Everest: Financial Services Firms to Increase Procurement Outsourcing As Cost Pressures Mount

PO Offshoring Nearly 70 Percent and Steadily Increasing

Press release

DALLAS, July 7, 2009 – Adoption of Procurement Outsourcing (PO) services by financial services firms is expected to regain momentum in the medium to long term as companies leverage a strong value proposition to reduce costs, but deals will be different than in the past, according to a new study by the Everest Research Institute.

Over the past 9-12 months, financial services firms have sought a value proposition focused on leveraging existing procurement technology investments and existing PO initiatives. This translated into a slow-down in net new PO spending, but a noticeable jump in contract expansion and renewal spending, according to the Institute's study, *PO in Financial Services: From Wall Street to Martin Place – Unlocking the Value from Savings Goldmine*.

"PO offers a strong value proposition for the financial services sector, which is why adoption was rapid and aggressive until economic challenges dramatically impacted the rate of adoption," said Katrina Menzigian, Vice President, Everest Research Institute. "Buyer focus is coming back to PO again as pressures mount to realize identified cost savings opportunities and accelerate growth driven by core lines of business. Given that the PO value proposition remains strong for financial institutions, we expect adoption to strengthen in the medium to long term as the sector tries to stabilize."

PO can impact a cost base representing 5-10 percent of revenues of a financial services organization, said Menzigian. A US$10 billion organization can generate annual savings of US$50-100 million.

Other highlights of the study include:

- The banking segment is the largest adopter of PO among all financial sectors
- Compared to other industry sectors, the approach among financial services companies is more about "critical vs. non-critical" spend rather than "direct vs. indirect" spend
- Global sourcing is playing an increasingly more important role in PO, with nearly 70 percent of PO contracts having an offshore component
- Financial services buyers signed only 10 percent of all PO contracts but account for nearly 20 percent of the PO market size
- More than 70 percent of firms outsourcing PO are leveraging supplier-owned procurement systems with COTS dominating the sourcing and pay-to-procure (P2P) space
- Accenture is the clear and dominant leading supplier with nearly 95 percent of market share (by ACV) with Xchanging capturing nearly all of remaining share

"While the current supplier landscape for PO is highly concentrated, we expect several new suppliers to enter the market," said Saurabh Gupta, Research Director, Everest Research Institute and co-author of the report. "Suppliers such as Genpact, WNS, and Wipro that have strong FAO experience in financial services and emerging PO capability will likely be among the new entrants."

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To read an extract of *PO in Financial Services: From Wall Street to Martin Place – Unlocking the Value from Savings Goldmine* and other PO research studies, please visit www.everestresearchinstitute.com. To purchase the report or receive more information about other research services, please email info@everestresearchinstitute.com or call +1-214-451-3110.

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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 wealth of knowledge and experience provides unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

Everest Research Institute is the research arm of the Everest Group, a global consulting firm with offices in such leading business centers as Dallas, New York, Toronto, London, Amsterdam, New Delhi, Melbourne, and Sydney. Everest Group has earned a worldwide reputation for ongoing innovation as it helps clients achieve maximum value from their operations including sourcing strategy and implementation.

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