

Procurement Outsourcing - The Next Major BPO Growth Area? (Strategic Focus)

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Abstracts

Introduction

Procurement outsourcing is the smallest of the horizontal business process outsourcing (BPO) functions, but many industry experts believe 2009 will mark the start of a significant period of expansion in the market. This report analyzes the evidence used to support these claims and attempts to separate the hype from the reality.

Scope

*This report looks at the prospects for future growth in the procurement outsourcing market.

*It defines the procurement outsourcing market, with particular focus on key functions such as sourcing, purchasing and payments.

*The report provides in-depth analysis of the market's competitive landscape, from global outsourcing giants to specialist providers.

*It also offers recommendations to vendors looking to take advantage of the growth potential of procurement outsourcing.

Highlights

At various points over the last 10 years, BPO industry experts have predicted an explosion of procurement outsourcing activity, but the expected boom has yet to happen. That has not deterred market-watchers from forecasting that 2009 will be the

beginning of a period of rapid expansion in the procurement outsourcing market.

Procurement outsourcing does not rely on labor arbitrage to deliver cost savings. As procurement is not a labor-intensive process, vendors have to use other methods to deliver savings, including improving both internal processes and the management of supplier relationships and innovating around technology and processes.

The procurement outsourcing market has a unique competitive landscape. It is dominated by four market-leading vendors, including two outsourcing giants (IBM and Accenture) and two procurement specialists (ICG Commerce and Ariba).

Reasons to Purchase

*Provides a detailed analysis of the current state of the procurement outsourcing market.

*Gives a detailed overview of the market's unique competitive landscape.

*Offers recommendations to vendors looking to grow their presence in the procurement outsourcing market.

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Procurement outsourcing does not rely on labor arbitrage to deliver cost savings

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Procurement outsourcing does not rely on labor arbitrage to deliver cost savings

The procurement function is made up of three key processes

Sourcing

Purchasing

Payment

Clients are wary of committing to end-to-end procurement outsourcing

Many clients are currently focused on short-term objectives

Competitive Landscape

The procurement outsourcing market is dominated by four vendors

The market leaders

IBM Procurement Services

Accenture Procurement BPO Services

ICG Commerce

Ariba

The other vendors in the market can be divided into two broad categories

Vendors with a sourcing background

Vendors with a transactional process background

Global IT services providers

Offshore outsourcers

Indian BPO vendors

Go to Market

Most vendors aim to offer clients an end-to-end service

It will be difficult for new vendors to establish themselves in the market

Significant barriers to entry exist

New technology continues to change how procurement services are delivered

Recommendations

Focus on core competencies

Explore the opportunities available for partnerships

Develop a multi-shore delivery model

Maintain the focus on large enterprises

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