



Everest: Procurement Outsourcing Market Projected To Grow 20-Plus Percent This Year

PO Market Expected To Reach US\$1.3 billion in ACV; Everest Identifies Five Suppliers As “2009 PO Market Star Performers”

Press release

DALLAS, March 18, 2010 – The multi-process [Procurement Outsourcing \(PO\)](#) market witnessed increased activity in 2009 with the number of new contract signings and extensions increasing 30 and 90 percent, respectively, compared to 2008, according to the [Procurement Outsourcing Annual Report 2010](#) by Everest, a global [consulting](#) and [research](#) firm. Everest projects the PO market will grow in excess of 20 percent in 2010 and reach nearly US\$1.3 billion in annual contract value (ACV) that represents a managed spend of nearly US\$170 billion.

In 2009, the PO market witnessed increased levels of interest and market activity, but average contract values dropped due to conservative buyers signing smaller contracts because of the prevailing uncertain economic conditions. In the longer term, Everest expects these buyers to grow the scope of their PO engagements and in turn fuel future market growth.

As the global economy revives, Everest’s PO market projections include:

- End-of-term activity will pick up over the next three years involving a book of business valued at US\$2.2 billion
- The small/medium-sized business (SMB) segment will see higher adoption levels of single-process PO contracts but will be targeted by suppliers offering new platform-based offerings, including Software as a Service (SaaS) as a delivery model
- Buyers will favor PO contracts that are either transaction-focused or sourcing-focused engagements, and most buyers will follow a phased approach with an end vision of source-to-pay (S2P)

“Buyers in last year’s down economy were averse to risk and thus inclined to start small and adopt sourcing-centric approaches to generate quick savings,” said [Katrina Menzigian](#), Vice President, BPO Research. “Buyers are now poised to expand sourcing-focused contracts into transactional services. Contracts that exploit the synergies between Finance and Accounting Outsourcing (FAO) and PO, especially in the procure-to-pay areas, will see increased market traction.”

Other developments in the 2009 PO market included:

- Single process deals increased, comprising half of all contracts signed last year compared to only 25 percent in 2007
- Manufacturing, consumer goods, and retail led adoption while financial services and hi-tech showed a decline
- The United States led PO adoption, accounting for 70 percent of new TCV signed
- Outsourcing of non-core procurement spend on IT/telecom and for services such as marketing and sales, and human resources increased
- The managed services model, in combination with performance-based incentives, is being extensively leveraged to provide a skin-in-the-game for suppliers

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Suppliers [Accenture](#), [IBM](#) and [ICG Commerce](#) together account for nearly 80 percent of the overall market in ACV, but regional leadership positions continue to exist with players such as [Xchanging](#) and [4C Associates](#) in the UK market. Other suppliers in the report analysis include [buyingTeam](#), [CapGemini](#), [Corbus](#), [DSSI](#), [Genpact](#), [Global eProcure](#), [HCL](#), [HP](#), [Infosys BPO](#), [TCS](#), [Wipro](#) and [WNS](#). Emerging suppliers include [Hubwoo](#), [OPI](#), [Steria](#) and [SureStock](#).

“We expect to see more suppliers enter the market as well as the continuing emergence of alliances and partnerships between procure-to-pay (P2P) and sourcing-focused suppliers to compete against global end-to-end S2P suppliers,” said [Saurabh Gupta](#), Research Director. “While most suppliers are aspiring to build S2P capabilities, suppliers will continue to willingly undertake componentized engagements and allow buyers to pursue a phased sourcing approach.”

In this year’s report, Everest highlighted five suppliers as “2009 PO Market Star Performers”: Accenture, IBM, Infosys, ICG Commerce and TCS. These suppliers demonstrated the strongest movement forward across the following two dimensions in 2009:

- Market success in 2009 based on ACV growth, number of contract signings, and value of contract signings in 2009
- Capability advancements in 2009 based on expansion of scale, scope, delivery footprint, and technology investments

The Star Performers designation relates to year-on-year performance for a given supplier and does not reflect on overall market leadership positions. Those identified as the 2009 Star Performers include both leading suppliers and major contenders.

To read an extract of the [Procurement Outsourcing Annual Report 2010](#), purchase the report, or inquire about other research services, please visit www.everestresearchinstitute.com, email info@everestresearchinstitute.com, or call +1-214-451-3110.

About Everest

Everest Group is a global consulting and research firm that comprehensively serves the outsourcing and offshoring market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through sourcing strategies and implementation. Everest provides information, insight, and advice to help buyers, suppliers, and enablers of services effectively navigate all stages of the sourcing lifecycle. Committed to thought leadership, Everest is noted for its fact-based analyses and insights on the outsourcing and offshoring marketplace. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.