Everest Group PEAK Matrix™ for PO Service Providers

Focus on Accenture
June 2016

Everest Group

PE▲K™
M A T R I X

Introduction and scope

Everest Group recently released its report titled "Procurement Outsourcing (PO) – Service Provider Landscape with PEAK Matrix™ Assessment 2016". This report analyzes the changing dynamics of the PO landscape and assesses service providers across several key dimensions.

As a part of this report, Everest Group updated its classification of 18+ service providers on the Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for PO into Leaders, Major Contenders, and Aspirants. The PEAK Matrix is a framework that provides an objective, data-driven, and comparative assessment of PO service providers based on their absolute market success and delivery capability. Everest Group also identified five service providers as the "2016 PO Market Star Performers" based on the strongest Year-on-Year (YOY) forward movement demonstrated on the PEAK Matrix.
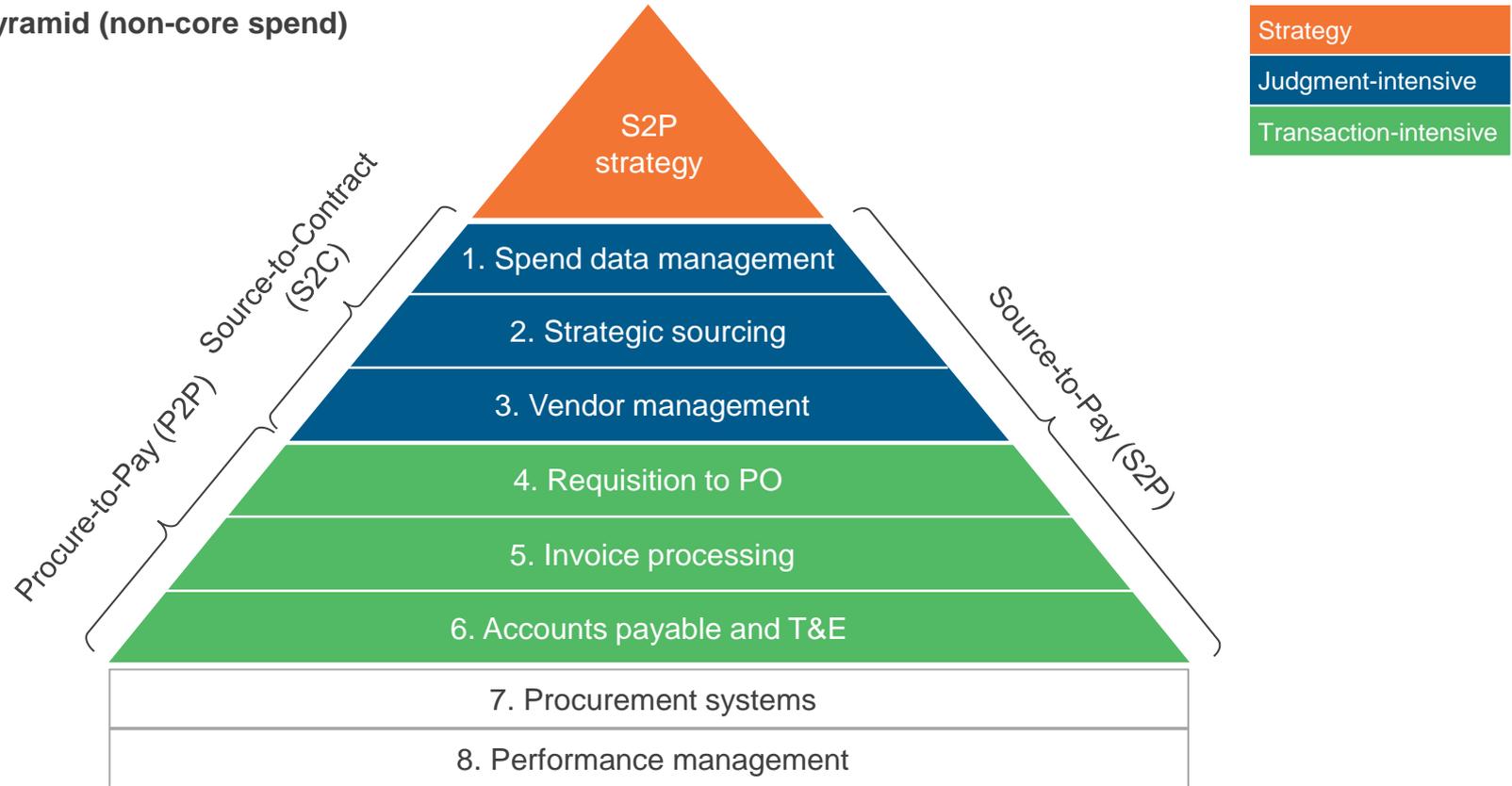
Based on the analysis, Accenture emerged both as a Leader and a Star Performer. This document focuses on Accenture's PO experience and capabilities. It includes:
- Accenture's position on the PO PEAK Matrix
- Accenture's YOY movement on the PO PEAK Matrix
- Detailed PO profile of Accenture

Buyers can use the PEAK Matrix to identify and evaluate different service providers. It helps them understand the service provider's relative strengths and gaps. However, it is also important to note that while the PEAK Matrix is a useful starting point, the results from the assessment may not be directly prescriptive for each buyer. Buyers will have to consider their unique situation and requirements, and match them against service provider capability for an ideal fit.

Everest Group distinguishes between the Source-to-Contract (S2C) and Procure-to-Pay (P2P) processes

Procurement pyramid (non-core spend)

Strategy	
Judgment-intensive	
Transaction-intensive	

Pyramid levels (top to bottom):
- S2P strategy
- 1. Spend data management
- 2. Strategic sourcing
- 3. Vendor management
- 4. Requisition to PO
- 5. Invoice processing
- 6. Accounts payable and T&E
- 7. Procurement systems
- 8. Performance management

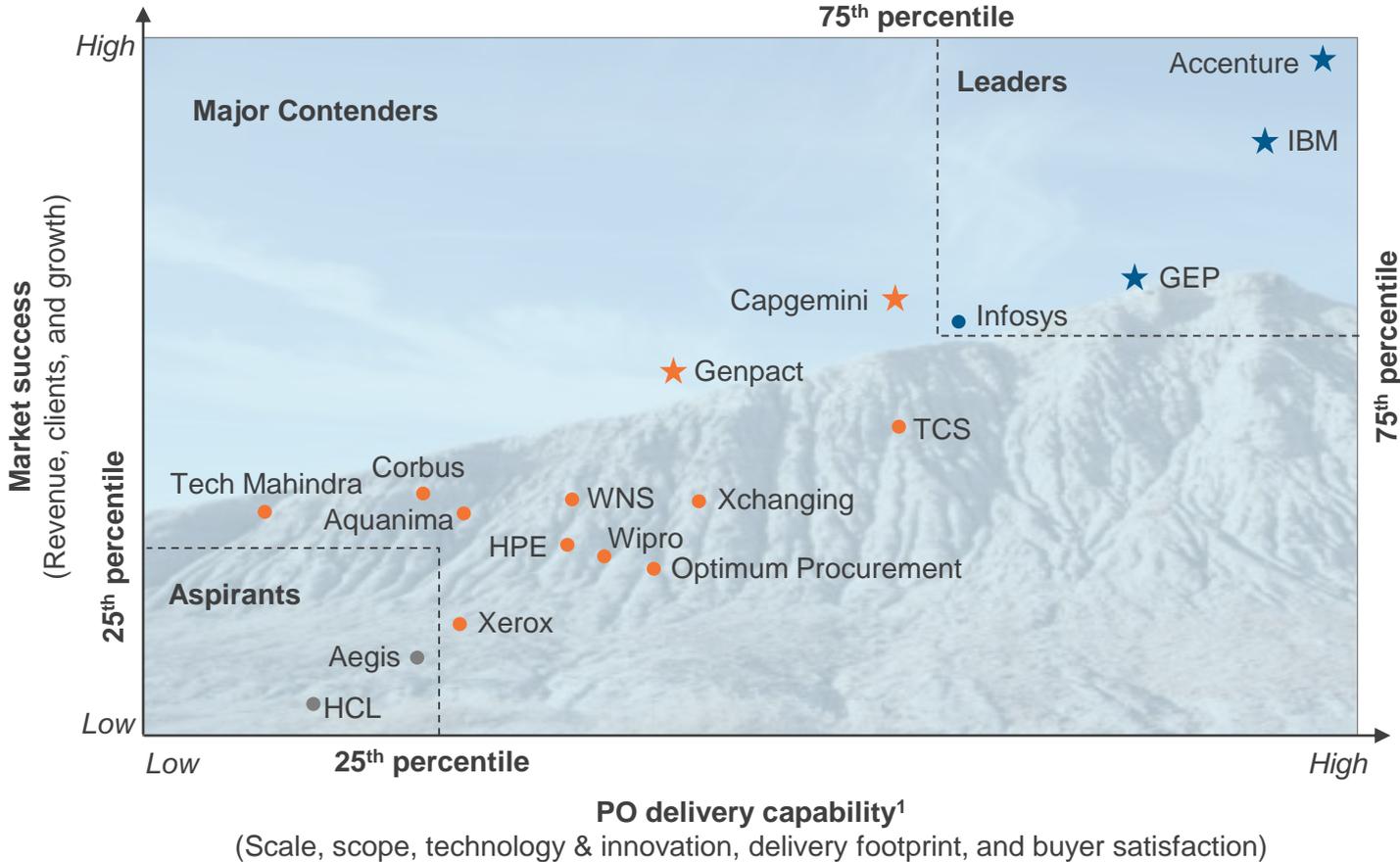Bracket labels: Procure-to-Pay (P2P), Source-to-Contract (S2C), Source-to-Pay (S2P)

- Everest Group's analyses include multi-process PO contracts with a minimum of three procurement processes, over US$1 million in ACV, and a minimum contract term of three years. Typically, the managed spend is greater than US$50 million
- Everest Group's analyses include all multi-process PO contracts signed as of 2015

Everest Group PEAK Matrix – 2016 PO market standing
Performance | **E**xperience | **A**bility | **K**nowledge

Everest Group
PE▲K™
M A T R I X

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix for PO

- ● Leaders
- ● Major Contenders
- ● Aspirants
- ☆ Star Performers

PO delivery capability[1]
(Scale, scope, technology & innovation, delivery footprint, and buyer satisfaction)

1   Service providers scored using Everest Group's proprietary scoring methodology

Source: Everest Group (2016)

Everest Group
RESEARCH

Accenture is a PO Star Performer based on the strong forward and upward movement over time on the Everest Group PEAK Matrix

Market success in 2015

- Accenture registered significant contractual activity in 2015 with YOY ACV growth of more than 15%

- It had the highest number of new contract wins in 2015. In total, it signed more than 20 new multi-process contracts worth ~US$500 million in TCV

- In addition to North America and Europe, it witnessed high traction in Latin America

- Among buyer industries, hi-tech & telecom and energy & utilities were the key contributors to growth with more than 40% increase in revenue. CPG and retail also registered significant revenue growth

Capability enhancements in 2015

- Accenture strengthened its energy procurement capabilities by acquiring EnergyQuote JHA, a London-based energy management and procurement services provider

- It developed and launched mobile applications such as Radix™ Mobile and SpendTrends™

- With a strong focus on improving its analytics capabilities, Accenture built an Analytics-as-a-Service business to augment its Global Data Management team

- It opened new delivery centers in Romania, Australia, Costa Rico, and Brazil

PO service capabilities

Key PO leaders
- Mike McDaniel, Global procurement operations leader
- Keith Hausmann, Global procurement delivery leader

PO service suite
S2P services across all indirect spend categories, including transformational change management, such as:
- **Sourcing & category management-related services:** Category strategy development & planning; strategic sourcing; contracting; supplier performance management; compliance management; spend, savings, and compliance analytics; and continuous cost improvements
- **Transactional procurement services:** Buying channel strategy development; buyer portal development; P2P process design; payment strategy and vendor master data management; e-procurement technology deployment; supplier enablement; e-catalog and content management, payment strategy; requisition processing; spot buys / tail spend management; invoice processing; time & expense (T&E); payment accuracy & controls; compliance management; and performance analytics
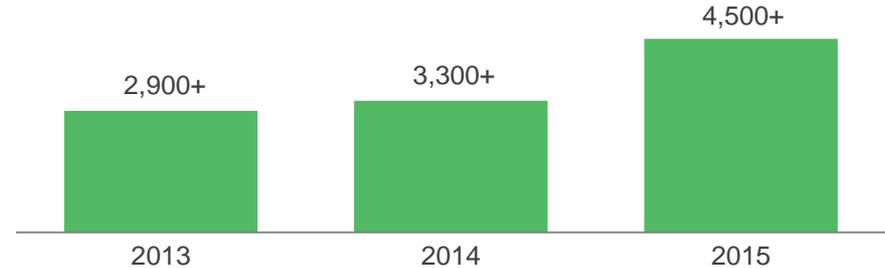
Category expertise
IT/telecom; logistics; marketing; energy; equipment, engineering, & construction; basic materials & packaging; industrial & MRO; HR; contractors; professional services; property & facilities management; and travel

Spend managed for external clients
More than US$137 billion

Scale of operations
Number of PO FTEs[1] over time

	2013	2014	2015
	2,900+	3,300+	4,500+

FTE mix by process scope

■ >500 FTEs ■ 100-500 FTEs ■ <100 FTEs

Source-to-Contract (S2C)	Procure-to-Pay (P2P)

Key PO-related developments
- Year 2015: Acquired EnergyQuote JHA – an energy management and procurement services provider
- Year 2015: Developed 50+ Accenture Insights apps, category-specific business, and market intelligence (e.g., price benchmark)
- Year 2015: Launched mobile version of proprietary S2P Radix™ platform
- Year 2015: Launched SpendTrends™ app to provide access to extensive spending and supply market trends (also accessible through Radix™ Mobile)
- Year 2015: Opened new delivery centers in Romania, Australia, Costa Rica, and Brazil

1   Does not include accounts payable and supply chain BPO FTEs
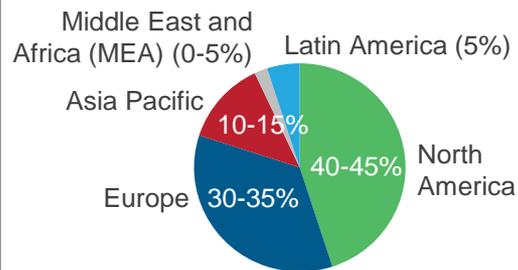Source: Everest Group (2016)

Everest Group
R E S E A R C H

PO client portfolio

Major PO clients

Microsoft, Glencore, a diversified chemical company, a leading international food and beverage company, a global banking and financial services company, an aerospace manufacturer, a leading global financial services group, an automotive parts company, a large APAC bank, and a multinational pharmaceutical company.
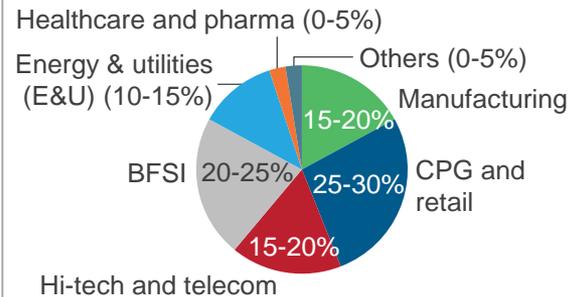
Recently-announced multi-process PO engagements

Time of signing	Client	Contract details
September 2015	Global food & beverage company	S2P program managing more than US$5 billion of global spend over four years
Aug 2015	Large global resources company	Six-year S2P program managing over US$2 billion of spend in Asia Pacific
Aug 2015	Leading chemical manufacturer	Seven-year S2P program managing over US$2 billion of spend in North America
July 2015	High-tech company	S2P program managing more than US$1 billion in global spend over five years
Oct 2015	Industrial energy services company	Global P2P services in a four-year program
July 2015	Leading insurer	S2C program managing over US$1 billion of spend in North America over three years
Aug 2015	Personal care CPG company	Four-year S2O program managing US$3 billion of spend in North America and Europe

PO revenue geography mix (2015)

- Middle East and Africa (MEA) (0-5%)
- Latin America (5%)
- Asia Pacific 10-15%
- North America 40-45%
- Europe 30-35%

PO revenue industry mix (2015)

- Healthcare and pharma (0-5%)
- Energy & utilities (E&U) (10-15%)
- Others (0-5%)
- Manufacturing 15-20%
- CPG and retail 25-30%
- BFSI 20-25%
- Hi-tech and telecom 15-20%

PO revenue buyer size mix (2015)
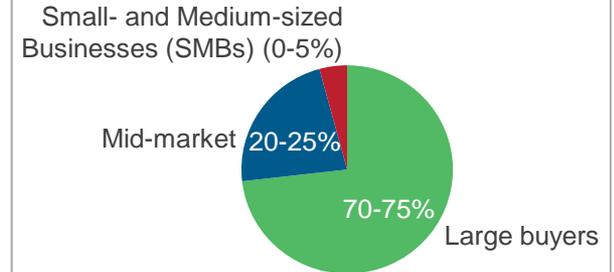
- Small- and Medium-sized Businesses (SMBs) (0-5%)
- Mid-market 20-25%
- Large buyers 70-75%

Source: Everest Group (2016)

PO delivery locations

PO technology solutions

	Source-to-Pay solution	Other solutions
Solution description	• *Radix™*: Proprietary cloud-based source-to-pay platform that works with and augments any client e-procurement/procurement solution. Key layers include: – *Radix Workflow* – S2P integration, automation, and management – *Radix Insights* – Cross-client market intelligence and analytics (infused into workflow) – *Radix Access* – Mobile app giving clients ability to see what is happening in supply markets and with their spend	• *Accenture Operations Navigator*: Portal provides visibility to performance across multiple business process outsourcing programs • Extensive team of e-procurement implementation, e-Catalog, and supplier enablement specialists • *AP Suite*: Tools leveraging automation and analytics to optimize AP and T&E
Process scope	• *Radix Workflow*: Automates and integrates the source-to-pay process – *Radix S2C* – Workflow management (automation/RPA + natural language processing + rules engines); document/content management; 1,000+ category strategies/templates; embedded Ariba eRFX module; and contracting & contract management – *Radix P2P* – Buyer portal, P2P workflow, and AP technology suite. This solution can link to and enhance any client requisitioning system. For clients looking for additional e-procurement functionality, Accenture leverages partnerships and implementation capabilities with e-procurement providers • *Radix Insights*: Suite of category-specific apps providing aggregate cross-client insights (e.g., supplier capabilities, price benchmarks, and compliance) • *Radix Access*: Mobile app giving clients the ability to act upon key spending information and events (e.g., view market spend data and trends; initiate/approve sourcing project; view/approve contract; and view spend, savings, and compliance data)	• Accenture Operations Navigator: Filterable view of key operational metrics to assess health of the business and achievement of business outcomes • e-procurement Capabilities: – Supplier and buyer content enablement – Partnerships with Ariba and Coupa – Extensive e-procurement capabilities • AP Suite: AP tools integrated with P2P workflow: – ATCAT – Proactive analysis of invoices for duplicates and accuracy prior to payment – Payment Optimizer – Analysis of payment timing to address DPO and working capital – Document Flow Manager – Automated processing, archiving, and retrieval of statements & invoices – T&E Analytics Tool – Predictive risk assessment to identify fraud & non-compliance
Technology leveraged	• Proprietary technology and integrated third-party tools (e.g., Ariba eRFX) that leverage a combination of digitization; natural language processing; rules-based automation; robotic process automation; coupled with extensive data analytics and business intelligence engine	• Proprietary technology designed for cloud, integrated with Accenture P2P workflow platform • Third-party e-procurement tools (i.e., Ariba, Coupa)
Delivery model and pricing	• Cloud-based, multi-client platform • Embedded in total solution fees which is outcome-based (vs. FTE or purely transactional)	• Cloud-based technology • Proprietary tools included in total solution fees • Preferred pricing agreements in place for Ariba and Coupa

Measure of capability: ● Best-in-class   ◔ Not matured   ▫ Leaders   ▫ Major Contenders   ▫ Aspirants

Delivery capability[1]							Market success[1]
Scale	Scope	Technology and innovation	Delivery footprint	Buyer satisfaction	Overall		Market success[1]
◔	●	◕	●	◔	◕		●

Strengths

- One of the few players capable of delivering transformational procurement across the "strategy-to-operate" continuum by seamlessly combining consulting, technology, and services
- With a large scale of operations that span the entire S2P spectrum, combined with deep category expertise and robust technology/analytics capabilities bolstered by RADIX (proprietary platform) and other tools, Accenture is a one-stop shop for all procurement outsourcing requirements
- Accenture is able to finely blend a pragmatic approach and futuristic proposition into its procurement offering, which ensures superior business outcomes than most of its competitors
- Accenture has market-leading position across all regions and a wealth of industry-specific experience. Drawing such synergies helps it grow at a fast pace in the market
- An expansive global delivery network, with an adequate onshore and offshore leverage, ensures maximization of cost arbitrage opportunities along with integration of local market knowledge
- Clients have lauded Accenture's flexibility, commitment, and integrity towards meeting client objectives – "*They will deliver, even if it costs them money*"

Areas of improvement

- While there are no real capability gaps in Accenture's procurement offering, clients have noted some specific areas of improvement:
  - Enhance coordination of service delivery across different geographies for a more seamless experience
  - Spruce up sourcing and category management solution for scattered spend in EMEA. Although, the client noted that Accenture has the most advanced sourcing and category management program in North America
  - Simplify execution of the contracting process
- While Accenture works well for clients looking to outsource end-to-end procurement, it may not be a good fit for buyers wishing to outsource minimal tasks

1   Based on contractual and operational information as of 2015
Source: Everest Group (2016)

Everest Group
RESEARCH

Appendix

Traditionally, PO has been limited primarily to a function-focused definition

Strategy (implemented in-house)
- Mission strategy / corporate strategy
- Business strategy
- Geographic strategy
- Technology strategy

1 Spend data management
- Baseline analysis
- Data "cube" construct
- Opportunities' definition

2 Strategic sourcing
- Sourcing strategy
- Vendor selection
- Contracting
- Sourcing implementation
- Category management

5 Invoice processing
- Material/invoice receipt
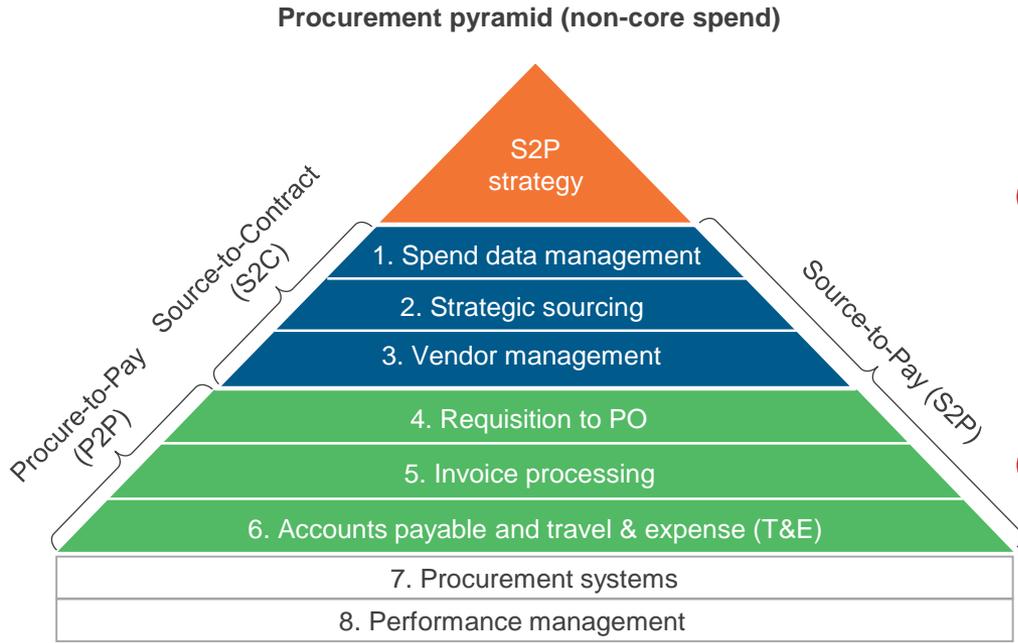- Invoice payment

6 Accounts payable and T&E
- Master data maintenance
- Process payment request
- T&E claims processing
- EDI / P-card administration
- Month-end closing
- Vendor inquiries
- Reporting

Procurement pyramid (non-core spend)

S2P strategy

Procure-to-Pay (P2P)
Source-to-Contract (S2C)
Source-to-Pay (S2P)

1. Spend data management
2. Strategic sourcing
3. Vendor management
4. Requisition to PO
5. Invoice processing
6. Accounts payable and travel & expense (T&E)
7. Procurement systems
8. Performance management

| Strategy |
| Judgment-intensive |
| Transaction-intensive |

3 Vendor management
- Vendor relationship management
- Contract administration
- Service level/standards monitoring

4 Requisition to PO
- Approval workflow
- Material requisition
- Purchase order
- Expediting/ troubleshooting

7 Procurement systems
- E-auctions
- Catalog management
- Solution hosting

8 Performance management
- Financial performance
- Compliance management
- Policies and procedures
- Performance and results reporting

Beyond the process dimension, PO contracts also have a "procurement-spend category" dimension

☑ High prevalence of third-party outsourcing
☒ Low prevalence of third-party outsourcing

	Source-to-Pay (S2P) cycle	
	Source-to-Contract (S2C)	**Procure-to-Pay (P2P)**

Direct spend	Core spend	• Goods and services that are key ingredients to manufacture/deliver the final product/service • They are proprietary or specific to the organization • For example: Iron-ore for a steel manufacturer and rubber for a tire manufacturer	☒	☑
	Non-core direct spend	• Goods and services that are commonly required to manufacture/deliver the final product/service • They are commodities in that industry • For example: Lubricants, packaging, and Maintenance, Repair, & Overhaul (MRO)	☑	☑
Indirect spend	Non-core spend	• Non-production goods and services that are not required to manufacture/deliver the final product/service but are required to operate the organization • For example: Spend categories such as facilities, office supplies, travel & logistics, marketing / sales-related spend, and IT/telecom	☑	☑

Everest Group
RESEARCH

Everest Group classifies the PO service provider landscape into Leaders, Major Contenders, and Aspirants on the Everest Group PEAK Matrix

Everest Group Performance | Experience | Ability | Knowledge (PEAK) Matrix

75th percentile

Leaders

Top quartile performance across market success and capability

Major Contenders

2nd or 3rd quartile performance across market success and capability

Aspirants

4th quartile performance across market success and capability

Market success (Revenue, clients, and growth)

25th percentile

75th percentile

High — Low

Low — 25th percentile — High

PO delivery capability[1]
(Scale, scope, technology & innovation, delivery footprint, and buyer satisfaction)
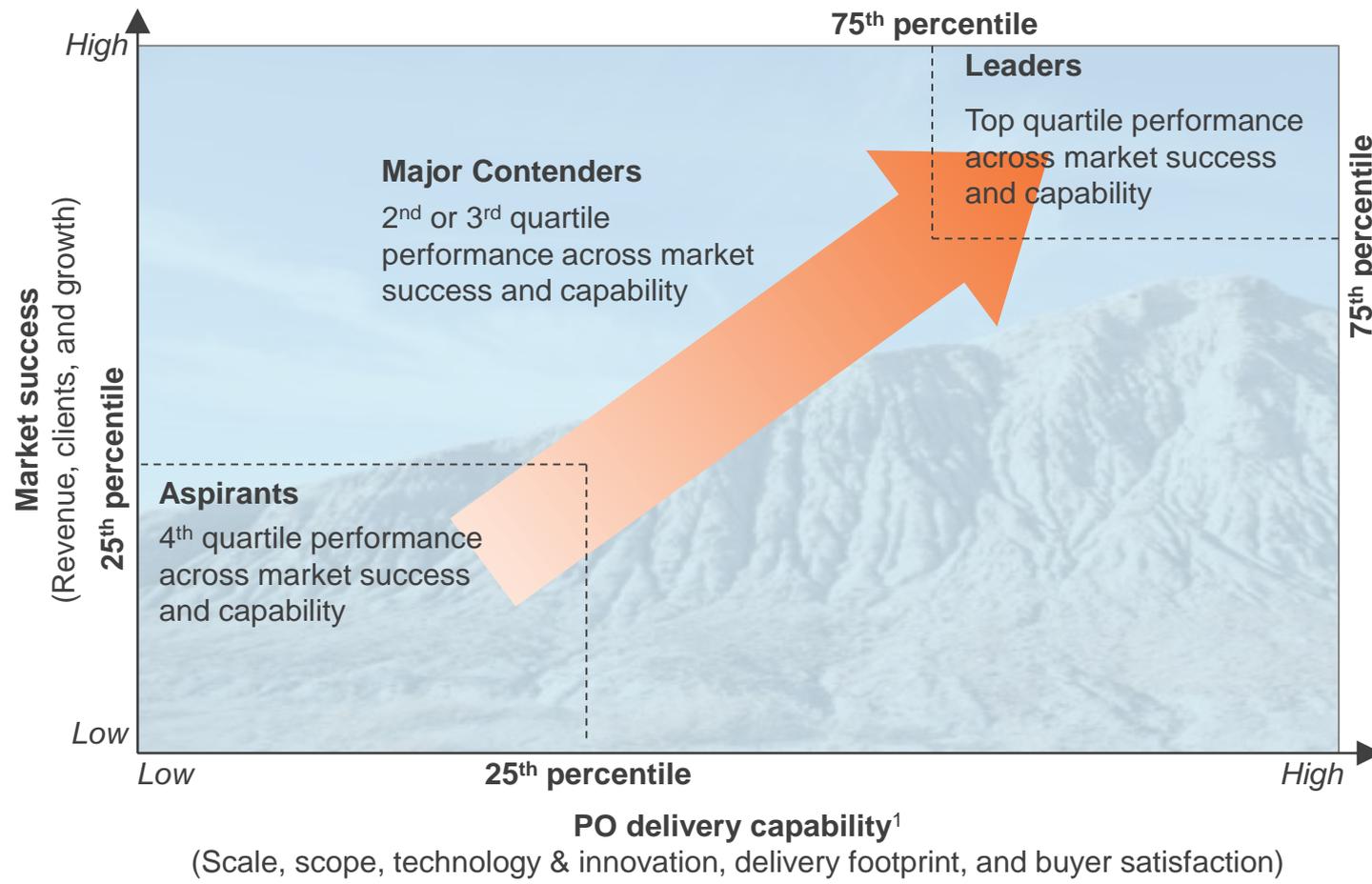
1   Service providers scored using Everest Group's proprietary scoring methodology described on the following page
Source: Everest Group (2016)

Everest Group
RESEARCH

Service providers are positioned on the PEAK Matrix based on evaluation across two key dimensions

Everest Group
PEAK™
MATRIX

Measures success achieved in the market. Captured through revenue, number of clients, and growth rate as of December 2015

Market success

Major Contenders

Leaders

Aspirants

Delivery capability

Measures ability to deliver services successfully. Captured through five subdimensions

| **Scale**	**Scope**	**Technology and innovation**	**Delivery footprint**	**Buyer satisfaction**
Measures the scale of operations through: • Overall company revenue • PO revenue as a percentage of total company revenue	Measures the breadth and depth of scope of services provided across: • Processes • Industries • Geographies • Categories • Buyer size	Measures the technological capabilities and innovation in PO: • Technology model adoption • In-house suite of PO technologies and investments • Innovation in PO – service delivery, offerings, and innovative tools	Measures the delivery footprint across regions and the global sourcing mix	Measures the satisfaction levels[1] of buyers across: • Goal realization • Process delivery • Implementation • Relationship management

1   Measured through responses from two/three referenced buyers for each service provider
Source: Everest Group (2016)

Everest Group
RESEARCH

Everest Group confers the "Star Performers" title to providers that demonstrate the strongest forward movement over time on the PEAK Matrix

Methodology

Everest Group selects Market Star Performers based on the relative YOY movement of each service provider on the PEAK Matrix
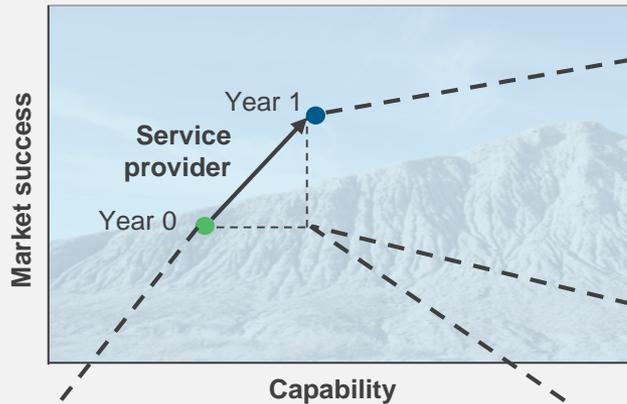
In order to assess advancements on **market success**, we evaluate the performance of each service provider on the PEAK Matrix across a number of parameters including:
- Yearly ACV growth
- Number of new contract signings
- Number of contract extensions
- Value of new contract signings

In order to assess advancements on **capability**, we evaluate the performance of each service provider on the PEAK Matrix across a number of parameters including:
- Increase in scope of services
- Expansion of delivery footprint
- Technology- / domain-specific investments

The top quartile performers on each of the identified parameters are selected and the "Star Performer" rating is awarded to the service providers with:
- The maximum number of top quartile performances across all of the above parameters
- At least one area of top quartile performance in both market success and capability advancement

2016 PO Star Performers

The "Star Performers" title relates to YOY performance for a given service provider and does not reflect the overall market leadership positions. Those identified as Star Performers may include "Leaders", "Major Contenders", or "Aspirants"

Everest Group
RESEARCH

Does the PEAK Matrix assessment incorporate any subjective criteria?
- Everest Group's PEAK Matrix assessment adopts an objective and fact-based approach (leveraging service provider RFIs and Everest Group's proprietary databases containing providers' deals and operational capability information). In addition, these results are validated / fine-tuned based on our market experience, buyer interaction, and provider briefings

Is being a "Major Contender" or "Aspirant" on the PEAK Matrix, an unfavorable outcome?
- No. PEAK Matrix highlights and positions only the best-in-class service providers in a particular functional/vertical services area. There are a number of providers from the broader universe that are assessed and do not make it to the PEAK Matrix at all. Therefore, being represented on the PEAK Matrix is itself a favorable recognition

What other aspects of PEAK Matrix assessment are relevant to buyers and providers besides the "PEAK Matrix position"?
- PEAK Matrix position is only one aspect of Everest Group's overall assessment. In addition to assigning a "Leader", "Major Contender" or "Aspirant" title, Everest Group highlights the distinctive capabilities and unique attributes of all the PEAK Matrix providers assessed in its report. The detailed metric level assessment and associated commentary is helpful for buyers in selecting particular providers for their specific requirements. It also helps providers showcase their strengths in specific areas

What are the incentives for buyers and providers to participate/provide input to PEAK Matrix research?
- Participation incentives for buyers include a summary of key findings from the PEAK Matrix assessment
- Participation incentives for providers include adequate representation and recognition of their capabilities/success in the market place, and a copy of their own "profile" that is published by Everest Group as part of the "compendium of PEAK Matrix providers" profiles

What is the process for a service provider to leverage their PEAK Matrix positioning status?
- Providers can use their PEAK positioning rating in multiple ways including:
  – Issue a press release declaring their positioning/rating
  – Customized PEAK profile for circulation (with clients, prospects, etc.)
  – Quotes from Everest Group analysts could be disseminated to the media
  – Leverage PEAK branding across communications (e-mail signatures, marketing brochures, credential packs, client presentations, etc.)

- **The provider must obtain the requisite licensing and distribution rights for the above activities through an agreement with the designated POC at Everest Group**

Everest Group

From **insight** to *action*.

About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-647-557-3475

London
unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi
india@everestgrp.com
+91-124-284-1000

Stay connected

Websites

www.everestgrp.com
research.everestgrp.com

Twitter

@EverestGroup

Blog

SHERPAS
IN BLUE SHIRTS

www.sherpasinblueshirts.com