HFS Top 10 Source-to-Pay (S2P) Service Providers

Excerpt for Infosys

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July 2019

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“HFS envisions procurement as the ‘ecosystem builder’ for the enterprise, not just a cost-focused, back-office function. As the role of procurement radically transforms, the client expectations from third-party source-to-pay (S2P) services are also rapidly evolving.”

– Saurabh Gupta, Chief Research Officer

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What you'll read

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Introduction

- HFS envisions procurement as the “ecosystem builder” for the enterprise, not just a cost-focused, back-office function. As the role of procurement radically transforms, expectations from third-party source-to-pay (S2P) services are also rapidly evolving.
- The HFS Top 10 S2P service providers report examines 12 service providers across a defined series of innovation, execution, and voice of the customer criteria. The report highlights the overall ratings for all participants and the top five leaders for each sub-category. The report looks at S2P capabilities as defined by our value chain. It focuses on ongoing third-party services (outsourcing and managed services) and does not include short-term sourcing or procurement projects.
- This report also includes detailed profiles of each service provider, outlining their overall and sub-category rankings, provider facts, and detailed strength and development opportunities.
- The Top 10 S2P service providers report assessed and scored service provider participants across execution, innovation, and voice of the customer criteria. The inputs to this process were detailed RFIs we conducted with 12 service providers, briefings with service provider leaders of F&A practices within service providers, interviews with reference and non-reference F&A clients, an HFS survey with 350 Global 2000 enterprises, and publicly available information sources.

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Service providers covered in this report

TOP 10 HFS

accenture

Capgemini

DATAMATICS® Data to Intelligence

DXC.technology

genpact

GEP® Insight Drives Innovation

HCL

IBM®

Infosys®

TATA CONSULTANCY SERVICES

wipro

WNS Extending Your Enterprise

Research methodology

The Top 10 S2P service providers report assessed and scored service provider participants across execution, innovation, and voice of the customer criteria. The inputs to this process were detailed RFIs we conducted with 12 service providers, briefings with service provider leaders of sourcing and procurement practices within service providers, interviews with reference and non-reference S2P clients, an HFS survey with 350 Global 2000 enterprises, and publicly available information sources. Specific assessment criteria and weighting include:

33%

Ability to execute

- Scale, growth, and experience: spend under management, number of clients, revenue growth
- End-to-end S2P capability across source-to-contract (S2C) and procure-to-pay (P2P)
- Category expertise based on number of category experts and client feedback
- Geographic presence of clients served and delivery mix
- Delivery excellence: quality of account management and talent management

33%

Ability to innovate

- Vision and strategy: vision for sourcing, procurement, and go-to-market strategy
- Investments, IP, and Ecosystem: mergers and acquisitions, proprietary tools and frameworks, and partnership ecosystem
- Leveraging emerging technologies across RPA, AI, smart analytics, and blockchain
- Creative client engagement: co-innovation with clients, collaborative engagement (consultative sales, problem solving), outcome-driven commercial models

33%

Voice of the customer

- Client reference-ability, quality of client references, and number of references provided
- Average satisfaction from reference clients
- Average satisfaction from non-reference clients
- Innovation and business impact of client case studies presented

Source-to-pay (S2P) value chain

HFS TOP 10

Source-to-Contract (S2C)			Procure-to-Pay (P2P)		
Strategic sourcing	**Category management**	**Contract management**	**Supplier management**	**Transactional procurement**	**Technology management**
• Demand management • Sourcing strategy • Sourcing event management • Proposal evaluation • Contract negotiation • Sourcing governance	• Category strategy • Category planning • Market intelligence • Spend data management • Ongoing category management	• Contract repository • Contract administration • Contract template management • Contract negotiation	• Supplier enablement • Supplier help desk • SLA monitoring • Vendor relationship management	• Master data management • Asset management • Purchase order creation and management • Invoice and receipt matching and reconciliations • Accounts payable	• Ongoing technology innovation • Platform implementation • Platform management

Analytics

• Spend analytics	• Risk and compliance analytics	• Working capital analytics	• Finance analytics	• Reporting and dashboards

Enabling Technologies

• System of records • Systems of engagement	• Workflows • Robotic automation	• Smart analytics • Artificial intelligence	• Cognitive assistants • Data visualization	• Mobility • Blockchain	• AR/VR

Operating Models and methodologies

• Centralization • Outsourcing and offshoring	• Shared services and captives • GBS	• Hybrid and virtual captives • Lean and Six Sigma	• COEs • BPaaS/SaaS/IaaS	• Design thinking

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Executive summary

We are hurtling toward a hyperconnected future state

- The journey of operational transformation started nearly two decades back with the rise of shared services and outsourcing (SSO). It evolved into global business services (GBS) driven by end-to-end (E2E) processes, and it is culminating with the advent of what HFS calls the Digital OneOffice.
- Organizational silos around the front, middle, and back offices are collapsing to create boundary-less organizations where there is only one office that matters—the office that caters to the customer.
- The value proposition, value creation levers, underlying talent requirements, and role of third-parties have evolved significantly. This journey to the OneOffice has taken more than 20 years and is still not complete. However, the Triple-A Trifecta (automation, AI, and smart analytics) and the emergence of blockchain and IoT are helping organizations reach their OneOffice goals more quickly.

The evolution of operational transformation toward the OneOffice and hyperconnected enterprise

Model	Shared Services and Outsourcing (SSO)	Global Business Services (GBS) / End-to-End Processes (E2E)	Digital OneOffice	Hyperconnected Enterprise
Concept	Functional / geographic consolidation • Contact center • F&A • Procurement • HR • IT	Process orientation / cross functional • Procure-to-Pay • Order-to-Cash • Record-to-Report • Hire-to-Retire	Collapsing front-, middle-, and back office • Customer-first digital organization • Digital underbelly • Intelligent digital support • Intelligent digital processes	Connected ecosystem/network of organizations • Common objectives • Collaborating enterprises • Sharing economy • Distributed data
Rationale	• Cost reduction • Efficiency/productivity	• Business outcomes • Process effectiveness	• Customer experience	• New sources of value
Drivers	• Global sourcing/arbitrage • Systems of records	• Cloud/As-a-Service • LEAN/Six Sigma • Systems of engagement	• Triple-A Trifecta (Automation, Artificial Intelligence, Analytics) • Systems of intelligence / experience	• Blockchain/DLT • Internet of Things (IoT)
Talent	• IT-enabled	• Process/domain experts	• Digital-savvy	• Creative/problem solvers
Third-parties	• Outsourcers	• Outsourcers	• Optimizers	• Outsourcers
	2000-2010	2010+	Emerging	Future?

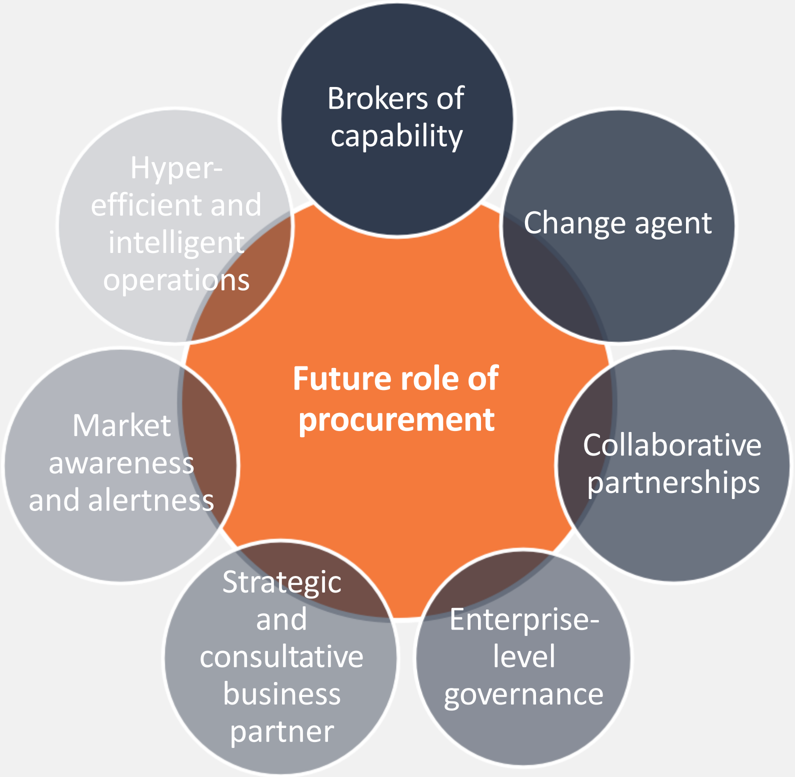
- HFS believes that as organizational silos converge, ecosystems will start to emerge. These networks will be driven by collaboration across multiple organizations with common objectives around driving completely new sources of value. Enterprises will need to be as hyperconnected and as autonomous as possible within their business environments if they want to pinpoint where disruption is coming from, where to disrupt, and how to keep reinventing themselves in an unforgiving world in which we no longer have time to rest on our laurels. Emerging technologies are making this vision of a shared economy with distributed and trustworthy information a reality.

As we enter the hyperconnected future state, HFS envisions procurement to be the ecosystem builder

TOP 10

- The mandate for procurement organizations is clear. Cost reduction alone no longer ensures success; creating value is equally important. Procurement needs speed, innovation, and analytics to make it happen.
- Procurement's digital transformation is about vendor experience and the OneOffice (without increasing costs obviously!). A recent HFS Survey of 590 business leaders across the globe found these top three strategic goals for procurement:
  1. Improve product and service speed to market (51% of procurement executives cited this as a top-three strategic priority).
  2. Improve product and service innovation (42% of procurement executives cited this as a top-three strategic priority).
  3. Accelerate ability to leverage data and analysis (37% of procurement executives cited this as top-three strategic priority).
- In the same survey, the following were the top three operational goals for procurement:
  1. Improve customer and stakeholder service quality and interactions (56% of procurement executives cited this as a top-three operational goal).
  2. Improve back-office and middle-office alignment with the front office (51% of procurement executives cited this as a top-three operational goal).
  3. Cope with regulatory and risk environment (44% procurement executives cited as a top-three operational goal).

Future of procurement = ecosystem builder



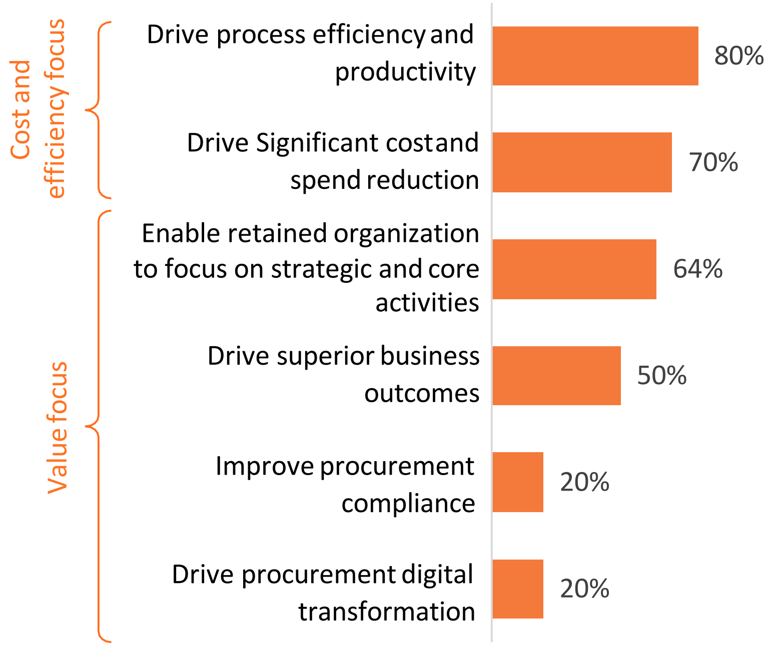
- Clearly, procurement continues to play an important role in managing costs and ensuring compliance, but it also plays a strategic role. HFS believes that successful procurement organizations of the future will act as ecosystem builders for the enterprise (see Exhibit 2) to become a valued business partner that enables overall enterprise-wide strategic goals.

Procurement outsourcing is ripe for disruption!

TOP 10

While cost reduction (both operational cost reduction and spend deflation) continues to be a primary driver for outsourcing procurement, clients expect a lot more.

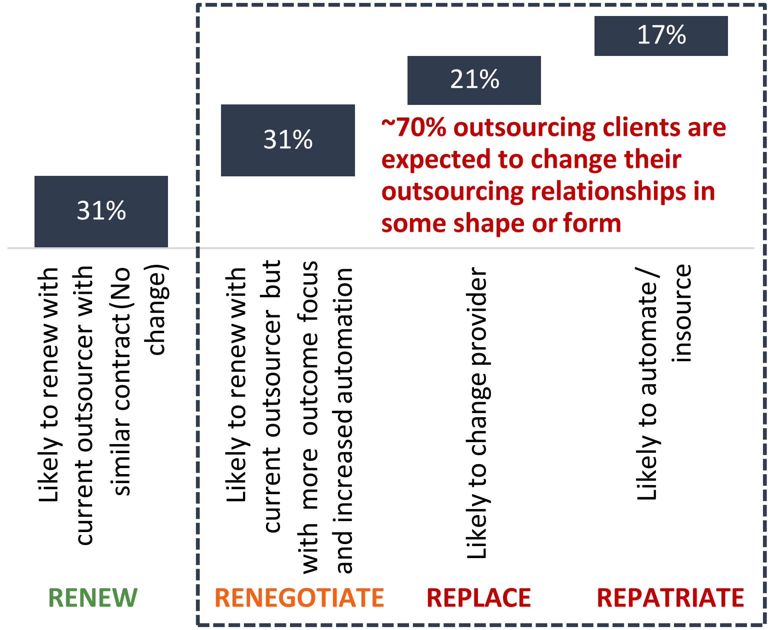
What are the top three primary goals for your organization from procurement outsourcing?



Source: HFS Research, 2019
Sample: 20+ analyst interviews with clients of procurement outsourcing

However, procurement outsourcing clients also realize that the service providers that got them here might not be the partners to take them to the future. There is a strong anti-incumbency sentiment, and, according to our analysis, only 30% of procurement is truly safe!

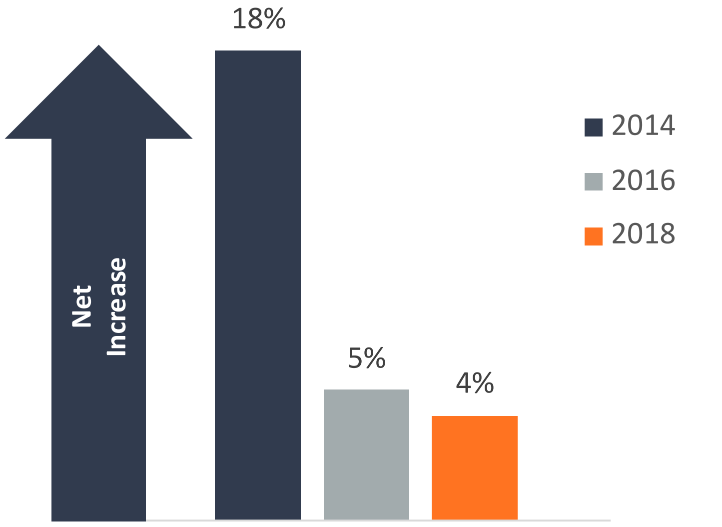
What are your plans regarding current procurement outsourcing or managed services agreements you have?



Source: HFS Research, "State of Operations and Outsourcing" Surveys, 2018
Sample: Global 2000 Enterprise Buyers = ~400

A cookie-cutter approach and offshoring-led legacy solutions are losing mindshare. The No. 1 supplier selection criteria is the ability to exhibit a full understanding of a client's business and objectives.

How will offshore use change in procurement outsourcing and shared services over the next two years?
(Net increase or decrease)



Source: HFS Research, "State of Operations and Outsourcing" Surveys, 2014, 2016, and 2018
Sample: Global 2000 Enterprise Buyers = ~400

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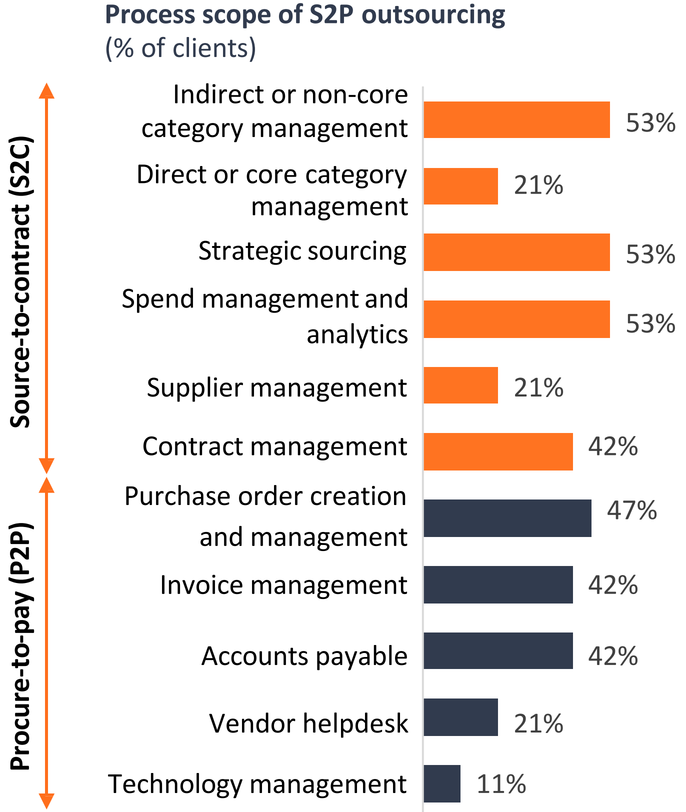
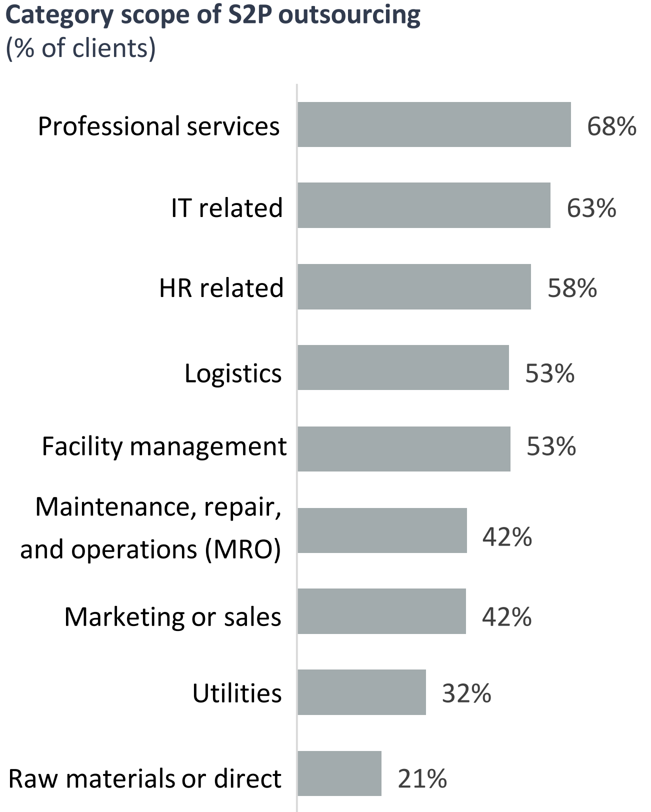
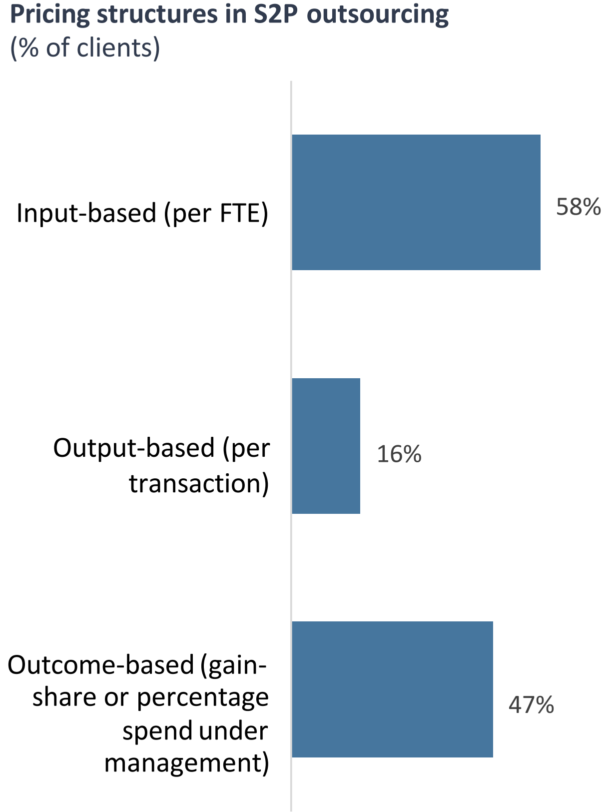
Procurement clients expect end-to-end S2P coverage and deep category expertise offered with a direct linkage to output and outcome

Procurement clients searching for value beyond cost reduction are looking for partners that can offer end-to-end S2P capability and deep category expertise, especially in non-core categories.





Unlike most BPO markets, a majority of clients leverage output and outcome pricing in S2P outsourcing.



Source: HFS Research, 2019
Sample: 20+ analyst interviews with clients of procurement outsourcing

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Advancements in emerging technologies have captivated the CPO agenda, but adoption has just scratched the surface

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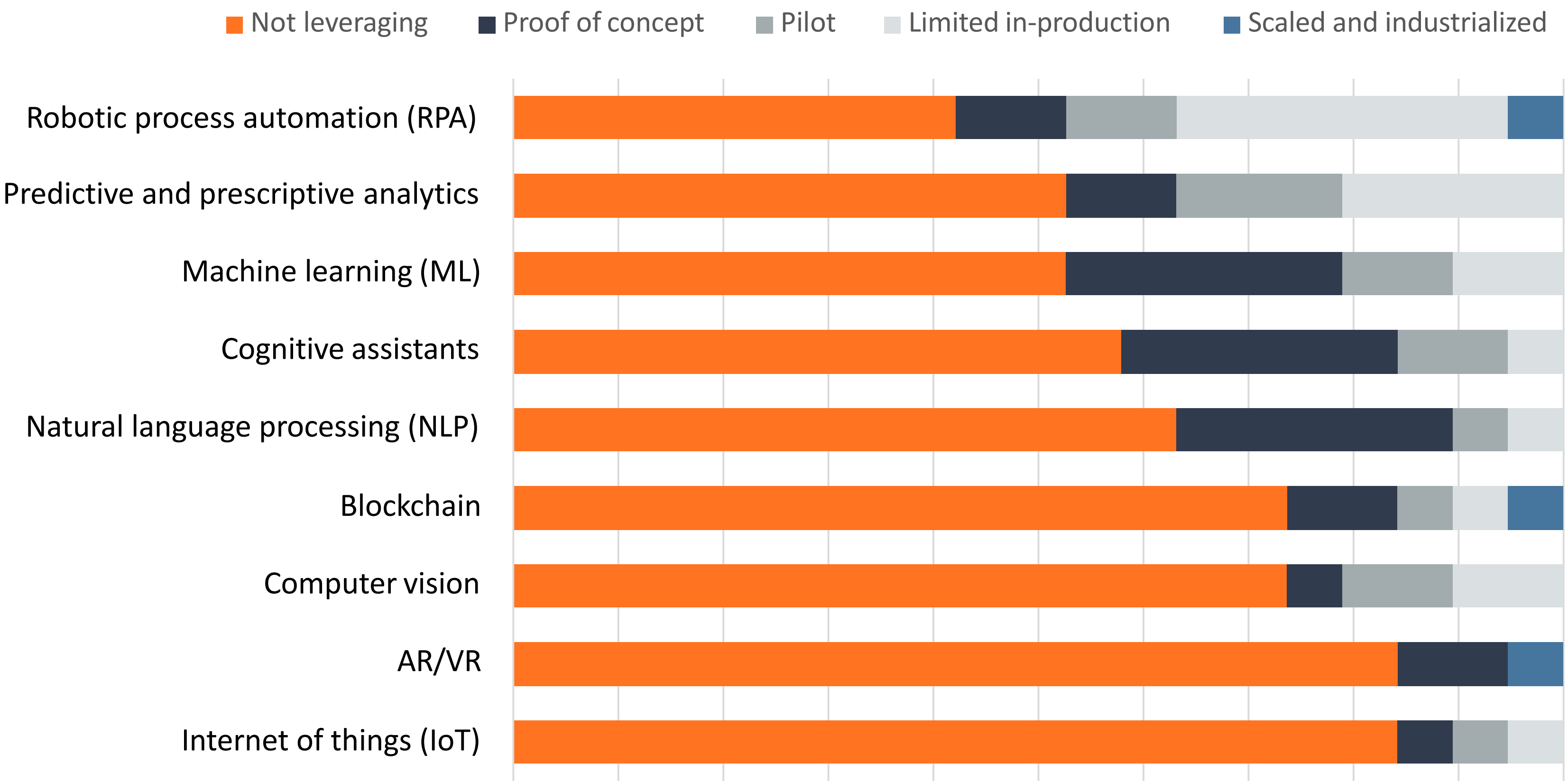
What are the emerging technologies that you are leveraging as a part of your procurement outsourcing engagement? Please provide the current stage of implementation.



Source: HFS Research, 2019
Sample: 20+ analyst interviews with clients of procurement outsourcing

- According to our recent study, State of *Intelligent Automation*, 2018, for which we surveyed 590 business leaders, a majority (56%) of procurement executives want to scale-up and industrialize their intelligent automation initiatives within the next two years.
- However, they don't know how!
  - 30%+ have no plans or are unsure about leveraging RPA, NLP, and other AI technologies.
  - Only 5% to 7% have scaled up RPA or AI initiatives.
  - Nearly 60% are looking at piecemeal IA technologies or have no integration points between technology initiatives.
  - Only 5% have an enterprise-wide approach to using IA within sourcing or procurement.

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The HFS Top 10 S2P Service Provider Rankings

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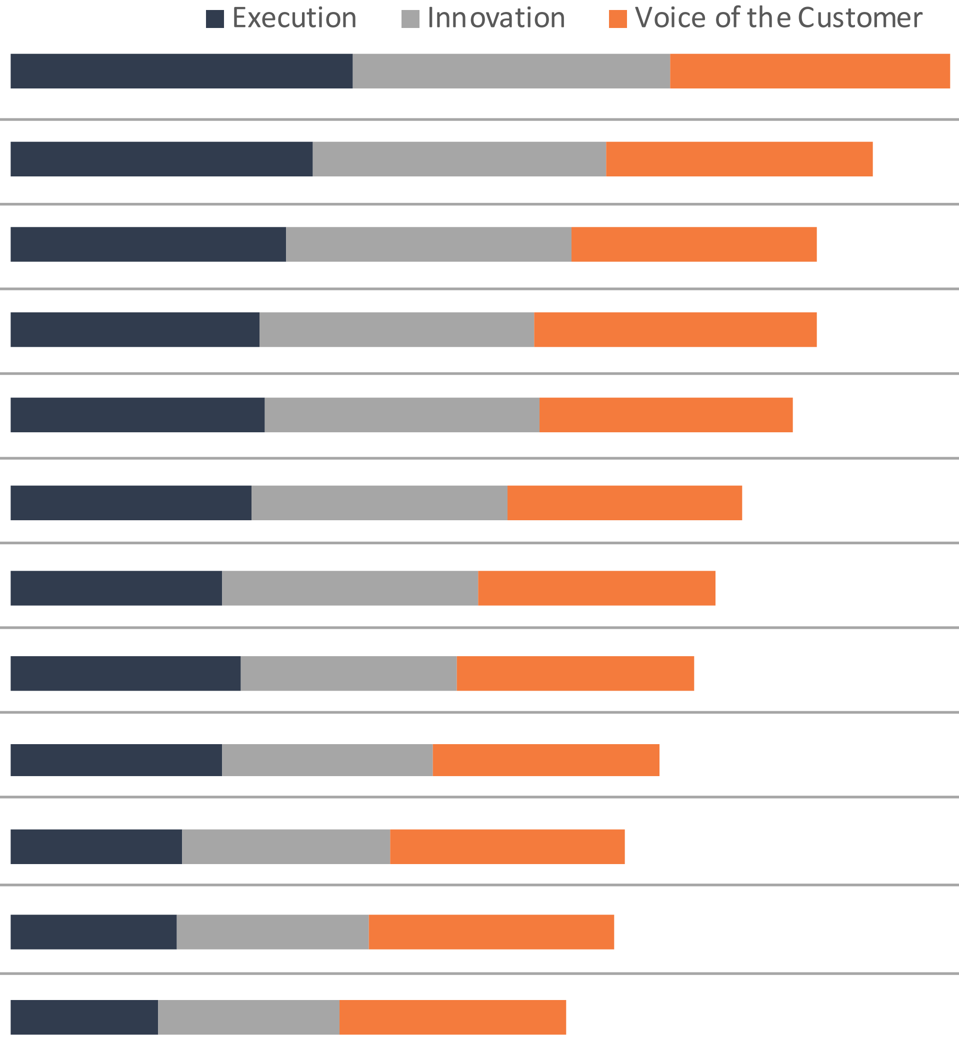
HFS Top 10 S2P Service Providers, 2019

HFS TOP 10



HFS Top 10

#1 Accenture	*Design, strategy, and execution at scale across the comprehensive source-to-pay process*
#2 IBM	*Helping CPOs digitize processes, drive insights, and amplify talent across source-to-pay, leveraging the Triple-A Trifecta (automation, analytics, AI) and blockchain*
#3 GEP	*Pure-play procurement provider with fast-growing source-to-pay services that integrate strategy, software, and managed services*
#4 Infosys	*Source-to-pay services designed to support clients' procurement transformation journey across strategy, implementation, and operations backed by next-gen technology*
#5 Genpact	*Driving the "Procurement OneOffice" by integrating process expertise, digital technologies, transformational consulting, and managed services*
#6 WNS-Denali	*The WNS-Denali combination offers an end-to-end and impactful value proposition for source-to-pay services.*
#7 Capgemini	*20+ years of procurement experience with broader supply chain and F&A capabilities*
#8 TCS	*Modernizing the procurement function guided by the "Business 4.0" philosophy and machine-first delivery model (MFDM)*
#9 DXC	*Ecosystem-led approach to deliver end-to-end source-to-pay services*
#10 Wipro	*Robust procure-to-pay services backed by a digital-first approach*
#11 HCL	*Procurement services integrated with broader supply chain operations*
#12 Datamatics	*Proprietary cloud-native procurement tools, especially around vendor management*

Source: HFS Research, 2019

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HFS top five S2P service providers by individual assessment dimensions

TOP 10

		Ability to execute						Ability to innovate				
HFS ranking	Overall	Scale, growth, and experience	S2C capability	P2P capability	Category expertise	Geographic presence	Delivery excellence	Vision and Strategy	Investments, IP, and ecosystem	Leveraging emerging technologies	Creative client engagement	Voice of the customer
#1	accenture	accenture	accenture	TATA CONSULTANCY SERVICES	accenture	accenture	accenture	accenture	accenture	accenture	accenture	Infosys
#2	IBM	IBM	GEP	accenture	GEP	IBM	IBM	GEP	GEP	IBM	GEP	accenture
#3	GEP	GEP	genpact	genpact	IBM	WNS	genpact	IBM	Infosys	Infosys	IBM	IBM
#4	Infosys	Infosys	IBM	IBM	Infosys	Infosys	Infosys	genpact	IBM	genpact	WNS	genpact
#5	genpact	WNS	Infosys	WNS	genpact	Capgemini	WNS	Infosys	genpact	Capgemini	genpact	GEP

Source: HFS Research, 2019

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S2P Service Provider Profiles

Infosys

S2P services designed to support clients' procurement transformation journey across strategy, implementation, and operations backed by next-gen technology

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Dimension	Rank
HFS Top 10 position	**#4**
Ability to execute	
Scale, experience, and growth	#4
Upstream S2C capability	#5
Downstream P2P capability	#7
Category expertise	#4
Geographic presence	#4
Delivery excellence	#4
Innovation capability	
Vision & strategy	#5
Investments, IP, and ecosystem	#3
Leveraging emerging technologies	#3
Creative client engagement	#6
Voice of the customer	**#1**

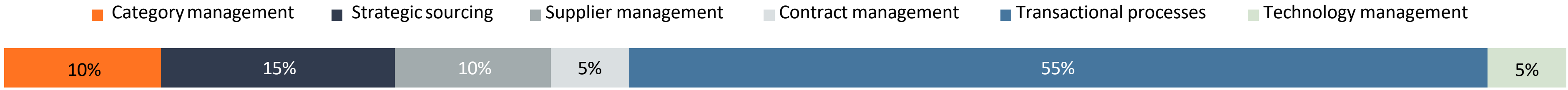
Strengths

- **One-stop shop for S2P services offering integrated solutions across** consulting, BPM, and technology backed by advanced analytics and market insights.
- **Expanding scale of strategic sourcing and category management.** It has expanded the capabilities of Portland Group (acquired in 2011) to Singapore and the US. It is working toward expanding expertise in the direct category space, and it is investing in localization efforts by hiring in the Americas and Europe.
- **Aggregated buying capabilities** across multiple clients based on its recent joint venture with Hitachi, Panasonic, and Pasona (Japan).
- **AI-based suite of procurement applications** including category control tower, procurement insights, virtual procurement assistant, contract analysis, and tail-end spend management.

Development opportunities

- **Ecosystem-driven solutions.** While Infosys brings robust in-house capabilities leveraging the assets of Infosys Nia and EdgeVerve, it also needs to further leverage best-of-breed tools in the market.
- **Opportunity to expand in supply chain**, especially enterprise planning-related activities. Infosys is making investments in building direct-procurement capabilities.
- **Potential to expand outside S2P services North America and Australia**, especially in Europe and Japan. Infosys has recently completed the acquisition of a majority stake in HiPUS (a JV with Hitachi, Panasonic & Pasona) in Japan which is now being expanded to address the European market also.

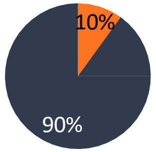
Capabilities across the S2P value chain (FTE distribution)



Market share and key clients

(basedon assessment of 12 service providers)

Managed spend
100% = $1125B



Key clients:

- Global FMCG giant
- Leading US telecom company
- Leading automotive major
- Leading mining giant
- US-based leading gold mining company
- Leading aerospace manufacturer
- Global banking and financial services company

Global headcount and delivery centers

S2P delivery headcount: 5,500+ S2P professionals, 850+ FTEs for category management and strategic sourcing

Key delivery locations (21+):

- Americas: North America, Brazil, Mexico, Costa Rica, and Puerto Rico
- EMEA: Ireland, Poland, and Netherlands
- APAC: India, China, Philippines, Australia
- Sourcing Center of Excellence in India & Poland

Proprietary tools and technologies

- Joint venture-led consortium to augment digital procurement capabilities
- Business suite of procurement apps leveraging Infosys Nia, Infosys's AI platform
- Category Tower
- Contract management ecosystem
- Cognitive procurement assistants using Infosys Nia (including a procurement assistant-chatbot)
- Expansion of Nia procurement insights, tail spend, and guided buying solutions

Acquisitions and partnerships

Recent acquisitions:

- Brilliant Basics—Design thinking in Procurement
- Joint venture with Hitachi, Panasonic, and Pasona (Japan)

Key S2P partnerships:

- SAP Ariba, Coupa, Alteryx, BvD, Oracle, Tableau
- Innovation partnerships with academic institutions

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About the authors

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