Everest Group PEAK Matrix™ for PO Service Providers

Focus on Accenture

April 2018

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Introduction and scope

Everest Group recently released its report titled "Procurement Outsourcing Service provider Landscape with Service PEAK Matrix™ Assessment 2018." 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 13+ service providers on the Everest Group 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 three service providers as the "2018 PO Market Star Performers" based on the strongest forward movement demonstrated on the PEAK Matrix year-on-year.
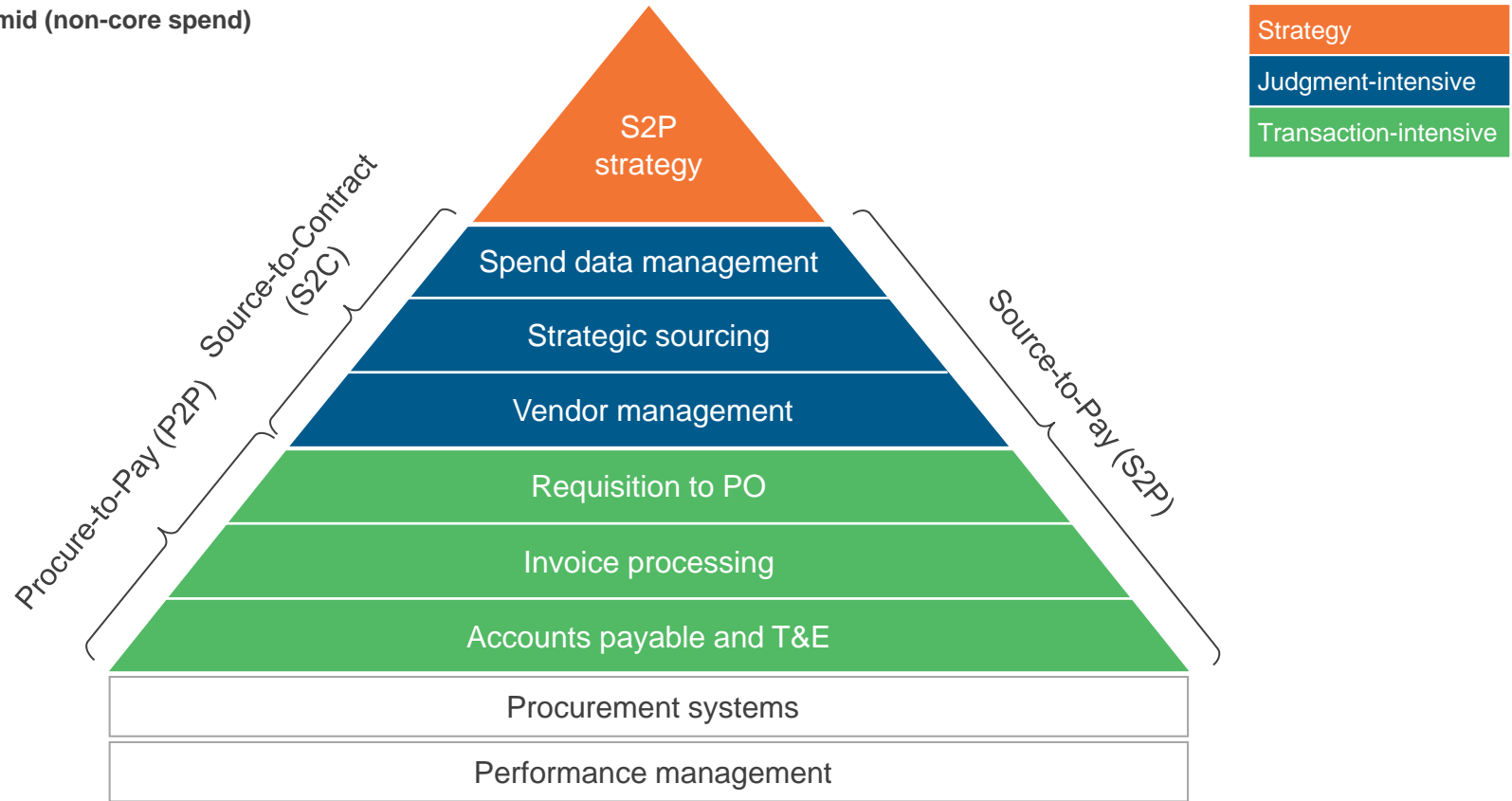
Based on the analysis, **Accenture emerged both as a Leader and a Star Performer**. This document focuses on **Accenture's** PO experience and capabilities and includes:

- Accenture's position on the PO PEAK Matrix

- Accenture's year-on-year 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 providers' 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)

Legend:
- Strategy
- Judgment-intensive
- Transaction-intensive

Pyramid layers (top to bottom):
- S2P strategy
- Spend data management
- Strategic sourcing
- Vendor management
- Requisition to PO
- Invoice processing
- Accounts payable and T&E
- Procurement systems
- Performance management

Side 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 2017

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Everest Group PEAK Matrix™
Procurement Outsourcing (PO) BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018 | Accenture positioned as Leader

Everest Group Procurement Outsourcing (PO) BPO – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018
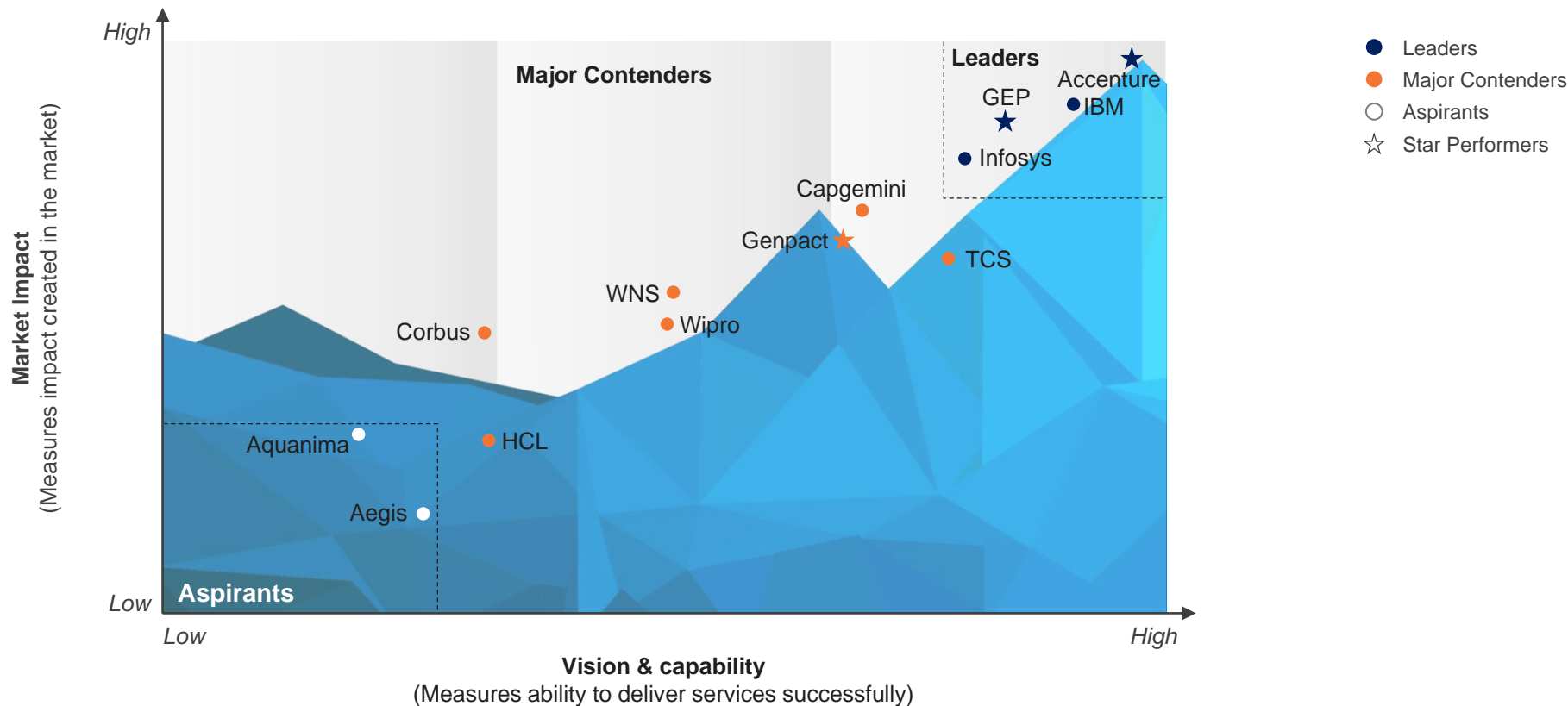
1   Service providers scored using Everest Group's proprietary scoring methodology given on page 17

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

Market impact in 2017

- Accenture signed new contracts worth over US$90 million in TCV with the addition of 9 new clients globally

- In 2017, the majority of the new clients came from North America. However, it also signed some new contracts in Latin America and Europe

- In terms of buyer industries, Accenture attained the highest traction in CPG & retail, followed by energy & utilities

Vision and capability enhancements in 2017

- Accenture introduced a procurement innovation network with sessions planned around the world, and market discovery initiatives aimed at providing robust self-service access to market intelligence from various sources

- It continued investments in data, analytics, and automation to enable the operationalization of digital procurement
  - Accenture launched Procurement Enablement Services (PES) workflow to further digitalize the processes used to deliver buying enablement

- It opened two new delivery centers in China and India to expand capacity and delivery capabilities

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Key PO leaders
- **Keith Hausmann**, Global Procurement Business Leader
- **Kristin Ruehle**, Global Procurement BPS Offering Leader
- **Thomas Fahey**, Global Procurement CTO

PO service suite
Comprehensive and flexible sourcing and procurement capabilities encompassing business process services, design, and transformational change management for all S2P processes, both direct and non-core spend. Also, procurement systems support and performance management and reporting services. S2P services include:
- **Sourcing & Category Management:** category strategy development & planning, strategic sourcing, contracting, supplier performance management, supplier risk management, compliance management, spend, savings & compliance analytics, category & market analytics, and continuous cost improvements
- **Transactional procurement:** buying channel strategy development, buyer & supplier portal development, P2P process design, payment strategy and vendor master data management, eProcurement technology deployment & application management, supplier enablement, eCatalog & content management, payment strategy, requisition processing, spot buys / tail spend management, invoice processing, Time & Expense (T&E) management, payment accuracy & controls, compliance management, and performance analytics
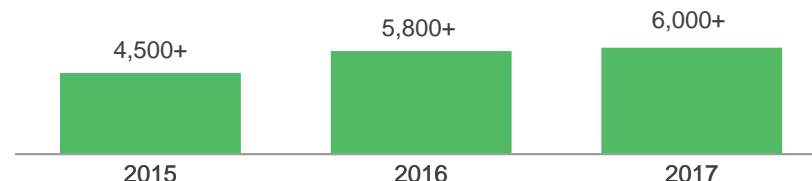
Category expertise
IT/telecom; logistics; marketing & media; energy; equipment, engineering & construction; basic materials & packaging; industrial & MRO; human resources; contingent labor; professional services; property & facilities management; travel; and direct spend with specialists across 40 industries

Spend managed for external clients
More than US$168 billion

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

FTE mix by process scope

| | >500 FTEs | 100-500 FTEs | <100 FTEs |

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

Key PO-related developments
- **2017:** invested in the operationalization of digital procurement; developed & implemented tools and integration of data, analytics, and automation capabilities to increase visibility and enhance the utility of the proprietary intelligence Currently, over 50% of current S2P processes are automated
- **2017:** developed the Hiperos SRM platform to industrialize supplier segmentation, contract compliance, supplier performance, and risk management. **2017:** introduced high velocity sourcing and procurement Solution designed for fast, simplified implementations of SAP® Ariba® solutions to address procurement challenges
- **2017**: launched a procurement innovation network with sessions planned throughout the globe. Objectives include driving co-innovation, forums for peer collaboration, concept testing of new products and services, keeping a pulse on market trends & client challenges, and strengthening relationships
- **2017:** opened two new delivery centers: Chengdu (China), and Mumbai (India) to expand delivery capabilities and capacity

1   Does not include accounts payable and supply chain BPO FTEs
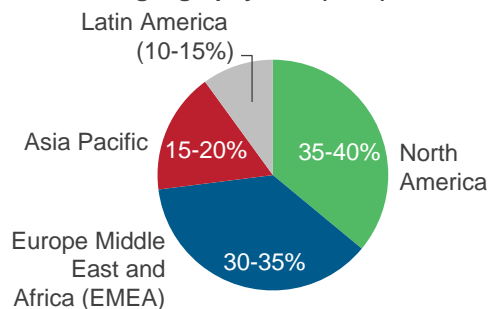
Client portfolio

Major PO clients

Microsoft, Glencore, Givaudan, Danone, Unilever, Royal Dutch Shell, and multinational corporations in the following industries: banking, insurance & financial services, consumer goods, energy, communications, electronics, pharmaceutical, food & beverage, chemical, healthcare, retail, mining, printing, aerospace & defense, semiconductor, and transportation
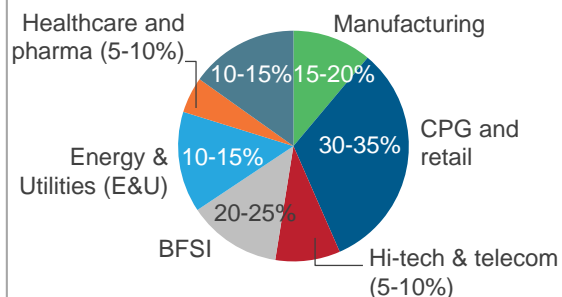
Recently-announced multi-process PO engagements

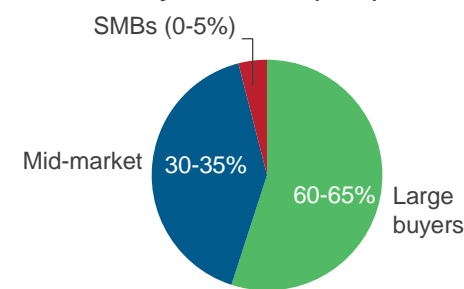| Time of signing	Client	Contract details
July 2017	Airfreight delivery service provider	Five-year agreement to manage US$1.5 billion in transactions in Europe and Asia Pacific
May 2017	Higher education network	Five-year contract managing US$1.5 billion in annual transactions globally
March 2017	Food manufacturer	Management of source-to-order processes for US$1 billion of spend in North America and Asia Pacific
February 2017	APAC oil company	Three-year agreement managing US$4.4 billion in annual transactions
January 2017	Healthcare products & services company	Three-year strategic sourcing and category management agreement of US$1.25 billion of indirect spend
January 2017	Personal care company	Four-year contract to manage over US$2.5 billion in annual transactions globally
January 2017	Bank & financial services company	Strategic sourcing and contract and compliance management of EMEA spend
January 2017	Latin American petroleum corporation	Tail spend management of industrial and MRO spend

PO revenue geography mix[1] (2017)

Latin America (10-15%), North America 35-40%, Asia Pacific 15-20%, Europe Middle East and Africa (EMEA) 30-35%

PO revenue industry mix[1] (2017)

Healthcare and pharma (5-10%), Manufacturing 15-20%, Energy & Utilities (E&U) 10-15%, CPG and retail 30-35%, BFSI 20-25%, Hi-tech & telecom (5-10%), 10-15%

PO revenue buyer size mix[1] (2017)

SMBs (0-5%), Mid-market 30-35%, Large buyers 60-65%

1 Data as of June 2017

Delivery locations

PO delivery location

	Source-to-pay solution	Other Solutions
Solution description	A digital procurement infrastructure that integrates market intelligence, analytics, and intelligent automation to optimize source-to-pay projects and process. Drives savings, productivity, visibility, and control by combining proprietary Accenture technology with third-party and client-owned tools and platforms. A cloud-based, multi-tenant platform aggregates category information on a global scale to create a data repository necessary to capitalize on advanced analytics and RPA to build cognitive intelligence tools. Accelerates clients' ability to implement and use data and insights for business decisions ● **Radix™** platform includes: – Digital project & process management platform (S2C and P2P), – Multi-client market intelligence & performance apps – Procurement performance management suite	● **Supplier relationship management platform** dashboards, scorecards, surveys, and workflow management tools for supplier data and outcomes ● **Buyer portal** provides guidance to buyers that can substitute or augment functionality in eProcurement tools. ● **Intelligent automation platform** which drives visibility, control, and efficiency in AP and the broader P2P process, leverages automation and analytics to improve process and outcomes ● **Specialized technology expertise** with large teams to implement and enable third-party eProcurement tools, suppliers, eCatalogs, master data, and eInvoicing
Process scope	● **Digital project & process management platform** – automates and integrates activities and information throughout the source-to-pay process and includes: – **Radix S2C** – Workflow and project management; automation; document and content management; 1,000+ category strategy blueprints; embedded Ariba eRFX module and Hiperos SRM platform; and contracting & contract management – **Radix P2P** – P2P process workflow (integrated with Intelligent Automation Platform and Buyer Portal) drives touchless processing and exceptions management and complements (links to and enhances) client and third-party requisitioning systems ● **Multi-client market intelligence & performance apps** – suite of category-specific apps facilitates aggregate cross-client insights (supplier capabilities, price and performance benchmarks, and compliance) ● **Procurement performance management suite** – mobile app and web-based tools enabling clients to see and act upon key spending information and events. Interactive views of market spend data and trends, savings, compliance, project status, & contracts, and ability to initiate and approve sourcing projects and contracts	● **Supplier relationship management platform** (third-party) assists clients to segment suppliers and manage supplier risk, performance, and contract obligations (SLAs) ● **Buyer portal:** A single portal provides clear guidance on what to buy, from whom, and directs buyers to the correct buying channel. Prebuilt with "last-mile" customization for each client ● **Intelligent automation platform** includes tools to drive automation in invoice processing, as well as Accenture Transaction Compliance & Analytics Tool (ATCAT) which proactively prevents duplicate payments, and MySupplier portal which supplies self-service for catalog updates, document submissions, and invoice tracking ● **Procurement analytics as-a-service** stand-alone analytic packages for insights into spend, categories, consumption, compliance, payables, T&E, supplier performance & risk
Technology leveraged	● Proprietary technology and integrated third-party tools (i.e., Ariba eRFX, Hiperos SRM, Automation Anywhere, etc.) that leverage a combination of digitization, natural language processing, rules-based automation, and robotic process automation, coupled with extensive data analytics & business intelligence engine	● Proprietary technology designed for cloud, integrated with Accenture P2P workflow platform ● Third-party e-procurement partnerships (e.g., Ariba and Coupa) and only provider certified for enablement
Delivery model and pricing	● Cloud-based, multi-client platform ● Accenture technology is integral to all solutions and included with delivery and overall program fees, which are outcome-based (vs. FTE or purely transactional)	● Cloud-based technology ● Proprietary tools included in total solution fees ● Preferred pricing agreements in place for SAP Ariba & Coupa

Everest Group assessment – Leader

Measure of capability: ● Best-in-class ◑ Very high ◑ High ◐ Medium high ◑ Medium ◔ Medium low ◔ Low ◔ Not mature
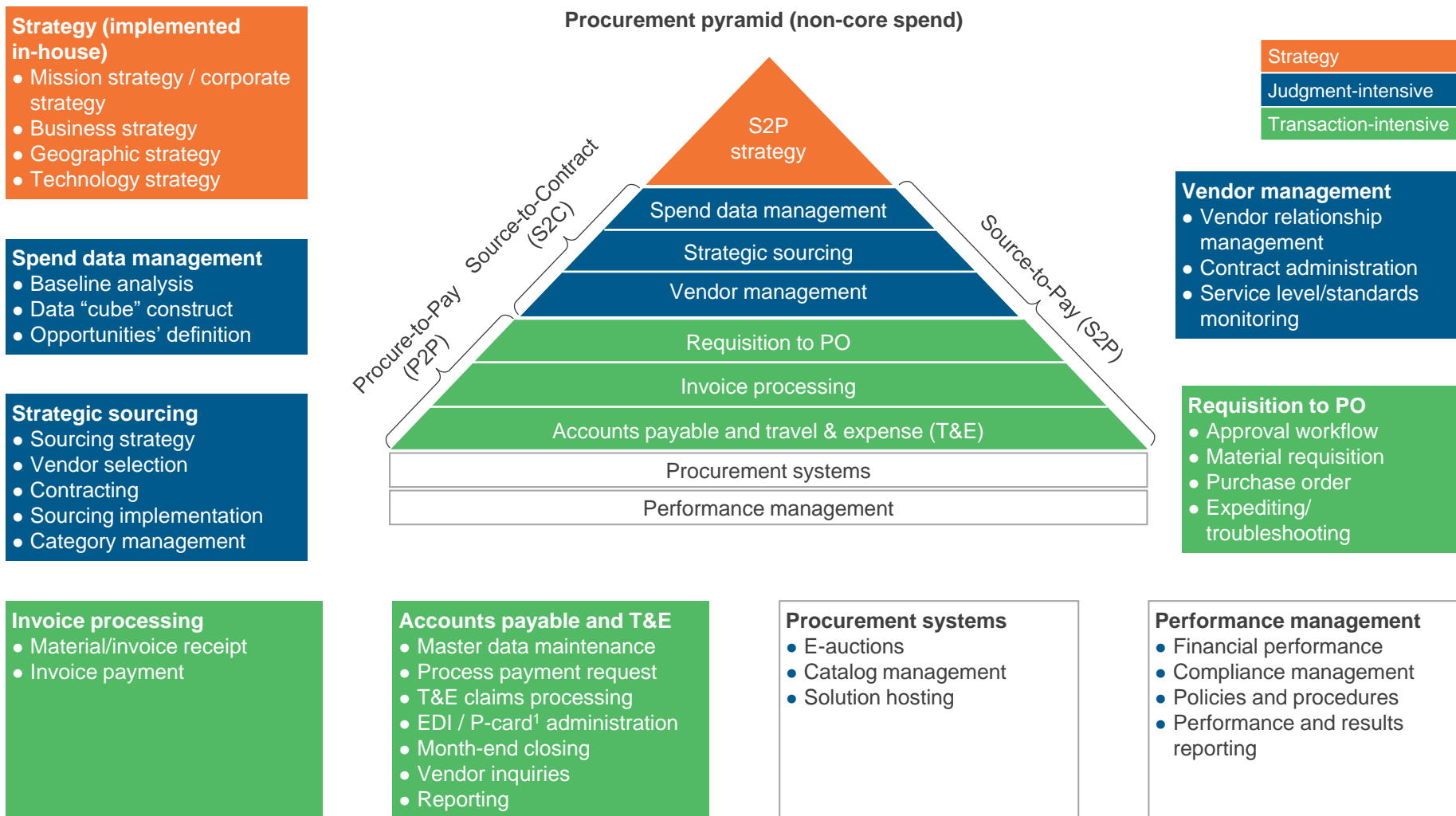
Market impact				Vision & capability				
Market adoption	Portfolio mix	Value delivered[1]	Overall	Scope of services offered	Innovation and investments	Delivery footprint	Vision and strategy	Overall
◑	●	◑	●	◑	◑	●	◑	●

Strengths

- Accenture leads the procurement outsourcing market with offerings and capabilities across the entire Source-to-Pay (S2P) space. It has a strong focus on enabling the client's procurement transformation journey through digital, touchless transactions, and seamless customer experience
- It continues to improve its procurement offering through investments in the right technology platforms, analytics solutions, and talent model
  - It has invested in proprietary and third-party market platforms pertaining to data, analytics, and automation. It enabled cloud-based intelligent automation in RADIX platform, enhanced its Intelligent Automation Platform (IAP), and created Procurement Enablement Services (PES) workflow to further digitize processes
  - It leverages market intelligence and analytics applications with cross-client insights to enable better data visibility and insights. For instance, one of its major R&D initiatives is "Market Discovery," which uses AI to provide self-service access to market intelligence using both proprietary and public sources
  - It has built a strong talent base of over 15,000 specialists and 1,500 category experts. It also expanded delivery presence in APAC with the addition of four new delivery centers
- It continues to make investments in next-generation solutions and create AI-enabled customer experiences
  - It is creating AI Advisors, which can augment human sourcing experts to effectively identify sourcing opportunities & evaluate sourcing outcomes
  - It has partnered with several external partners and a wide range of technology providers including Dialogflow (chatbot frameworks), Neo4j (knowledge graphs), and Elasticsearch (information retrieval) to advance its AI initiatives
- Along with a strong presence in North America and Europe, it registered good traction in the emerging geographies of Asia Pacific and Latin America in the past couple of years
- Buyers have highlighted Accenture's operational discipline, scalability, and domain expertise as key strengths

Areas of improvement

- After building a strong base of large buyers, Accenture can now look at making dedicated efforts to onboard Small and Medium Businesses (SMBs) and mid-market buyers through more customized and flexible offerings and try to position itself as an accessible provider even for clients with limited outsourcing scope
- Accenture's clients have felt that it should be more proactive and suggest ways to provide future guidance based on market triggers and its strong domain expertise
- Some clients have also highlighted that Accenture's domain expertise and processes sometimes need more flexibility, especially when clients have unique/different business structures. It needs to work on customizing offerings as per clients organization's requirements

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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

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

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

Procurement pyramid (non-core spend)

Legend:
- Strategy
- Judgment-intensive
- Transaction-intensive

Pyramid levels (top to bottom):
- S2P strategy
- Spend data management
- Strategic sourcing
- Vendor management
- Requisition to PO
- Invoice processing
- Accounts payable and travel & expense (T&E)
- Procurement systems
- Performance management

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

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

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

Invoice processing
- Material/invoice receipt
- Invoice payment

Accounts payable and T&E
- Master data maintenance
- Process payment request
- T&E claims processing
- EDI / P-card[1] administration
- Month-end closing
- Vendor inquiries
- Reporting

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

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

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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 PEAK Matrix™ is a proprietary framework for assessment of market impact and vision & capability
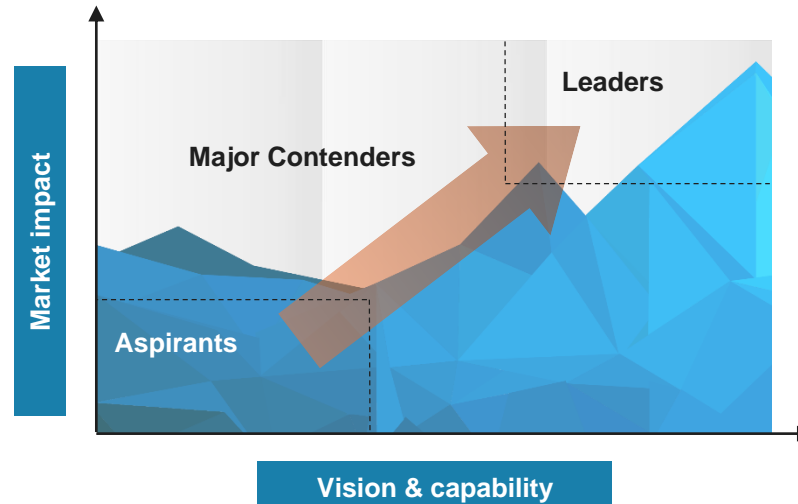
Everest Group PEAK Matrix
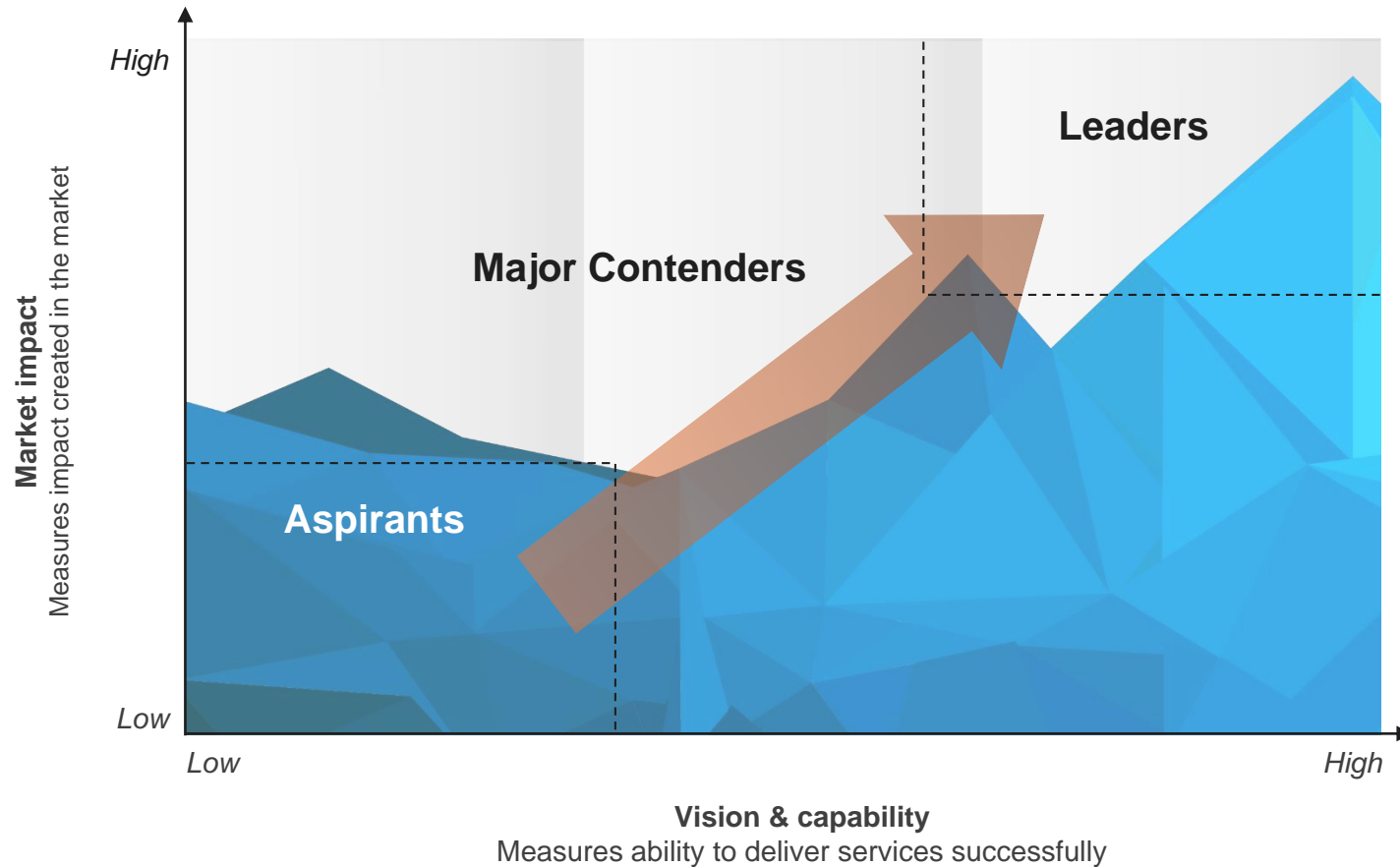
Services PEAK Matrix™ evaluation dimensions

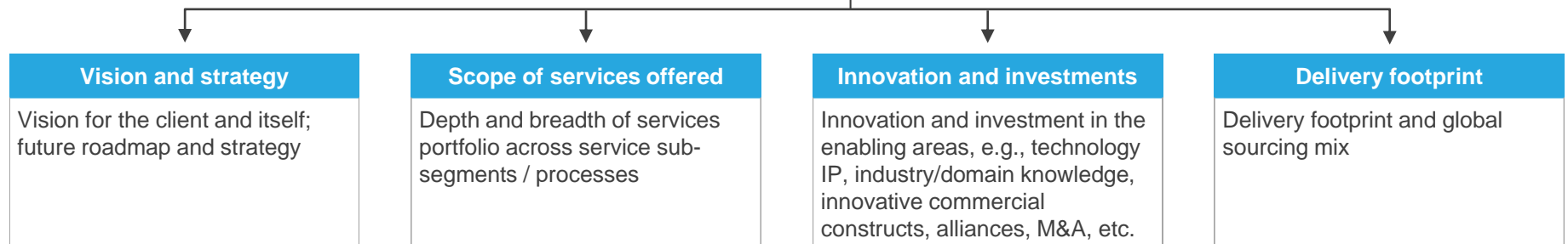Measures impact created in the market – captured through three subdimensions

Market adoption
No. of clients, revenue base, and YOY growth, deal value/volume

Portfolio mix
Diversity of client/revenue base across geos and type of engagements

| Value delivered |
|---|
| Value delivered to the client based on customer feedback and transformational impact |

Market impact

Leaders

Major Contenders

Aspirants

Vision & capability

Measures ability to deliver services successfully. This is captured through four subdimensions

Vision and strategy	Scope of services offered	Innovation and investments	Delivery footprint
Vision for the client and itself; future roadmap and strategy	Depth and breadth of services portfolio across service sub-segments / processes	Innovation and investment in the enabling areas, e.g., technology IP, industry/domain knowledge, innovative commercial constructs, alliances, M&A, etc.	Delivery footprint and global sourcing mix

Everest Group confers the Star Performers title on providers that demonstrate the most improvement over time on the PEAK Matrix™

Methodology

Everest Group selects Star Performers based on the relative YOY improvement on the PEAK Matrix

Year 1

Year 0

Market Impact

Vision & capability
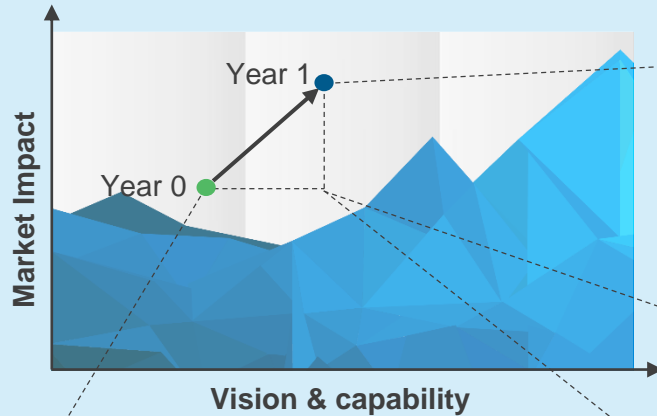
In order to assess advances on **market impact**, we evaluate each service provider's performance across a number of parameters including:
- Yearly ACV/YOY revenue growth
- # of new contract signings and extensions
- Value of new contract signings
- Improvement in portfolio mix
- Improvement in value delivered

In order to assess advances on **vision and capability**, we evaluate each service provider's performance across a number of parameters including:
- Innovation
- Increase in scope of services offered
- Expansion of delivery footprint
- Technology/domain specific investments

We identify the service providers whose improvement ranks in the top quartile and award the Star Performer rating to those service providers with:
- The maximum number of top-quartile performance improvements across all of the above parameters AND
- At least one area of top-quartile improvement performance in both market success and capability advancement

Star Performers are identified by top quartile performance improvement on the X and Y axes for each segment

The Star Performers title relates to YOY performance for a given service provider and does not reflect the overall market leadership position, which is identified as Leader, Major Contender, or Aspirant.

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 empower 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.

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