



Procurement Outsourcing Market Redefining Itself; on See-Saw Growth Path, According to Everest Research Institute

Global Sourcing and Offshoring of Procurement Outsourcing Gaining Momentum

Press release

DALLAS, April 9, 2008 – Outsourcing of procurement functions is on a “see-saw” growth path fueled by an enhanced value proposition and strong movement towards global sourcing and offshoring, according to an [Everest Research Institute](#) study of the procurement outsourcing (PO) market.

Companies signed fewer procurement outsourcing deals in 2007, a number slightly below the landmark 2006 figures; however, market growth was evident as managed, non-core PO spend crossed \$50 billion (US) last year, according to the Institute’s study, [Procurement Outsourcing \(PO\) Annual Report](#). The study explores and defines three key factors that are enhancing the value proposition for PO and driving market growth: expansion of existing engagements, a shifting adoption pattern away from “big bang” contracts towards more “phased-approach” engagements, and an increased focus on the operational components of procurement that appeals to a broader set of potential PO buyers.

“Procurement outsourcing is redefining itself with the emergence of a ‘phased’ sourcing approach that benefits both buyers and suppliers,” said [Katrina Menzighian](#), Vice President, Everest Research Institute. “This phase-in approach is allowing the opportunity for testing of synergies, scaling up operations, developing industry-specific capability which, in turn, delivers better results and savings. Buyers are also able to ‘experiment’ with procurement outsourcing as they potentially migrate towards a full Source-to-Pay (S2P) strategy.”

The study also identifies strong movement towards global sourcing and offshoring, thereby providing buyers with new levers for addressing issues that are related to operational costs, technology management costs, and enhanced analytics, among other factors. The newly emerging PO value proposition also represents the convergence of the traditional PO value proposition around sourcing efficiencies with the traditional Finance & Accounting Outsourcing (FAO) value proposition centered upon operational effectiveness.

Other highlights of the annual report include:

- Increasing leverage of technology in PO solutions is driving more standardization, vertical best industry practices and tighter compliance protocols.
- Pricing structures are stabilizing towards a combination of managed service fee and gain-sharing contracts.

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- Manufacturing continues to be the dominant adopter of PO; however, demand in financial services and consumer products sectors has risen.
- The top five suppliers are [Accenture](#), [IBM](#), [Ariba](#), [ICG Commerce](#), and [Xchanging](#) that control 75 percent of market share.
- While the top five PO suppliers continue to command 75 percent of market share, PO “specialists” (such as [buyingTeam](#), [DSSI](#) and [Provade](#)) and offshore-centric suppliers (such as [Genpact](#), [HCL](#), [Infosys BPO](#) and [Wipro](#)) have captured a growing number of new contracts over the past two years.
- Few suppliers today have end-to-end S2P service capabilities, but they are making concerted efforts to acquire capability through acquisitions partnerships and internal enhancements.

“New market segments are emerging, and global sourcing for PO is gaining traction, which is creating medium-term market differentiation for suppliers capable of delivering the services,” said [Saurabh Gupta](#), Research Director, Everest Research Institute and co-author of the report. “PO suppliers with existing capabilities in finance and accounting and offshoring are well positioned to service present buyer requirements. With the influx of new suppliers, buyers need to carefully assess their organizational readiness to take on this very complex undertaking as well as assess suppliers’ service delivery capabilities, procurement expertise and performance records.”

In conjunction with the study, the Institute redefined multi-process procurement outsourcing to enhance its ability to track emerging PO market trends. The new definition acknowledges the rise in phased-in approach contracts, an increased focus on the operational components of procurement and an expanding supplier landscape. To learn more, read the Institute’s complimentary whitepaper, [Procurement Outsourcing \(PO\) Market Definition Update – Tracking the Next Phase of the PO Market Evolution](#), available at www.everestresearchinstitute.com.

About Everest Research Institute

[Everest Research Institute](#) 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, [whitepapers](#) 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 Amsterdam, Dallas, New York, Toronto, Gurgaon (India), Melbourne, Sydney, and London. 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 as the central source of industry information. Please visit www.everestgrp.com and www.everestresearchinstitute.com for more information.

To read more about the findings of the [*Procurement Outsourcing \(PO\) Annual Report*](#), an extract of the report is available at www.everestresearchinstitute.com. To purchase the report or receive more information about other research services, please e-mail info@everestresearchinstitute.com or call +1-214-451-3110.

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