Next Generation Procurement BPO for new levels of impact
Introduction

Organizations have historically focused on optimizing direct materials spend because of the impact on revenues and profitability. Indirect spend is equally significant, and when fully optimized, can become a funding source for innovation and growth. Even companies who have invested in this area recognize the opportunity to deliver more impact by increasing spend under management.

Accenture has developed a unique model to help organizations elevate the role and impact of procurement. Our transformational source-to-pay service is specifically designed to address the challenges of indirect and other under-resourced areas of spend. The model is flexible and adapts to meet clients’ needs.

Whether you want to build a strong indirect capability in an accelerated manner or you want to supplement existing capabilities, Accenture’s approach will deliver the business outcomes your organization seeks to achieve today and in the future.
The Challenge of Indirect Spend

Indirect spend is big. It can represent 20% to 40% of an organization's revenues. The spend is also highly fragmented. It is made up of hundreds of unique products and services that are highly diverse and specific to a department or functional area. Within an organization, these products and services are purchased by thousands of different users. Few organizations are able to strategically manage all of their indirect spend because of three key barriers—and procurement cannot fully address these challenges alone.

1. Limited Reach

Budget holders such as CMOs and CIOs typically are reluctant to let the procurement organization help manage their spend. Budget holders can be protective and can feel that internal procurement resources are generalists who do not understand individual spend categories. They may fear procurement could damage critical relationships and sacrifice service and quality for savings.

2. Lack of Information

CPOs are often frustrated that they do not have the resources they need to be effective and they do not have the information to know if they are getting the best deal. And, organizations only source a category once every couple of years. Suppliers have the upper hand when it comes to pricing intelligence.

3. Lack of Follow Through

Savings are often negotiated but never make it to the bottom-line—this is a major source of frustration among CFOs. Several factors and behaviors may contribute to the disappearing savings—from suppliers, to buyers, and lack of enforcement of purchasing policies.
A New Approach to Procurement through Outsourcing

These are not new challenges, but traditional solutions have not fully addressed the bigger opportunity to optimize the effectiveness of the billions spent on indirect goods and services. Sourcing project support does not ensure outcomes are achieved; available software applications provide controls and automation but not market insights; and procure-to-pay only outsourcing solutions address operating budgets and not the bigger indirect spend opportunity.

Procurement outsourcing is evolving. The conversation has changed from low-cost efficiency to long-term value. Traditional outsourcing was limited to one basic model—lift and shift—migrating to a cheaper labor pool to reduce costs, often with little to no change in process. While this approach can provide some short-term gains, ignoring stakeholder and business needs that do not appear on an invoice can negatively impact the total cost of ownership. A singular focus on administrative and operational costs also forgoes the opportunity to capture ongoing, transformative value. Changing the scope of service to include full source-to-pay can impact the outcomes significantly.

The Accenture approach is different. Our extended enterprise model is designed to augment and transform your procurement organization—not replace it. Our programs leverage the deep industry knowledge, analytical insights, innovation, flexibility, and collaboration that are representative of next generation BPO service platforms. We aggregate data that comes from helping clients optimize billions of dollars of spend—and translate it into valuable insights and then help each client put them into action and drive business outcomes.

Accenture brings you advanced capabilities to help you elevate the role and impact of procurement.

Accenture’s comprehensive approach tightly integrates every step in the source-to-pay process to help clients:

- Address more of their spend
- Achieve the best sourcing outcomes that optimize price, quality and service according to your needs, and mitigates risk
- Achieve savings—equal to a margin point or more—that can be reinvested or taken to the bottom-line.
- Achieve continuous cost and supplier performance improvement

We draw upon our comprehensive capabilities and deploy just those assets required to address the gaps between your current and desired states. Working closely with your functional and business leads, we finely tune each program according to your unique needs and objectives. Our collaborative approach also serves to enhance compliance. Simultaneously engaging robust change management expertise to accelerate the transformation and ensure your organization continues to reap benefits well into the future.

Clients benefit from a service model that provides value far greater than lift and shift models:

- It’s about spend effectiveness, not just headcount
- It’s about adding, not taking away
- It’s about transformation, not just transactions.
Procurement As-A-Service

Organizations need and expect fast results to impact business outcomes and they do not want to be reliant solely on their on-premise technology to accomplish these outcomes. Accenture's approach to procurement outsourcing does not require the client to make a CAPEX investment, unless they choose to do so. We provide the technology licensing, implementation, and maintenance as part of our service. We wrap services 'around' the technology you have today, or provide access to the tools needed to achieve your business objectives.

Through procurement as-a-service, clients can:
- Plug into the business services they need
- Leverage the cloud
- Pay for only the services they use
How Accenture Addresses the Challenges

Since the challenges with indirect spend are unique, it demands a unique solution, something that most clients are not able to fully replicate on their own.

Few, if any, companies can hire and justify the number of experts needed to fully optimize all of their indirect spend. But the calculation changes if you tap into an organization that manages indirect spend for others, many others. That is Accenture has built a highly specialized procurement team and infrastructure to help our clients address global indirect spend.

Accenture’s team of specialists manages more than 12,600 sourcing projects annually and more than 53,000 contracts – far surpassing the volume of any one client. Our clients benefit from the knowledge we gain being in the market every day, managing more than $95 billion in indirect spend for well over 120 global industry-leading companies.

The infrastructure works because key elements work cohesively to deliver business outcomes for clients—outcomes beyond just savings.

More than 3,300 procurement team members are focused on various elements of the process – sourcing, contracting, buying, and category management. Our spend categories are managed by 1,120+ specialists with deep domain experience; they are not buyers or sourcing generalists. These are subject matter experts who will help you gain access to more areas of spend because they are the budget owners’ peers. With more spend to manage, the impact you can have on the organization is significantly greater. These experts then leverage process excellence.

End-to-end, closed-loop process links all activities from sourcing to accounts payable and tracks immediate spend, pricing, and compliance to convert identified savings into realized savings.

A common set of integrated processes and clear hand-offs ensures savings don’t get stuck or fall through the cracks.

Throughout the source-to-pay process, experts have access to real-time aggregate market intelligence.

Experts leverage valuable data and insights into macro market dynamics, suppliers, costs and pricing, industry-best T&Cs, and buying trends from our work with more than 120 clients. Insights are gleaned by geography, by industry, and by category and sub-category. All this is augmented by domain expertise and third-party research which, when combined, provides you with a substantial strategic and tactical informational advantage.

The people, process, and market intelligence are supported by a robust set of technology tools.

Most importantly, the infrastructure is designed to be flexible based on a client’s need. Accenture can support a category or two, or, a segment of spend, such as tail spend. The people, process, technology, and market intelligence can be leveraged to achieve the business outcomes you seek to achieve.

2 Accenture has extensive experience with all popular ERP systems and procurement tools. We are designated as Ariba’s “Preferred Partner” and are the largest integrator of Ariba products and services. Accenture was also rated as the #1 SAP Implementation Service Provider, Worldwide in Gartner’s Magic Quadrant. Additionally, for the 7th consecutive year, we were named Accenture named as the top ITO/BPO provider by the International Association of Outsourcing Professionals (IAOP) in the 2014 Global Outsourcing 100 provider rankings.
Compelling Benefits

The savings we help you capture are compelling, up to 5-times greater than the average performance.

By leveraging expertise to support your existing teams, we can help you access additional spend and categories that have traditionally been off limits. Through real-time market intelligence, we can help you drive even better sourcing outcomes and pricing. And, we can bring processes and tools that help savings hit the bottom-line. Because this infrastructure is ready to plug into your organization today, you do not have to spend years building these capabilities. In addition, the flexible model can adapt and scale to meet the changing needs of your business.

Business outcomes our clients experience through this approach include:

- Increase spend under management
- Improved transparency and insight
- Enhanced compliance and greater realized savings
- Ongoing cost and supplier performance improvement
- Flexibility to rapidly respond to change
- Ability to support strategic objectives like: Risk mitigation, sustainability, innovation and growth
Accenture and SAP Global Alliance

An expanded agreement between Accenture Operations and SAP will offer next generation cloud-based solutions designed to transform the delivery of procurement and finance & accounting BPO services through automation of the procure-to-pay process. The first solution is electronic invoicing capabilities via the Ariba ® Network, the largest global business-to-business trading network.

Optimizing indirect requires expertise and insights across hundreds of categories and sub-categories, including...

| IT & Telecom—hardware, software peripherals, services, and wireless |
| Logistics—TL and LTL, global ocean, and small parcel |
| Marketing—agency services, media audit, print, direct mail, trade shows, media |
| Energy—supply and demand-side strategies, regulated and deregulated electricity, natural gas, sustainability |
| Equipment, Engineering & Construction—capital equipment and building design, installation, and construction |
| Basic Materials & Packaging—chemicals, gases, metals, resins, textiles, and all types of packaging |
| Industrial & MRO—manufacturing services, electrical supplies, fasteners, and automation controls |
| Human Resources—benefits, payroll services, HR technology, recruitment services, training |
| Contingent Labor—temp labor agencies, managed service providers, and vendor management systems |
| Professional Services—consulting, research & development, financial services, and legal |
| Facilities—real estate services, building and grounds maintenance, office supplies, and food services |
| Travel—airfare, hotel, car rental, incentive programs, and meeting venues |

Sourcing and Category Management and Procure-to-Pay

Sourcing and Category Management (S&CM) ensures increased visibility, year on year category plans, analytics and insight resulting in better deals and contracts leveraging Accenture's expertise and scale delivering between 8-12% on every $1bn of spend.

Procure to Pay (P2P) - Business Process transformation and improved efficiency resulting in improved compliance ensuring savings stick. Providing better visibility and controls throughout the enterprise with process efficiencies and reduction of operating costs of 20-50%

Source to Pay (S2P) leverages both S&CM and P2P maximizing the value of closed loop and an end to end process driving compliance and locking in realized savings.

Procurement BPO does not have to be an all or nothing proposition. Accenture can support an organizations entire indirect spend end-to-end or just a segment of spend based on a client’s specific need.
A global high tech company grew to $20B in revenue in less than 10 years. Their entrepreneurial environment and ‘just get it done’ culture contributed to an organization adverse to process. Dispersed procurement teams existed across the business and some suppliers had greater influence than they should have to meet the immediate business needs of stakeholders. The momentous growth triggered the need to move to a central procurement organization in order to deliver and manage a globally scalable, standardized, and effective source-to-pay operating model.

After a careful build versus buy analysis, the company decided to outsource more than $2.7 billion in indirect spend to Accenture in 2010. The client determined it would take 3-4 years to build and still wouldn’t generate the same level of results. The partnership approach guaranteed a better ROI than an internal build, accelerated the transformation process, provided continuous advancement capabilities and increased agility to respond to business needs. Categories in scope include Marketing and Media, IT and Telecom, Logistics, Travel, MRO and Facilities, Research and Development, Human Resources, and Corporate Professional Services across North America, Latin America, Europe and Asia Pacific. Comprehensive services are being provided including sourcing and category management, contract services, strategic and project sourcing and operational procurement (buying center).

The transformation vision for procurement included several key objectives: attack the next frontier of spending before it occurs, become a valued partner to stakeholders, and deliver measureable contribution. At best, the procurement team had access to 20-30 percent of spend under management. By leveraging Accenture’s category experts and market intelligence, spend under management is now approximately 80 percent. The client leveraged category expertise to build credibility with the stakeholders and bring new insights and solutions to bear.

Media represented the largest, most high profile of spend, and very few suppliers control the global market. The resistant stakeholder believed there was little opportunity to impact spend. Accenture proved their capabilities through analytics and shared market leading practices for agency management. The client now has a more effective media program—the agency is paid on performance rather than straight commission; the client now receives rebates; and annual audits are in place for performance and contract compliance. As a result, the marketing VP has been able to rethink investments and leverage insights and solutions to help launch new products.

Across manufacturing facilities, test equipment was not standardized and one global vendor with no competition seemed to have a foothold in the business. Addressing the lack of coordination amongst stakeholders enabled the client to reduce specs from 26 to 5 across all manufacturing facilities and reduce costs by over 40 percent in this category alone. The lack of end-to-end process created a ‘cart before the horse’ scenario and procurement was involved in the process after the fact. Several operating model inefficiencies existed, the most significant being that commitments were made to a supplier before approvals were obtained. Through a collaborative change management effort, the client successfully rolled out a centralized corporate procurement function globally and implemented a comprehensive set of strategic and tactical services to support the entire purchasing lifecycle.

Year over year realized savings targets have been achieved; spend under management has increased; P2P cycle times have decreased from 9 to 5 days; sourcing cycle times have decreased from 26 weeks to 19 weeks and stakeholder satisfaction continues to increase.

The client has viewed procurement transformation as a journey—starting at ground zero with an immature procurement capability, then transforming to support a rapidly growing entrepreneurial environment; and now refocusing on transitioning to support future growth. The client program has evolved to support the business—bringing in new expertise and new solutions for launch categories; they leverage savings to do more; and, we’ve aligned geographic teams to support new product launches.

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Global Network

Accenture's global network enables fast and efficient delivery across the integrated procurement process. We provide services from 50 locations and 19 regional delivery centers in more than 56 countries and 43 languages. This enables us to provide near-shore front-office services, back-office offshore efficiencies, low-cost country sourcing, and local sourcing as appropriate for each program.

Delivery Center Key

- **Accenture Procurement Source To Pay**
- **Accenture Procurement Procure To Pay**
- **Accenture Procurement Sourcing & Category Management**
Leveraging our existing procurement BPO infrastructure provides immediate savings potential. As organizations consider the next big opportunity for business transformation, our proven capability for indirect spend management will support your procurement function today and scale with your organization for future growth.

Next generation business process outsourcing will increasingly deliver more value compared to the former cost reduction only approach. Business outcomes beyond savings are core to our model.

We've invested in the best of the best specialists, so you don't have to. Our aggregate market intelligence cannot be replicated. And, we've built proprietary technology tools to support our end-to-end process.

Across

50 Locations 19 Regional Delivery Centers

Servicing

56 Countries 43 Languages Supported
About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.