



Everest: New Procurement Outsourcing Contracts Declined In 2008, but Overall Spending Grew 30 Percent

Annual Spending on PO Contracts Surpassed US\$1 billion Last Year

Press release

DALLAS, April 7, 2009 – Although the number of new contracts for Procurement Outsourcing (PO) services declined in 2008, strong interest and expansion of existing contracts sustained a 30 percent annual growth rate, according to an [Everest Research Institute](#) study of the procurement outsourcing (PO) market. Annual contract value of PO spend surpassed the US\$1 billion mark in 2008, with large companies signing 54 percent of new contracts.

Companies signed fewer multi-process PO contracts in 2008 as were signed in 2007; however, market growth was evident as suppliers' managed, non-core PO spend was up US\$16 billion over the previous year, crossing US\$110 billion, according to the Institute's study, [Procurement Outsourcing \(PO\) Annual Report 2009: Shifting Buyer Preferences Dictate New Engagement Models](#).

Last year saw the emergence of a more granular process and category scope in multi-process PO contracts, along with the doubling of the number of single-process contract signings. The manufacturing sector, most notably consumer product companies, was a key growth driver last year; whereas, transaction activity slowed in the financial services sector.

"Last year's drop in new contract spending is the result of a changing buyer approach, not a lack of interest in PO," said [Katrina Menzigan](#), Vice President, Everest Research Institute. "The average size of multi-process contracts nearly halved last year as buyers began adopting a cautious, phased approach, but expansion of existing contracts and increased signings of single-process contracts were significant drivers of market growth. Looking forward, a significant value creation opportunity is coming for buyers as nearly 45 percent of contracts in the PO market are coming up for renewal over the next few years that are worth more than US\$1.3 billion in TCV."

Other highlights of the annual report include:

- Offshore adoption has increased significantly across procure-to-pay (P2P) as well as sourcing-focused contracts
- Nearly half of all PO buyers leveraged supplier-owned IT systems; about a third also leveraged supplier-provided add-on tools
- End-to-end PO suppliers [Accenture](#), [IBM](#), and [ICG Commerce](#) hold nearly 80 percent of market share. IBM accounted for 70 percent of new TCV signed last year
- Top P2P-focused performers in 2008 were [Wipro](#), [Infosys BPO](#), and [EDS-HP](#)

"Suppliers need to focus on pursuing organic growth opportunities, leverage [Finance and Accounting Outsourcing \(FAO\)](#) to expand into PO services and create differentiation through strategic use of global sourcing," said [Saurabh Gupta](#), Research Director, Everest Research Institute and co-author of the report. "Delays in decision making will continue and challenges will temper the rate of source-to-pay adoption. Combined with emerging phased adoption, PO suppliers should expect the continuation of lengthy sales cycles and complex buyer decision-making processes."

Media contacts

The Point Group – America & Europe

Scott Tims

Office: +1-214-378-7970 x278

Mobile: +1-214-957-6785

stims@thepointgroup.com

Martha Cook

Office: +1-214-378-7970 x240

mcook@thepointgroup.com

R&PM: Edelman – Asia

Puneet Khunger

Office: +91-11-2332-0116

Mobile: +91-98101-91409

puneet.khunger@edelman.com

Priyangshu Dutta

Office: +91-11-2332-0116

Mobile: +91-981804-4248

priyangshu.dutta@edelman.com

To read an extract of the [Procurement Outsourcing \(PO\) Annual Report 2009: Shifting Buyer Preferences Dictate New Engagement Models](#) and other [PO research studies](#), please visit 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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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.

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