure that it fully supports the business needs of corporations, service providers and investors.

Everest Research Institute [members](#) receive access to unparalleled analytical and advisory services, including access to Everest analysts, in-depth [reports](#) on major outsourcing and offshoring topics, [white papers](#) on market-shaping events, and [Webinars](#) designed to provide insight and information about important market trends. The Institute's wealth of knowledge and experience provides members with unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

[Everest Group](#) is a global operational strategy consulting firm with offices in such leading business centers as Dallas; Gurgaon, India; London; Amsterdam; New York; Toronto and Melbourne. An industry leader since 1991 when we created the sourcing consulting category, Everest Group has earned a worldwide reputation for ongoing innovation as we help clients achieve maximum value from their operations, which

includes sourcing strategy and implementation. Everest created the [Everest Research Institute](http://www.everestresearchinstitute.com) (www.everestresearchinstitute.com) as the central source of industry information. Please visit www.everestgrp.com and www.everestresearchinstitute.com for more information.

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