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Competitive Landscape: The Source-to-Pay BPO Tide Rises as New Entrants Flood the Market

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In business process outsourcing (BPO), the focus for service offerings is shifting from departmental boundaries toward end-to-end processes. The end-to-end process of source-to-pay (S2P) BPO, therefore, incorporates sourcing goods and services, procuring them, and providing accounts payable services that prepare the invoice for payment.

The word "procurement" has assumed a new dual meaning. Although it still means the whole purchasing department where goods and services are bought, BPO providers are increasingly using it as a term for which procurement is defined as the activity that follows sourcing of actually buying goods and/or services and tracking those purchases prior to the accounts payable activity.

The word "sourcing" means the process of selection of a supplier, although sourcing is still a subcomponent of the procurement department. Therefore, as providers increase their scope of processing capabilities, the terminology "procure to pay" (P2) is moving to "source to pay." The sourcing definition is the same, but procurement now typically means the administration related to the purchase order.

Gartner defines S2P BPO as the provision of the full end-to-end outsourced service of sourcing of direct or indirect goods, the administration of purchasing services, and accounts payable services.

Sourcing and procurement BPO services have had relatively limited adoption over the past 10 years, but it is the indirect procurement area, that is, goods and services that support an organization's activities, that have mostly been outsourced. Direct goods and materials are the sourced items in supply chain, and these are rarely outsourced. However, the administration of the accounts payable may already be outsourced, because the finance and accounting (F&A) aspect of this activity has been outsourced to a great deal and is a fairly mature offering.

Many providers of F&A BPO have spent the past few years creeping in to more procurement support, especially the services of procurement data management and indirect sourcing services. This is exemplified by the recent acquisition of IBX by Capgemini, and IBM's acquisition of Key MRO in 2004.

In addition, sourcing specialists are extending consultancy services to longer-term outsourcing relationships. Many providers have specialized in sourcing and procurement outsourcing services, with a range of business models, from services that are heavily consultancy-based to business marketplaces. The clearly delineated lines that have long separated sourcing/procurement from accounts payable outsourcing have rapidly blurred in a logical — if less-mature — market of multidomain S2P BPO. As such, the resulting competitive landscape is dynamic, and showcases how end-to-end process BPO may play out in other areas in the near future, such as order-to-cash or hire-to-retire.

There are multiple ways in which an organization can address its S2P requirements and, therefore, multiple types of competitors present themselves along the end-to-end activity. Because the term "source-to-pay service" is relatively new, leaders will be set apart by an ability to be flexible in offering all, or part, of the S2P process; an ability to communicate the service to client; offering insightful analytics capabilities and a global network of buyers, support staff and offshore delivery centers.

Key Findings

- Many client organizations are not designed or organized to optimally manage the end-to-end process, from sourcing and procurement, through to accounts payable. Typically, no single buyer or service owner is apparent; therefore, a point of competitive differentiation comes from how providers can network and sell to the individual owners of this end-to-end process.
- Competitive differentiation can be obtained from highlighting which geographical areas and procurement categories are serviced. Global sourcing and procurement services are tremendously difficult to support in large multinationals with differing regional presences and sourcing requirements, due to using multiple regional suppliers.
- Clients do not always follow through with the necessary internal governance and policies to support the business case of the outsourced S2P service. Being able to show how your offerings will support these concerns better than the competition is key.
- Competitive differentiation can still be achieved from software solutions, because client organizations are often unsure what technology strategy to adopt to support their S2P initiative, whether that's end-to-end business process management (BPM) tools or using ERP tools or specialist procurement tools.
- S2P providers have had limited success in continental Europe. Wins have been based on investing in local European sales teams, building on established IT clients, incorporating "nearshore" delivery if required and focusing strongly on winning a marquee deal.

Recommendations

- For competitive intelligence managers — Study S2P BPO providers' portfolios to identify which types of BPO or industries they will be prioritizing to win marquee deals in and therefore will pursue an aggressive bidding strategy. Ensure that sales teams are well-briefed in the swiftly evolving BPO competitive landscape, which will differ by country.
- For BPO service managers — Due to the difficulties in supporting global clients, providers should build regional capabilities, either through partnerships, or direct services built from acquisition along the whole of the S2P continuum.

- For BPO product marketing managers — Spend time crafting case studies and ensuring sales managers understand the competitive importance of having strong references and case studies that show experience.
  - For sales managers — Invest in dedicated process salespeople that truly understand the S2P in specific industries.

TABLE OF CONTENTS

Strategic Planning Assumptions 5

Analysis 5
- 1.0 Competitive Situation and Trends 5
  - 1.1 Major S2P BPO Players 8
  - 1.2 The Future of Competition 18
- 2.0 Competitive Profiles 19
  - 2.1 Accenture 19
  - 2.2 Capgemini 19
  - 2.3 Genpact 20
  - 2.4 HP 21
  - 2.5 IBM 22
  - 2.6 Infosys BPO 22
  - 2.7 Steria 23
  - 2.8 Wipro BPO 24
  - 2.9 Xchanging 24

References and Methodology 25

Recommended Reading 26

LIST OF TABLES

Table 1. Key Competitive Drivers and Inhibitors: A Structural Analysis of the Global S2P BPO Industry 7

Table 2. Examples of S2P Providers by Type of Provider 8

Table 3. Examples of Providers of S2P BPO (in Alphabetical Order) 9

LIST OF FIGURES

Figure 1. S2P Process Overview 5

STRATEGIC PLANNING ASSUMPTIONS

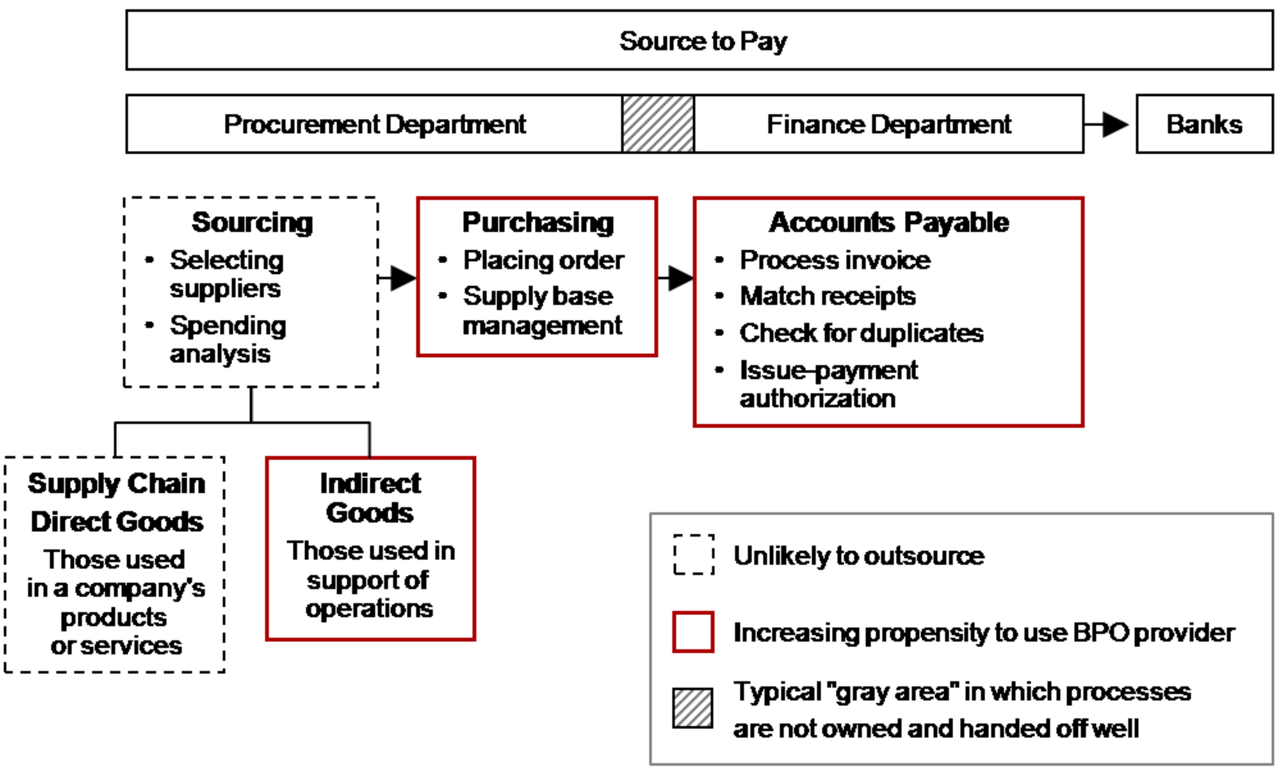
- The S2P BPO competitive landscape will remain highly fragmented through 2013.
- By 2013, several procurement hubs will have morphed to business process utilities.
- By 2012, all major F&A BPO providers will have a specific S2P offering.

ANALYSIS

1.0 Competitive Situation and Trends

The S2P BPO market was $16.5 billion as of year-end 2009. This was calculated by adding the procurement market size with the accounts payable market size, the latter having been estimated from the total F&A BPO market. However, most BPO providers have until recently targeted the sourcing, procurement and F&A elements of this end-to-end activity as relatively distinct lines of business and separate business leaders. In 2009, Gartner noticed a distinct realignment of several major and up-and-coming BPO providers to try to provide BPO offerings that span the entire length of the S2P activity (see Figure 1). As shown in the boxes with the red borders, the processes of purchasing support, some sourcing of direct goods and accounts payable are most likely to be outsourced.

Figure 1. S2P Process Overview



Source: Gartner (April 2010)

BPO competitors have emerged from different disciplines along the S2P end-to-end activity. The competitive landscape is in the process of emerging, currently targeted by three main groups of competitors, the second two groups of which need to partner to offer the full end-to-end process as a BPO service:

- Multidomain S2P BPO providers supplying: sourcing, procurement and F&A BPO services
- Sourcing specialists, and supply networks that can be run as B2B marketplaces
- F&A BPO providers

Accenture and IBM were two of the earliest providers of sourcing and procurement services, which they have both more recently organizationally merged with offerings for F&A. In respect to European BPO providers, Steria and Logica have had early success, and Capgemini has more firmly established itself in S2P with its 2009 acquisition of IBX, which will complement its work in procurement support and F&A BPO. Several Indian BPO firms are building capability, including Wipro, Infosys, Mahindra-Satyam, HCL, Patni and WNS. Many of these players are established F&A BPO providers that are typically partnering for the sourcing skills with sourcing specialists, such as Genpact's partnership with ICG Commerce. We expect to see many more acquisitions and partnerships to augment BPO service providers' offerings because of economic pressures that are leading to demand for lower-cost, end-to-end BPO.

From a vertical market perspective, S2P BPO providers have had more success in outsourcing S2P for indirect goods only — telecommunications, manufacturing, insurance and banking — than in government, which has strict rules about procurement processes. From a regional perspective, many of these providers only have full end-to-end offerings that can span one continent. This is due to the relatively low maturity of the global sourcing industry, as opposed to the relatively high maturity of global F&A BPO activity.

Key competitive differentiators in S2P, through 2012, will be the ability to:

- Offer the full end-to-end service across multiple geographical areas
- Create scale as achieved in terms of procurement transactions or spending under management, supplier master data files and invoices paid
- Showcase highly referenceable clients in case studies
- Demonstrate clarity of service offering
- Communicate transparency of pricing models
- Establish electronic invoice partnerships
- Invest in artificial intelligence and optical character recognition for reading invoices
- Utilize analytics to support the S2P process
- Increase the number of indirect categories managed
- Move into direct categories, such as packaging
- Explain the relevance of the service offering to each subsegment of vertical markets while running the operations in a standardized, industrialized manner

The other service offerings that BPO providers have added to their portfolios, such as supplier portals, BPM tools and cleansing supplier data management files, are already table stakes, not differentiators. Interestingly, having consulting capabilities is still seen as a differentiator by many

S2P BPO providers. However, increasingly clients would rather have this service as part of an ongoing business process improvement study once outsourcing has commenced.

To achieve these competitive differentiators, providers are adopting the following strategies:

- Acquiring for service expansion: for example, Capgemini's acquisition of IBX; WNS acquisition of XiBuy
- Partnering for service expansion: for example, Genpact with ICG Commerce; Steria with HPI; TCS with Denali

Table 1 uses Michael Porter's Five Forces competitive analysis framework. It highlights the key competitive drivers and inhibitors of the global S2P BPO industry.

Table 1. Key Competitive Drivers and Inhibitors: A Structural Analysis of the Global S2P BPO Industry

Competitive Determinants in S2P BPO Industry	Analysis of Global S2P BPO Industry
Threat of new entrants The barriers to entry are moderate to low for S2P BPO, which has allowed multiple new providers to enter the market in the past two years and will continue to allow new entrants.	Key barriers to entry of established providers: • Existing F&A and/or procurement business process or IT services relationships • Sales teams specializing in business processes with close client proximity in Europe and the U.S. • Proprietary applications for these processes • Cash to acquire captive or shared-service centers that may augment skills
Threat of substitutes The threat of clients now building new captive centers is still moderate, due to the costs involved but that over time the threat from SaaS (for applicable processes) is high.	Potential substitutes include: • In-house competition, especially from new and established captive or shared-service centers • SaaS and other improved IT platforms (where process management remains internal) • Sourcing consultants
The power of suppliers Gartner sees much of the S2P BPO market as having strong supplier power for established providers.	Large BPO providers already have an extensive client base of F&A BPO, other BPO and IT clients where the current service relationships can be leveraged.
The power of buyers Buying power is relatively weak in S2P BPO. Third-party advisors are worth influencing for exposure to more deals.	Few markets have significant collaboration between buyers. Therefore, buyers are not benefiting from shared leverage. Many buyers are new to S2P BPO, so they are limited in their ability to structure good "win-win" deals.
Competitive rivalry Significant buyer confusion exists about who has a track record in what type of BPO. This has helped many providers get started in BPO, and will be exacerbated by the bewildering range of types of suppliers in this arena.	Rivalry in the S2P BPO market is high, where roughly 12 players dominate this total market, but hundreds more compete in subcategories.
SaaS = software as a service	

Source: Gartner (April 2010)

1.1 Major S2P BPO Players

The criterion for being profiled in the report is that the vendor has generated more than $40 million in sales from S2P BPO activities in 2009. Tables 2 and 3 show examples of players offering elements of this service line, including up-and-coming players in the S2P BPO marketplace.

It is, however, increasingly difficult to categorize vendors as S2P BPO or sourcing service providers. Several sourcing providers are predominantly offering consultancy. However, many have an annuity-based service that is starting to be paid for on an annualized basis. To add to the definition's challenge, many S2P BPO service providers are using specialist sourcing services, or even contracting for accounts payable service to a third party, often on a contract by contract basis, and specialist sourcing and procurement software. Table 2 provides examples of competitors in each of these categories, slightly split out by length of service, note that the multidomain providers may still be partnering to support sourcing in certain geographic areas.

Table 2. Examples of S2P Providers by Type of Provider

Provider Type	Examples of Providers
Established, offering multidomain S2P from end to end for sourcing, procurement and accounts payable BPO services.	Accenture, IBM, Genpact, Steria, ACS, Capgemini, Infosys, Wipro, Mahindra-Satyam, HCL, Patni, Logica, TCS, 3i Infotech, HP, Xchanging, ICG Commerce
Accounts payable BPO providers (many with partners for procurement services; note again geographic presence will differ).	API Outsourcing, Liberata, Amex, OPI, WNS, Corefino, Basware, HOV Services
Sourcing specialist business service providers and B2B marketplaces.	Softek, Corbus, Quadrem, Ariba, Globaleprocure, Bravosolutions, ISOCO, ICG Commerce, Perfect Commerce, Trading Partners, HPI, Procure4, Effico, Denali

Source: Gartner (April 2010)

Table 3 provides more insight as to how major and up-and-coming providers present their credibility and services to clients across the spectrum of S2P.

Table 3. Examples of Providers of S2P BPO (in Alphabetical Order)

	Pure-Play Sourcing Provider or S2P Group of BPO Service Company	Delivery Locations	Direct Categories Supported (Percentage of Vendor Revenue Associated With Each Category)	Indirect Categories Supported (Percentage of Vendor Revenue Associated With Each Category)	Client Examples From Sourcing, Procurement or S2P	Total Spending Under Management and Number of Category Experts/Buyer	Technology Tools
	Accenture	20 delivery centers for F&A BPO 11+ delivery centers procure-to-pay. More than 3,500 consulting resources (sourcing and procurement, and finance and performance management).	Minimal	Contracted labor HR services IT Telecom and networks Travel services Facilities and real estate Professional services Marketing services MRO Capital buying Utilities/energy	Deutsche Bank, DHL, ING Bank Microsoft Washington Gas Light	Source and contract-manage more than $30 billion in annual spending — and transact more than $38 billion annually	Ariba, Emptoris, Agresso, workflow
	Ariba Sourcing Services and Indirect Spending Solutions	Pittsburgh, U.S. Prague, Czech Republic	450 categories	450 categories	Diebold Agco Heinz	$450 billion 250 consultants, category experts and auction specialists.	Ariba Analysis, sourcing, contracts, procure-to-pay

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	Bravo Solutions	11 offices in North America, Europe and Asia/Pacific	Construction works and materials Transportation and logistics packaging Food/ingredients — raw and processed metals Other direct	Construction work and material Business travel Facilities management Telecom Other indirect	Philip Morris Unilever ConvaTec Autogrill Ferrero	More than $2.5 billion in full-service sourcing event management 210 people	BravoSolution
	Capgemini + IBX	U.S., Canada, India, Poland, Guatemala Brazil Germany France U.K. China Sweden	Rubber Glass Transformers Transmission Lines Smart meters Composite poles Operated equipment Steel for cables for electricity distribution	MRO IT/telco Temporary labor Travel Goods and services Marketing Materials Office supplies Fleet vehicles Engineered Procurement and construction services	Kraft, EFH, Hydro One, Syngenta, Dairy Farm, Ontario Power and Gas, Blue Scope Steel, HM Revenue and Customs, Ericsson, Skanska, Deutsche Lufthansa, Deutsche Post DHL, Saab Aerospace, SEB, Prysmian, Vodafone, JCB	$20 billion 610 FTEs	BPOpen IBX SAP Emptoris, Ariba Oracle

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	Genpact	11 (centers) in 6 countries Bucharest, Cluj, Morocco, Guatemala, U.S., China, India (five locations)	Metals, plastic, rubber, etc.	MRO IT Services Professional, waste, temp labor, etc. Marketing, packaging, office supplies, travel, transportation and logistics	Global energy major 2 pharma majors Leading aviation company Three auto majors Leading high-tech company	$15 billion 70 category Experts (Genpact has additional people in accounts payable)	Ariba, Emptoris SAP, Oracle, JD Edwards, Savvion (Workflow)

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	Global eProcure	Los Angeles, U.S. Costa Rica London, U.K. Prague, Czech Republic Shanghai, China Mumbai, India Hyderabad, India	Plastic, metals and other commodities Ingredients Packaging Others	MRO and Capex Logistics General and professional services Marketing Energy and utilities Others	World's leading producer of cereal and convenience foods Second-largest tobacco company in the U.S. Global leader in paper and packaging products World leader in the production, processing and distribution of construction products, high-performance materials World leader in animal nutrition and related products	Managed spending: $50 billion and current annual spending managed — $10 billion category experts/buyers: 290	GeP uses its own integrated technology suite for S2P modules, such as spending analysis (e-spending), supplier performance management (e-supplier), eRFX/eAuctions (e-sourcing), contract management (eContract), Req-to-Cheque (e-purchase) and compliance tools (e-compliance)
	HCL Technologies	Chennai, Noida, Poland, China	Electrical-mechanical	IT Temporary labor Office supplies		$6 billion 164 category experts	Ketera, Ariba and SAP
	HP — partner Global eProcure	Global delivery locations in India, Europe, Americas	N/A	N/A	European manufacturer, North American service provider	IT/telecom — $2.4 billion, 175 FTEs operations — $2.8 billion, 50 FTEs	Global eProcure, SAP, Oracle, Emptoris

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	IBM	Global delivery locations in India, Europe, Americas	All categories (though outsourcing of direct sourcing is infrequent)	All categories	Thomson, Rhodia, Schneider	$50 billion Approx. 1,000 FTEs	SAP, Ariba, Emptoris, Hubwoo, Oracle
	Infosys BPO	India (Bangalore, Jaipur, Pune, Gurgaon, Chennai) Brno (Czech Republic) Lodz (Poland) Manila (Philippines) Hangzhou (China) Bangkok (Thailand) Belo Horizontal (Brazil) Monterrey (Mexico)	Manufacturing consumables, repair and operations items, fabrication parts and equipment spares, industrial supplies,	Facility services IT telecom mail and package delivery Marketing and advertising services Materials (MRO) Office supplies Temporary staffing and contract labor Transportation and logistics (other than mail and small packages) Automotive parts Electronics components Energy, gas and water Print services Other indirect	Leading construction and mining equipment manufacturer Leading mining company Leading oil and gas major Leading U.S. financial Institution Leading IT company	Spending under management $19 billion FTEs insourcing — 90	Ariba, SAP, Ketera, Oyster, BIQ Infosys Proprietary tool (CPO Dashboard/SCV platform)

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	ICG Commerce	King of Prussia, North America London, U.K. Hyderabad, India Shenzhen and Qingdao, China	Corrugated/liner, Poly films/bags Folding cartons Automotive parts/tires Fuel/lubricants Metals Bulk and packaged gases Chemicals Fertilizers Capital equipment	IT/Telecom Marketing Corporate services Logistics MRO Facilities Travel	Greif, Cameron, Clorox, Chiquita, Doosan/Bobcat	$13.6 billion 256 category specialists	
	iSOCO	Spain	Food and beverages and ingredients related to the making of products in this sector (sugar, milk, fruit, scents, etc.)	Investments (new buildings, offices) Packaging IT (hardware, software and services) Logistics Maintenance Energy Marketing Travel Facility services Professional services Telecom	Soler and Palau Portaventura BT Spain Astraceneca Spain COLT telecom Spain Leche Pascual	$600 million 15 people	iSOCO sourcing suite

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	Logica	Netherlands Sweden India Philippines Morocco	N/A	All indirect expenses (e.g., office supplies, IT)	NL Ministries of Finance, Education, Defence, Transport, Health and tax	N/A	SAP Oracle JDE Agresso Ariba Basware e-Size Mobile Xpense
	Patni	Mumbai, India North America, EMEA and Asia/Pacific	N/A	N/A	Large European manufacturer Global top 10 relocation services company	$50 million-$100 million	Oracle, SAP, Newgen
	Quadrem	Santiago (Chile) Rio de Janeiro, Johannesburg	<5% direct (electricity, fuel), rolling stock	>95% General maintenance, spares and equipment and supplies, facilities management, office equipment, IT equipment	Codelco Vale BHP Billiton Anglo American Arauco Gaby	$400 million 150 people	Quadrem Solutions SAP

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	Steria (plus partners HPI)	Europe and Asia/Pacific	NA	Recruitment	100 clients, including leading major utilities company, large ICT companies, leading media company and multiple public service frameworks	40 people	SteriaSmart, Workflow, Oracle, SAP and Excel
	TCS and TCS + Denali	India (Mumbai, Pune), China (Hangzhou) Hungary (Budapest) U.S. (Midland, Miami; Cincinnati, Ohio; Bellevue, Washington; Denali, Alaska) Uruguay	Raw materials Chemicals Automotive components Machining Stampings Fabrication Tooling Equipment Capital Testing Construction Engineering Design Plastics	Automotive Construction services Engineering services Facilities maintenance Freight — small package IT and telecom Legal services Marketing Office equipment Telecom	Sourcing consultancy firm IT software company British multinational food manufacturer Top four consultancy U.K.-based Aerospace company	TCS alone — $5 billion and TCS + Denali — $13.6 billion (awarded, partially delivered) 85+ sourcing experts	SAP BI, eSourcing, SAP CLM (TCS Platform) Ariba Sourcing, Ariba Category Management, Ariba Data Enrichment (Client technology) Iasta (client tool)

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Wipro BPO		Romania, Mexico, Chennai, Bangalore, New Delhi, Gurgaon, Shanghai, San Diego (U.S.), Troy, Michigan (U.S.) and the U.K.		IT/telecom Marketing/sales Facilities Operations HR-related Industry-specific	National telecom company in Canada Automobile manufacturing company Global aerospace major European water and utilities major Oil and gas company	Spending under management $8.5 billion Total category Expert: 114	Ariba, SAP, Oracle, Base
	Xchanging	U.S., EMEA, Saudi Arabia and Asia/Pacific	Capital equipment	HR, fleet, travel, utilities, property, workplace, marketing, professional services, maintenance repairs and operations, logistics, IT, telecom	BAE Systems, Boots, Groupe Caisse d'Epargne, Birds Eye	More than 1 billion pounds 230 category experts, including finance/P2P staff	SAP, Oracle, Korax, Connect:Direct, Emptoris, i-Procurement SAS70-compliant Internal governance tools

N/A = not available
NA = not applicable
EMEA = Europe, the Middle East and Africa
FTE = full-time equivalent
MRO = maintenance, repair and operations

Source: Gartner (April 2010)

1.2 The Future of Competition

The emerging leading players in the S2P market are seeking rapid revenue growth, pursuing a strong end-to-end service capability — while strongly trying to convert established accounts-payable clients into full end-to-end S2P clients. The leaders in S2P BPO will be those players that can demonstrate the fullest range of services, and articulate the benefits well enough to sell the full end-to-end process. The future of competition, in the short term, will be predicated on providers' ability to convert established clients to the concept of S2P and to demonstrate process excellence and innovative improvements via workflows, methodologies of Lean and Six Sigma to show how they will deliver process improvements. Many players who were offering separate procurement BPO and F&A BPO have reorganized their management and sales teams to more fully address end-to-end offerings, such as Accenture and IBM.

The future of competition, therefore, will contain:

- Market consolidation, to demonstrate the full range of S2P BPO capabilities. There have been several acquisitions, but many more partnerships. Over time, Gartner expects to see more mergers and acquisitions to consolidate the large players position in the market.
- New entrants as the barriers to entry are moderately low for S2P BPO, as the overall BPO industry is still relatively immature. It is highly likely that many new competitors will emerge from entrepreneurs in India and China or from sourcing consultancies, from B2B marketplaces, internally facing shared services and even logistics companies during the next few years. Because some BPO vendors, predominantly from India, China and Latin America, are still growing their delivery networks and client base, they will be in a position to spend cash to "buy their way into markets," or augmented service offerings. Gartner expects to see these providers continuing to buy capability through acquiring clients' shared-service centers, as in the case of Infosys with Philips F&A centers.
- Providers starting to differentiate on the scope of a global sourcing presence, an ability to offer end-to-end services in certain industries, workflow tools and the addition of analytics services. Therefore, new partnerships and acquisitions will occur during the next couple of years, as providers try to build or buy these capabilities.
- There will still be a role for specialist sourcing providers.

However, the notion that providers can continue to compete by offering high numbers of staff in low-cost locations, that is, labor arbitrage, is being seriously questioned. The drive to automate processes is strong, with the ultimate aim of achieving, "nonlinear revenue growth." That is to say, vendors are aiming toward less head count growth to support each dollar of revenue growth.

However, providers that survive will be those that do not pin all their hopes on just getting end-to-end processes — but remain flexible and nimble enough to offer pieces of the process. This is because procurement and finance are typically quite distinctly siloed teams in clients and may not be able to cope with the changes needed to facilitate a "big bang" outsourcing of the full S2P process.

The key to long-term competitive success in the S2P BPO service will be how well you can capture the process flows by industry segment and communicate the benefits of your solution to these processes, which rarely have a single process owner.

2.0 Competitive Profiles

These profiles include nine of the leading largest S2P BPO providers by Gartner's estimate of their revenue generated across the categories of sourcing, procurement and accounts payable BPO services. The companies in this section are listed in alphabetical order.

2.1 Accenture

Overview: Accenture is a publicly traded company with total global revenue of $21,577 million. Gartner estimates Accenture's worldwide BPO revenue in 2009 to be approximately $2,893 million, with 31,000 employees in 50 global delivery locations and more than 350 clients.

For 10 years Accenture has been providing sourcing and procurement, which has 24 clients, and accounts payable service, which has 61 clients, with approximately 15 clients taking advantage of the full end-to-end suite of services. Gartner estimates that Accenture's S2P activities contributed about $650 million in BPO revenue. It has 4,200 employees in S2P, and delivers these services from 15 key locations globally.

S2P Service Marketing Strategy: Accenture is still primarily targeting its marketing to the separate pieces of the service. Accenture focuses its marketing on its "high performance. delivered" corporate campaign. It has developed a wealth of finance- and procurement-specific marketing literature with several books, case studies and videos with major clients, such as Microsoft and BT, providing strong referenceability.

S2P Major Clients: Its major S2P clients include: Deutsche Bank, DHL, ING Bank, Microsoft, and Washington Gas and Light Co.

How This Provider Competes in S2P: Its key differentiator is its history in providing sourcing and procurement support services for major global entities for over 10 years. Accenture promotes its ability to understand the corporate implications of having strong back-office functions. It also offers consulting skills and promotes the advantages of its IT-BPO synergy, and its desire to be a strong strategic partner to its customers. It also serves midmarket clients, predominantly in the U.S., which provides an S2P solution based on SAP and Emptoris.

Partnerships Related to S2P BPO: Accenture partners with Ariba, Emptoris and Agresso for technology tools.

Relevant Acquisitions: Advantium and Meridian in 2006 for profit recovery and analytics capabilities.

2.2 Capgemini

Overview: Present in more than 30 countries, Capgemini reported 2009 global revenue of €8.4 billion and employs 94,000 people worldwide. Gartner estimates that Capgemini's BPO portfolio contributes $400 million in total revenue in 2009, of which its existing procure-to-pay services are estimated at $100 million. However, with the acquisition of IBX, Capgemini will grow revenue. The new combined group will have 73 S2P clients, of which six take end-to-end S2P services. Capgemini will now have approximately 1,500 staff supporting S2P, with delivery centers in Australia, Brazil, Canada, Chile, China, Guatemala, India, Poland and the U.S.

S2P Service Marketing Strategy: Capgemini's marketing strategy will change following the acquisition of IBX and will now be designed around providing end-to-end capabilities from transformational consulting to global sourcing. It promotes its ability to achieve significant savings fast, with the required investment to recognize and achieve the saving as being relatively low. It markets these services as Procurement as a Service, which promotes its capability to support all these services for clients from the same vendor on a global scale. Capgemini aims to differentiate its service through its ability to its clients with its product Collaborative Business Experience. The group relies on its global delivery model called Rightshore, which aims to get the right balance of the best talent from multiple locations, working as one team.

S2P Major Clients: Kraft, Hydro One, HM Revenue and Customs and Metropolitan, Ericsson, Skanska, Deutsche Lufthansa, Deutsche Post DHL, Saab Aerospace, SEB, Prysmian, Vodafone, JCB, EFH, Syngenta, Dairy Farm, Ontario Power and Gas, and Blue Scope Steel.

How This Provider Competes: Capgemini has made major strides into the S2P arena in 2010. Gartner expects to see it strongly pushing its acquisition of IBX, its deals renewed in accounts payable, and its significant new sourcing and procurement win at Kraft. Capgemini also has the advantage of a consulting arm in finance and procurement. It has recently improved its methodologies and marketing to communicate its offerings to clients.

Acquisitions Related to S2P BPO: Capgemini acquired IBX in February 2010.

Partnerships for S2P BPO: Technology partners include SAP, Oracle and PeopleSoft

2.3 Genpact

Overview: Genpact is a publicly traded company (under the symbol "G" on the NYSE). Genpact had 2009 revenue of approximately $1.12 billion, with 38,600 employees, across 39 global delivery centers in 13 countries.

Genpact has a partnership with ICG Commerce for the sourcing element of the service. For end-to-end S2P, Genpact currently has six clients, with a further 29 clients for procure-to-pay. Genpact has 3,000 procurement and supply chain employees with 1,200 employees in S2P, spread across 11 delivery centers in six countries. Gartner estimates that Genpact makes $350 million from S2P BPO.

S2P Service Marketing Strategy: Genpact is pinning a lot of its marketing around its new Genpact Smart Enterprise Processes (SEP). It has developed a proprietary framework and benchmarking database aimed at addressing end-to-end S2P processes. It promotes its end-to-end service offerings and is primarily targeting large enterprises. Genpact marketing focuses on ensuring its 100% referenceable client base.

S2P Major Clients: Include major pharmaceutical companies, banking and insurance companies, automotive manufacturers, high-tech, energy companies and consumer goods companies.

How This Provider Competes in S2P: Its key differentiator is its new investment in developing a new SEP methodology. This methodology covers S2P processes from a holistic, enterprisewide view with a focus on key business outcomes. Genpact focuses on its strong track record from supporting divisions of GE and other clients globally for many years. Genpact competes by becoming a strategic partner and being flexible and customer-centric to focus on the delivering the key business outcomes important for their client's business. It regards the use of Lean Six Sigma, targeted analytics, focused IT solutions and re-engineering to deliver accuracy and operating excellence, by rapid escalation of exceptions and adherence to service-level agreements as table stakes.

Partnerships Related to S2P BPO: ICG Commerce

Relevant Acquisitions: None

2.4 HP

Overview: HP's total revenue was $115 billion for the fiscal year ended 31 October 2009, with its BPO revenue at $3 billion. The company's corporate headquarters is located in Palo Alto, California, with approximately 304,000 employees doing business in 170 countries, and 65% of its revenue coming from outside the United States.

S2P Client Profile: HP is primarily focused on Global 2000 companies located in Europe, the Middle East and Africa (EMEA) and North America with large international operations and significant back-office functions. It provides S2P services across a variety of industries, but their targeted industries to maximize value for clients include the following: manufacturing, consumer industries/retail, and communications/telecom.

S2P Major Clients: P&G, Molson Coors

General Product/Service Marketing Strategy: HP emphasizes the following regarding its S2P services:

- Focusing on driving realized committed savings to clients based on agreed-upon targets, a feature that is unique in the procurement services market.
- Technology flexibility through partnership with Global eProcure (GeP) enables ability to implement an on-demand hosted e-procurement platform, utilize the client's existing procurement systems or rollout-dedicated components. The platform is modular, providing clients with flexibility to meet their immediate needs and for additional services over time.
- Working collaboratively with clients to establish category road maps and strategically source from the routine category to the more-complex, higher-dollar categories.
- Automating activities within the S2P process wherever possible — including leveraging on-demand e-procurement platform and maximizing electronic transactions.
- Integrating S2P value model to align client's savings goals with company objectives and driving savings programs through increased compliance and demand management. HP helps to aggregate spending to increase leverage and reduce category spending.

How This Provider Competes: HP employs a collaborative approach to partnering with Global 2000 clients in EMEA and North America. HP's strategic partnership with GeP complements its procurement operations and accounts payable services with GeP's spending analysis, strategic sourcing, and category management capabilities to offer clients a robust solution spanning the S2P process.

HP has a branded Buy-Sell BPO solution, which is an end-to-end service consisting of technology, software, connectivity, process administration and buy-sell knowledge/experience targeted at firms utilizing contract manufacturing in the manufacturing sectors of high-tech, automotive and aerospace.

Much of the F&A expertise came from the HP group, while the procurement expertise is coming from a partner, GeP. It will be interesting to see how this offering can be tailored to the markets in which HP is now heavily focusing, such as healthcare.

Acquisitions Related to S2P BPO: EDS, August 2008

2.5 IBM

Overview: IBM is a publicly traded company with total global service revenue of about $58 billion. Gartner estimates IBM's worldwide BPO revenue in 2009 to be approximately $2,368 million, with 35,000 employees, in over 50 global delivery centers and over 300 clients.

For over 10 years, IBM has been providing sourcing and procurement, which has 44 clients, and accounts payable service, which has 50 clients, with approximately 10 clients taking advantage of the full end-to-end suite of services. Gartner estimates that IBM's S2P activities contributed about $650 million of BPO revenue. It has 1,200 employees in S2P, not including accounts payable, based in Bangalore, Budapest, Shanghai and Manila.

S2P Service Marketing Strategy: IBM has merged its procurement and F&A offerings and sales. It maintains a flexible offering approach through which it can offer procurement and F&A scope or end-to-end offerings (sourcing only, procurement, P2P, S2P, and so forth). IBM is using its Smart Planet marketing to support its BPO marketing. It has developed several case studies to promote this offering.

S2P Major Clients: Telstra, Unilever, Sara Lee

How This Provider Competes in S2P: Its key differentiator is its history of providing sourcing and procurement support services for major global entities for 10 years. It uses this strong track record to compete with great effect.

IBM is also promoting several new business processes utility services. It also offers consulting skills and promotes the advantages of its IT-BPO synergy, and its desire to be a strong strategic partner to its customers. IBM has not been as strong as others at clearly branding and marketing these offerings.

Partnerships Related to S2P BPO: Ariba, Emptoris, SAP and Hubwoo for technology tools.

Relevant Acquisitions: KeyMRO in 2004, MRO Software, Viacore, Cognos, Daksh, RedPill

2.6 Infosys BPO

Overview: Infosys is a publicly traded IT services and BPO provider headquartered in Bangalore. Infosys operates in 13 onshore, offshore and "nearshore" BPO delivery location, with more than 18,610 BPO staff. Gartner estimates its total BPO revenue in 2009 to be $331 million. Fiscal 2010 revenue (April 2009 through March 2010) is estimated at $352.1 million.

For two years, Infosys has been providing sourcing and procurement, which has 30 clients, procure-to-pay, which has 29 clients, and accounts payable service, which has 30 clients. Six clients take advantage of the full end-to-end suite of services. Gartner estimates that Infosys S2P activities contributed about $30 million of BPO revenue. It has 1,000 employees in S2P, spread across 50 delivery centers globally.

S2P Service Marketing Strategy: Infosys BPO goes to market with an integrated IT and BPO solutions approach. It has developed a robust network of global delivery centers that it markets heavily. Infosys demonstrates flexibility in customized pricing models such as transaction-based, gain share and outcome-based pricing models. This vendor primarily drives its experience and expertise in managing end-to-end S2P processes. It leverages its parent company's financial backing and IT-BPO story to promote its services.

S2P Major Clients:

- Global fortune mining and exploration company with 2009 revenue of more than $54 billion, mining and processing metals and minerals.

- Global fortune energy company with 2009 revenue of more than $360 billion, providing fuel, energy, retail services and petrochemical products.
- Global fortune diversified health and well-being company with 2009 revenue of more than $38 billion, focused on integrating technology and design into people-centric solutions across healthcare, lifestyle and lighting.
- The largest maker of construction and mining equipment, diesel and natural gas engines and industrial gas turbines, with 2009 revenue of more than $51 billion.

How This Provider Competes: Infosys BPO Sourcing and Procurement Practice focuses on category management support and end-to-end category management across noncore spending across its diversified clients. Its team acts as an extension of the retained client sourcing/category management team. The focus is on impacting clients' cost of procurement in the range of 30% to 40% and driving spending savings of 5% to 8% year over year, leveraging its center of excellence, category management team, S&P academy and alliances.

Partnerships Related to S2P BPO: Ariba, SAP, Ketera, and Biq, QuickCom (Tems)

Relevant Acquisitions: Acquired Philips SSC in 2007, which led addition of three delivery centers at Lodz, Poland; Bangkok, Thailand; and Chennai, India.

2.7 Steria

Overview: Founded in 1969, Steria employs 19,000 people, working across 16 countries and has offices in Europe, India, North Africa and Southeast Asia. In 2009, it had group revenue of €1.630 billion. Nineteen percent of Steria's capital is owned by its employees. Headquartered in Paris, Steria is listed on the Euronext Paris market.

Steria operates in eight onshore, offshore and nearshore BPO delivery locations, with 3,300 BPO staff. Its BPO revenue in 2009 was $156 million.

For three years, Steria has been providing sourcing, which has more than 100 clients for its recruiting services and 112 for IT procurement support. It has more than 100 clients for its accounts payable services, with nine clients taking advantage of the full end-to-end suite of services. Gartner estimates that Steria S2P activities contributed about $70 million of BPO revenue. It has more than 1,000 employees in S2P, spread across seven global delivery centers.

S2P Service Marketing Strategy: Steria promotes its strong position in Europe for F&A BPO and has a good mix of skills across transactional and complex F&A services. Steria provides a procurement service through strategic consultancy, sourcing, P2P transaction optimization, technology, BPR and change management. Its delivery model is through a combination of partnerships and direct client relationships.

S2P Major Clients: BBC, BBC WW, Bexley Council, BT, Independent Police Complaints Commission, Lloyds Banking Group, NHS SBS, O2 and Whitbread

How This Provider Competes in S2P: Steria's breadth and depth of procurement expertise, nearshore, onshore and offshore capability and partnerships enable it to provide an end-to-end procurement service. As a BPO service provider, its compliance and sustain service mitigates erosion of benefits and enables a risk/reward contracting framework for delivery. Steria's F&A BPO clients are predominantly U.K.-based. Vertical-industry strengths include public sector, healthcare, communications and media. The company offers one of the few business-process-utility-style comprehensive F&A BPO deals in the world, with the U.K. Department of Health Shared Business Service joint venture that has 150 clients, using Steria's finance service, based on a shared Oracle platform.

Partnerships Related to S2P BPO: Steria works with a number of procurement and sourcing firms, for specific capability, on a case-by-case basis to offer value-added services to its clients, for example, HPI.

Relevant Acquisitions: None

2.8 Wipro BPO

Overview: Wipro BPO is the BPO division of Wipro Technologies, a publicly traded company. Wipro provides a broad spectrum of IT services and BPO services across CRM, back-office transaction processing, industry-specific solutions and BPO consulting. Gartner estimates that Wipro had worldwide BPO revenue in 2009 of $392 million, of which S2P activities Gartner estimated contributed about 17%. It has 1,900 employees in S2P in Romania, Mexico, Chennai, Bangalore, Greater Noida, New Delhi, Shanghai, San Diego (U.S.), Troy, Michigan (U.S.), and the U.K.

S2P Service Marketing Strategy: Wipro is organized in one team to target end-to-end S2P opportunities. Wipro BPO promotes and leverages its parent company's established relationships to market its services globally. Wipro BPO primarily hinges its marketing on adherence to quality and process-centricity that delivers process optimization and re-engineering. Wipro BPO has developed strength in service delivery for transaction processes.

S2P Major Clients: Wipro BPO would not disclose the names of its clients. Its major industries include leading oil and gas major companies, a leading water utility company, a leading global telecom company, leading retail and consumer packaged goods companies, a leading automobile manufacturing company, and a global aerospace company. Wipro has global Fortune 500 clients across all industries supported from delivery location throughout the world.

How This Provider Competes in S2P: Its key differentiator is its investment in developing a middleware delivery architecture, which it has branded as BASE. This tool is designed to manage efficiency and effectiveness of delivery with adequate control, for complete operational visibility and to support business transformation.

Wipro BPO promotes it ability to leverage its expertise in customer interaction and support, and back-office functions in F&A with its knowledge process offering services to offer clients a wide range of services. It can also offer consulting skills and promotes the advantages of its IT-BPO synergy and its desire to be a strong strategic partner to its customers.

Partnerships Related to S2P BPO: Ariba, Oracle and Iasta

2.9 Xchanging

Overview: Listed on the London Stock Exchange in 2007, the company is in the FTSE250, the index of midcapitalized companies traded on the London Stock Exchange. Xchanging has global revenue of $1.24 billion and was one of the fastest-growing business processors in 2009, with multinational customers in 42 countries and employing 8,000 people. Xchanging provides procurement, accounting, HR and technology services across industries that include banking, insurance, manufacturing, retail and real estate.

Xchanging manages annual indirect spending of more than $1.65 billion on behalf of large corporations and services multisector customers across a range of locations and industries. Xchanging's top categories of indirect spending are associated with HR and environment spending and include contract labor, travel, telecom, facilities, IT, marketing and professional services, and office supplies.

Xchanging's Strategy: Xchanging continues to follow its three-pronged strategy aimed at accelerating growth and market share:

- Grow existing platforms
  - Develop its established customer relationships in new locations and with new service offerings.
  - Add processing volume to the functional and industry-specific platforms.
  - Extend the scope and service capabilities of its processing platforms.
- Add new platforms
  - Add new customers and develop new platforms, or significantly extend existing platforms through open-book gain-share agreements.
  - Make acquisitions that add international scale and market access through new customer relationships and functional and industry-specific platforms.
  - Exploit established infrastructure and use domain expertise to create new platforms.
- Lean processor
  - Develop a standard operating model that is repeatable across the regions, to provide services at internationally competitive prices.
  - Create a globally integrated infrastructure of processing centers that are operated on a consistent basis. Move workloads between centers to take advantage of spare capacity and arbitrage benefits.
  - Drive quality throughout Xchanging.

Major Clients: BAE Systems, Boots, Groupe Caisse d'Epargne

How This Provider Competes in S2P: Xchanging has been offering procurement services for more than five years, and was one of the first with strong offerings in indirect goods, especially recruitment, where it has a major deal with Alexander Mann. It just announced a procurement deal with CHEP to manage £375 million over five years. Long-standing clients that it can draw on for references include BAE Systems, for which it manages a wide range of categories. It currently differentiates on offering tailor-made solutions on commercial partnering with clients, building customer-driven "bottom up"' solutions. Xchanging's commercial contract offering delivers cash revenue to customers from the S2P savings generated.

Partnerships Related to S2P BPO: SAP, Oracle, Korax, Connect:Direct, Emptoris, i-Procurement

Relevant Acquisitions: Rebus IS, FSA, Mercuris and Cambridge Solutions

REFERENCES AND METHODOLOGY

The research for this report was conducted using existing Gartner research, complemented by an extensive primary research survey with leading sourcing, procurement and F&A BPO providers carried out during the first quarter of 2010.

RECOMMENDED READING

"What Is "Platform BPO" and When Would You Use It?"

"Six Best Practices When Using Offshore BPO"

"Magic Quadrant for Comprehensive Finance and Accounting BPO"

"Case Study: How Serco Improved Its Finance and Accounting Processes Using BPO"

"The 2009 Supply Management BPO Landscape: Short-Term Body-Shopping Trumps Business Transformation"

"Evaluating Sourcing Solution Functionality and Related Vendor Services"

"Magic Quadrant for Strategic Sourcing Application Suites"

"Procurement Analytics: Dealing With the Relevant Issues"

"Develop KPIs for Procurement Processes"

"Top Procurement Processes"

"Handle With Care: Procurement Performance Metrics That Often Mislead"

"Case Study: Strong Governance Crucial in Telstra's Indirect Procurement Outsourcing Deal With IBM to Generate Operational Savings"

"Case Study: Key Factors for Successful Indirect Procurement Outsourcing"

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