



Managing Services Categories for Maximum Value

November 2020

Live Tweeting #EGAnalyst

Introductions



Michel Janssen
Chief Research Officer
michel.janssen@everestgrp.com



Amy Fong
Vice President
amy.fong@everestgrp.com



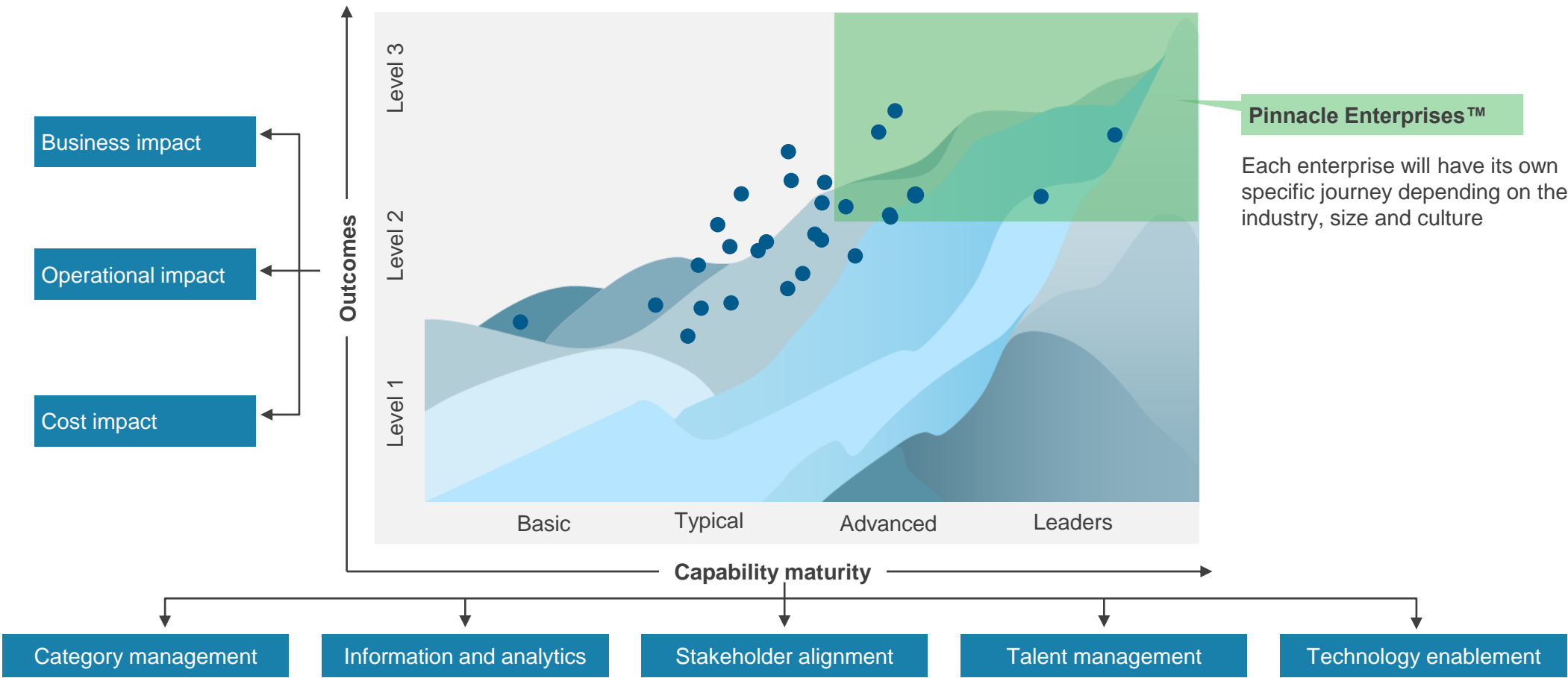
Bhanushee Malhotra
Senior Analyst
bhanushee.malhotra@everestgrp.com

Discussion points for today



We identified services sourcing organizational maturity Pinnacle Enterprises™ based on their focus on outcomes and capability maturity

Everest Group recently assessed enterprise services sourcing organizational maturity on the Pinnacle Model®



Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

Pinnacle Enterprises™ significantly exceed other enterprises across three key impact areas

Cost impact



Pinnacle Enterprises showcased **1.9x improved spend visibility** that led to better decision-making ability and market intelligence value than other enterprises

Operational impact



Pinnacle Enterprises achieved **21% shorter sourcing timelines** and **consistently high improvement in operational metrics** through their services sourcing initiatives

Business impact



Pinnacle Enterprises achieved **1.28x improved involvement** in strategic enterprise projects and acted as **key partners in business**, supporting the outcomes valued by their stakeholders

Pinnacle Enterprises have developed differentiated capabilities in their services sourcing journey

Enterprise capability maturity comparison

100% of Pinnacle Enterprises utilize **multiple types of market intelligence sources** for category strategy development and supplier identification for strategic sourcing and **conduct ongoing risk assessments** for their service providers

Pinnacle Enterprises are **1.7x more likely to have well-developed category plans** than other enterprises and **use category management best practice tools** across their services categories



Frequent alignment with functional stakeholders and measurement of customer satisfaction are significant differentiators in Pinnacle Enterprises



Processes such as competitive bidding, contingent workforce management, and contract lifecycle management are **more effectively managed** in Pinnacle Enterprises due to their **use of systems and processes**

Pinnacle Enterprises have a **differentiated work environment** that is helpful to attract and retain talent, and they **focus significantly on soft skills** such as conflict management and emotional intelligence

Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

A Pinnacle-class sourcing organization is efficient, agile, and flexible enough to balance a wide variety of needs and expectations



Even in Pinnacle organizations, nearly all procurement teams have an opportunity to better manage services categories

Discussion points for today



Busting some prevalent myths in the services sourcing journey

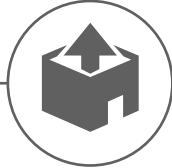
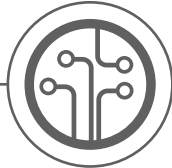
MYTH

Organizations have well-developed category management tools and processes in place for complex service categories such as BPO and legal services

Most procurement organizations are effectively leveraging digital and analytics capabilities

Procurement organizations periodically conduct risk assessments

Outsourcing has been effectively leveraged in procurement, especially for transactional activities



REALITY

Organizations are behind in managing high-value services categories

Digital and analytics are the top talent gaps in procurement today

Even Pinnacle Enterprises do not conduct frequent risk assessments

Outsourcing has barely been leveraged across procurement processes, and most outsourcing is for focused activities such as spend analysis and market intelligence

Key insights from the survey



- 1 All organizations have an opportunity to manage services categories better
- 2 Analytics are still not used extensively in any area of procurement, and there appears to be a talent gap in required skills
- 3 Organizations treat risk assessment as a one-time or ad hoc activity and do not conduct frequent enough risk assessments
- 4 Leaders use a mix of third-party market intelligence sources to drive more savings value

Key insights from the survey



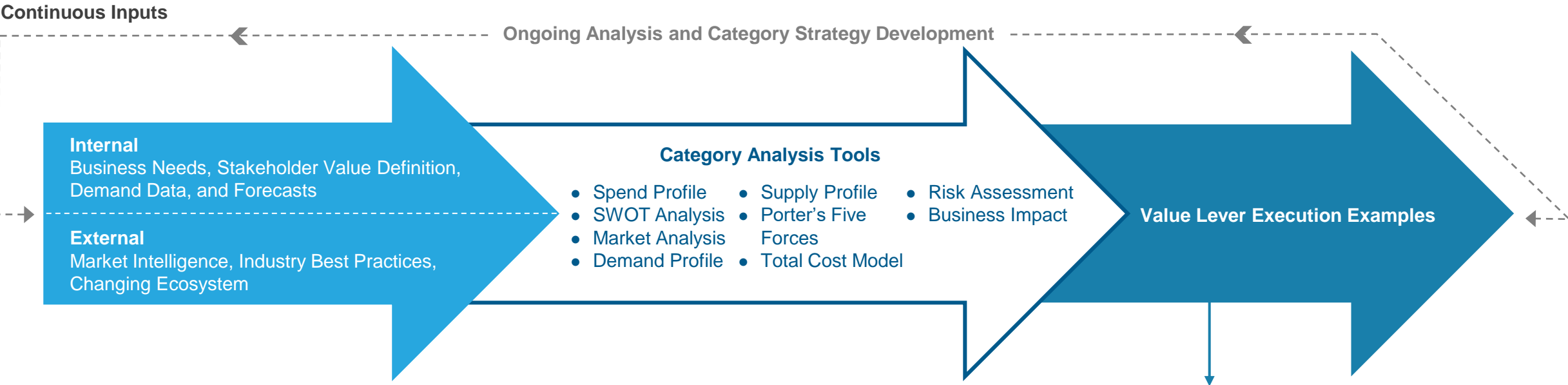
1 All organizations have an opportunity to manage services categories better






2 Analytics are still not used extensively in any area of procurement, and there appears to be a talent gap in required skills

3 Organizations treat risk assessment as a one-time or ad hoc activity and do not conduct frequent enough risk assessments

4 Leaders use a mix of third-party market intelligence sources to drive more savings value

Category Management is an ongoing process of integrating information and business needs into value driving activities



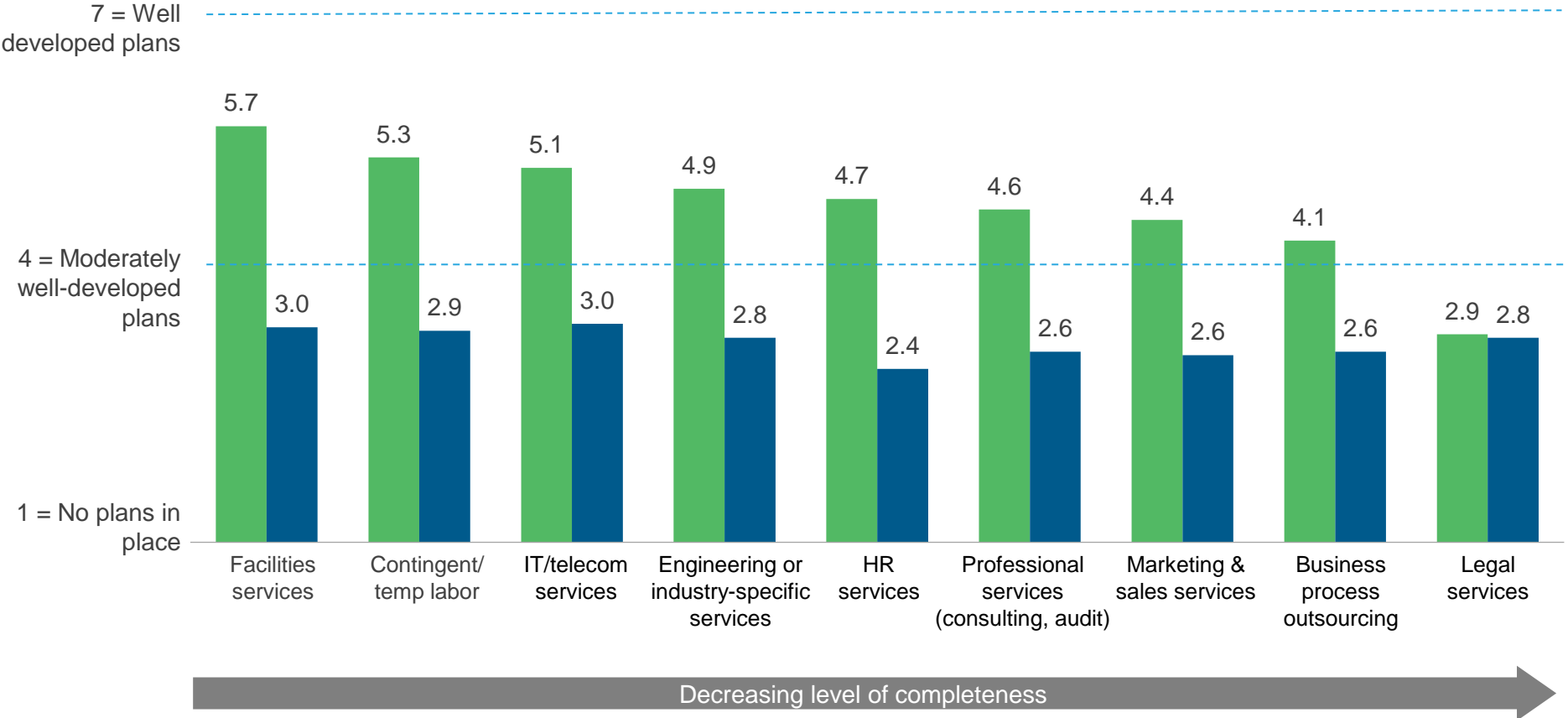
 Sourcing	 Product / Service	 Process	 Supplier Relationship Mgmt.	 Supply Base Optimization
<ul style="list-style-type: none"> • Competitive bidding • Best cost country sourcing • Outsourcing / make vs. buy • Direct negotiation • Requirements optimization • Contract terms optimization 	<ul style="list-style-type: none"> • Value engineering • Design for supply chain • Vendor owned inventory • Vendor managed inventory • Product waste elimination 	<ul style="list-style-type: none"> • P2P channel optimization • Internal compliance mgmt. • Internal demand mgmt. • Payment term optimization • Supplier integration • Policy optimization 	<ul style="list-style-type: none"> • Relationship restructuring • Supplier development • Supplier performance improvement • Supplier driven innovation • Early supplier involvement 	<ul style="list-style-type: none"> • Tier 2 supply base mgmt. • Value chain reconfiguration • Supply chain financing • Risk management • Hedging strategies

Services categories lack well-developed category plans

Extent of a well-developed plan across service categories

Level of completeness

■ Pinnacle Enterprises™ ■ Other enterprises



Why does this matter?

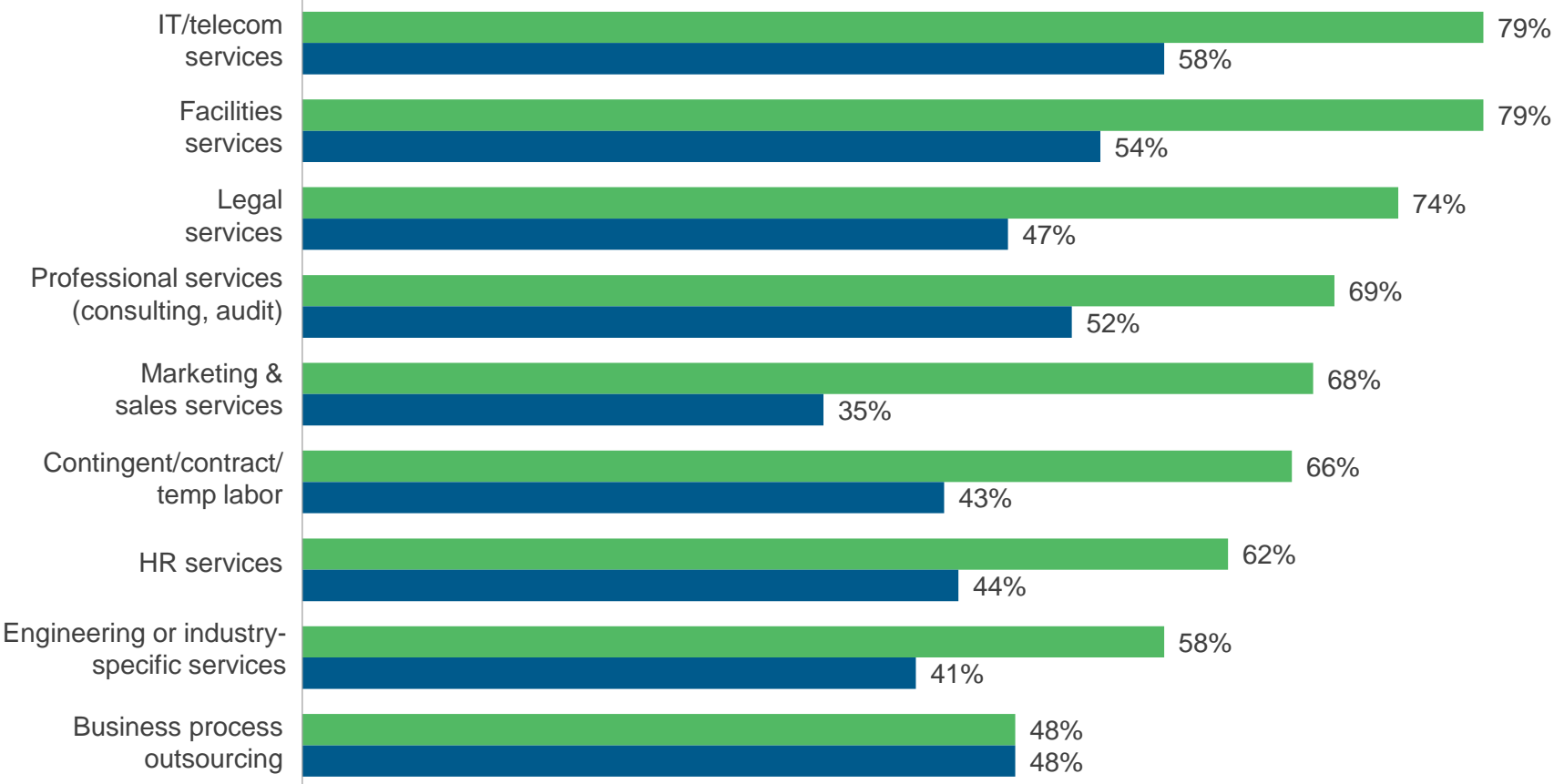
Nearly all services spend is strategic enough to justify investing in a robust category strategy to drive value capture decisions.

Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

Even Pinnacle Enterprises have not identified preferred suppliers for significant portions of spend

Percentage of category spend with preferred services suppliers
Share of respondents

Pinnacle Enterprises™ Other enterprises



Why does this matter?

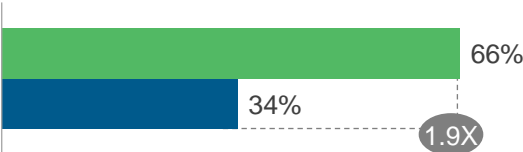
Preferred suppliers are fundamental to setting a requisitioner channel strategy that ensures savings capture and positive internal user experience

Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

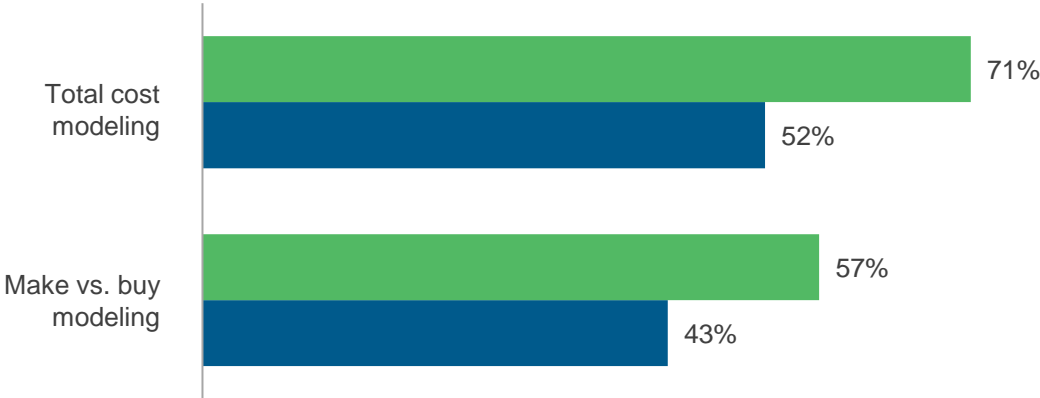
Spend visibility, influence, and best practice tool use is lacking across Pinnacle enterprises too

■ Pinnacle Enterprises® ■ Other enterprises

Average visibility of services spend
Average percentage of services spend visible at line-item-level



Use of category management best practice tools
Share of respondents



Procurement influence on total category spend
Share of respondents



Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

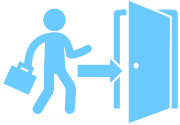
Common challenges



Difficulty gaining stakeholder support to take a more proactive approach to sourcing



Overcoming organizational resistance to potential changes in the current supplier base



Difficulty attracting and retaining talent



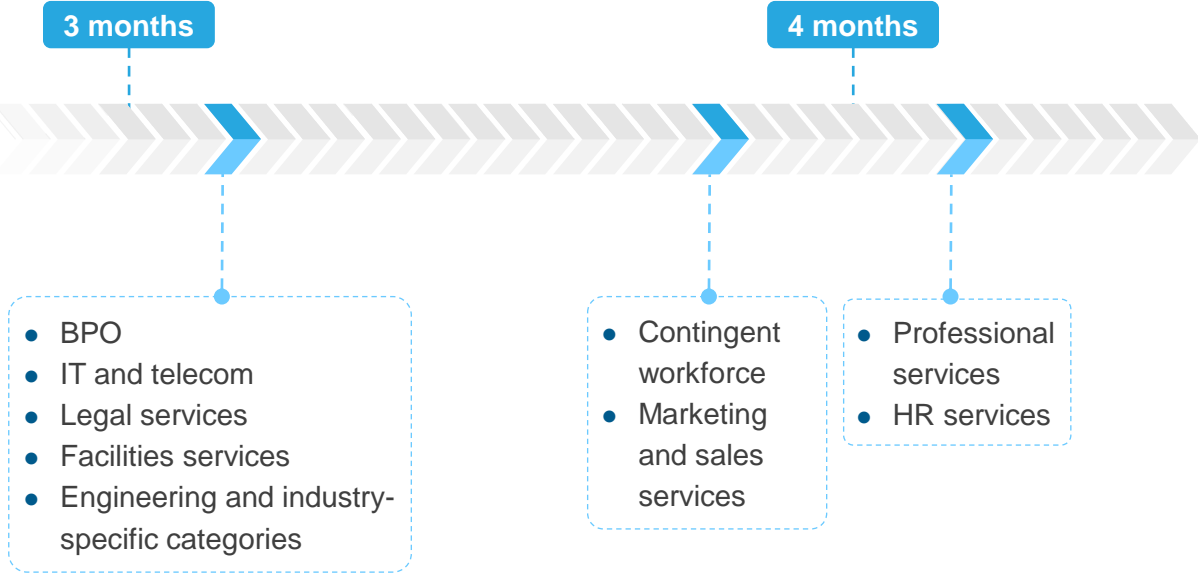
Lack of time/bandwidth to develop and implement category management strategies



Poor data quality and inadequate tools to support robust decision making

Category managers could be involved earlier and more frequently in several important services categories

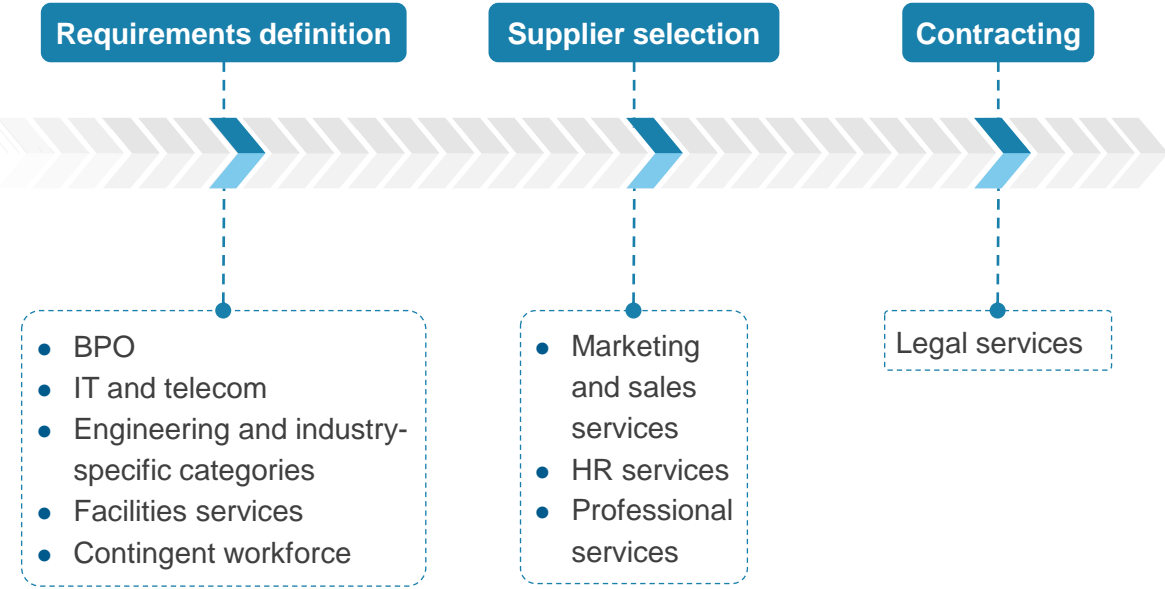
Average frequency of alignment meetings between category managers and services stakeholders



Why does this matter?

Category managers should interact with stakeholders at least quarterly to align their supply base strategies with changing business needs

Stage of procurement involvement in strategic sourcing process

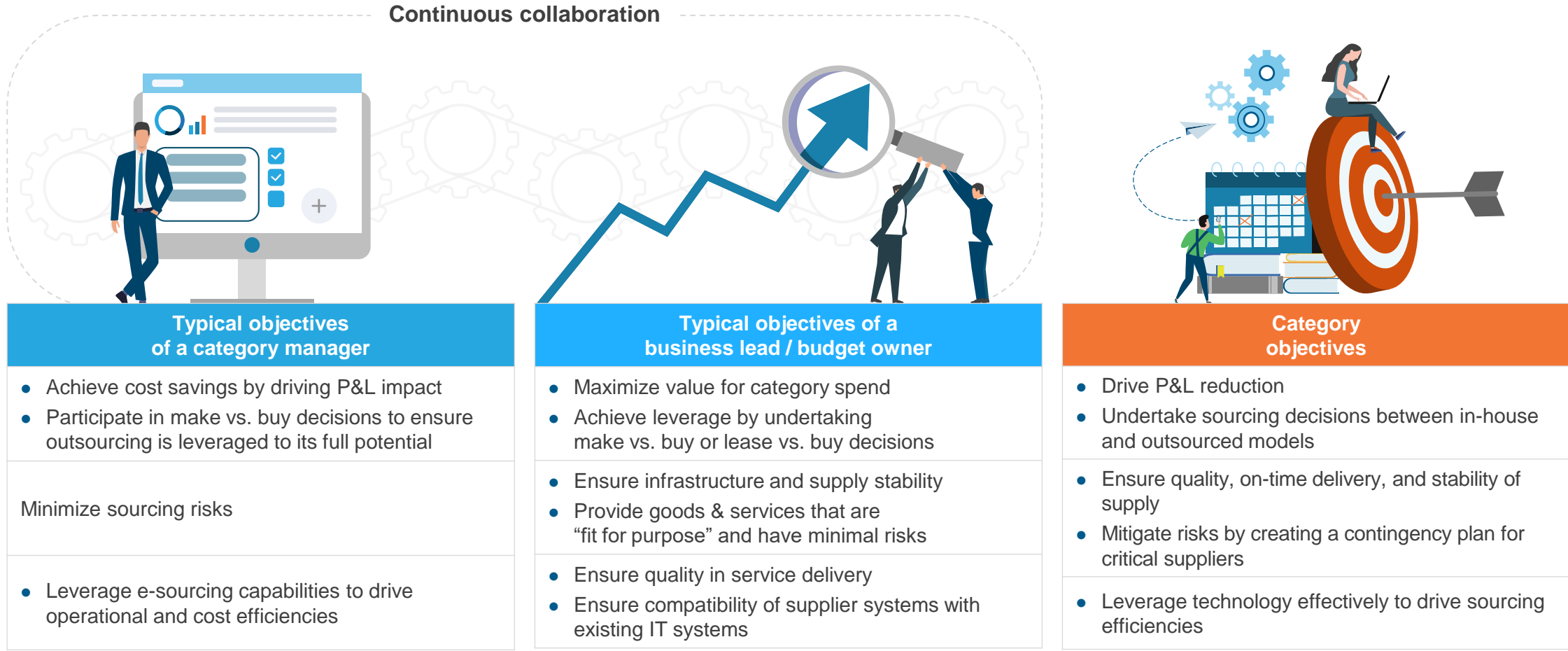


Why does this matter?

Earlier procurement involvement (at the time of requirements definition) improves the opportunity for structural cost reductions and innovation

Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

Joint objectives and value creation measures need to be defined through collaboration between category managers and business leads



Procurement goals revolve around minimizing costs, risks, and optimizing value, whereas business objectives vastly vary based on the category

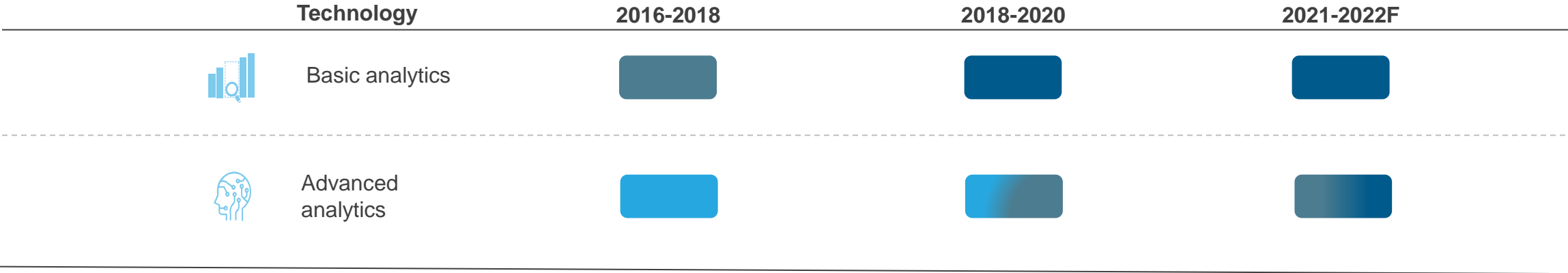
Key insights from the survey



- 1 All organizations have an opportunity to manage services categories better
- 2 Analytics are still not used extensively in any area of procurement, and there appears to be a talent gap in required skills
- 3 Organizations treat risk assessment as a one-time or ad hoc activity and do not conduct frequent enough risk assessments
- 4 Leaders use a mix of third-party market intelligence sources to drive more savings value

Analytics is being leveraged in upstream processes such as spend data analysis and category management

Initial pilot Early adoption Matured adoption



Key analytics use cases across S2C:

Spend data analysis

- Connect disparate data sources to get a comprehensive view of spend to minimize non-compliant and maverick spending
- Identify ways to control leakages and drive savings for the buyer

Strategic sourcing/category management

- Leverage market intelligence and benchmarks along with internal data to provide predictive/prescriptive insights to category managers to optimize spend managed and negotiate optimum pricing

Vendor management

- Build detailed supplier scorecards to forecast long-term supply risks and determine appropriate remediation measures that can be taken
- Proactive supplier performance monitoring by tracking SLAs and identify deviations from contract terms

However, it is still not used extensively for data-intensive processes such as performance reporting and data visualization

Extent of usage of analytics in procurement functions

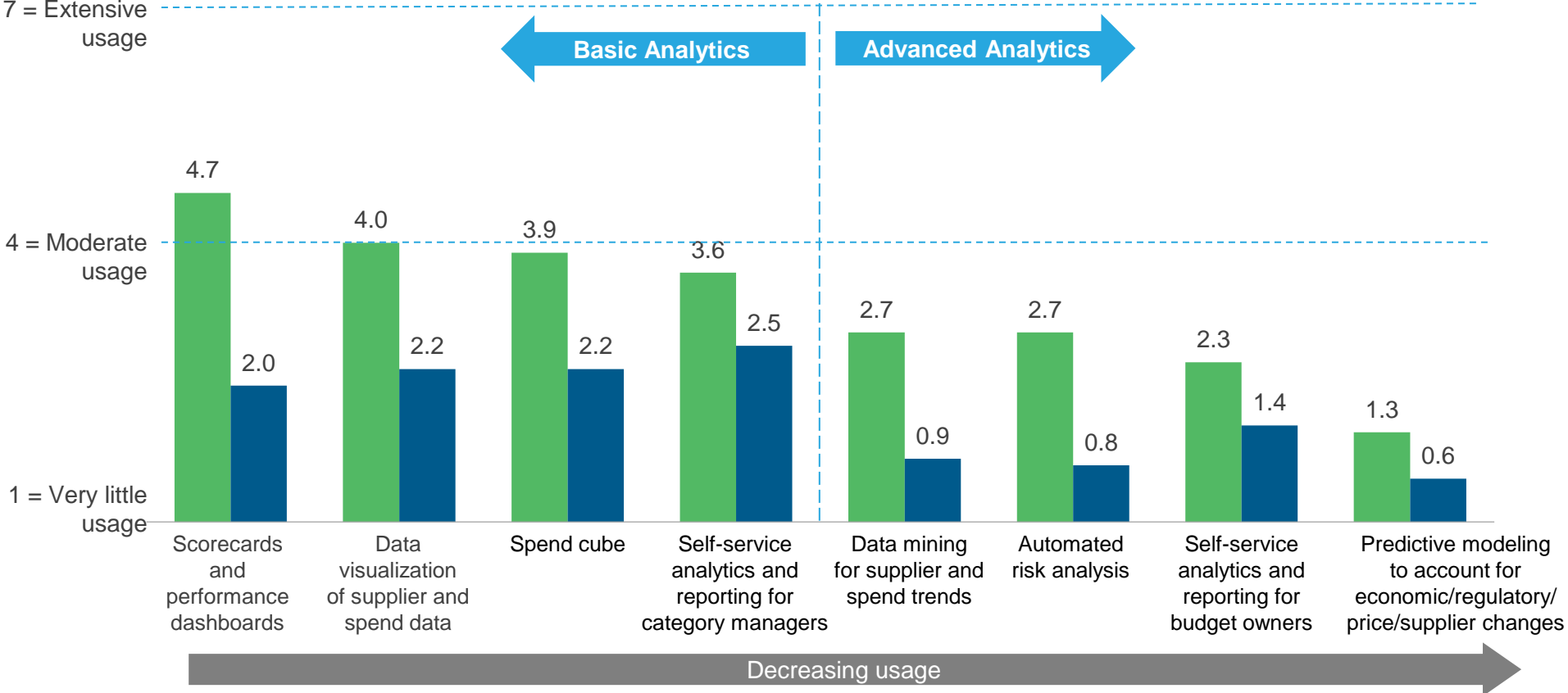
Level of usage

7 = Extensive usage

4 = Moderate usage

1 = Very little usage

Pinnacle Enterprises™ Other enterprises



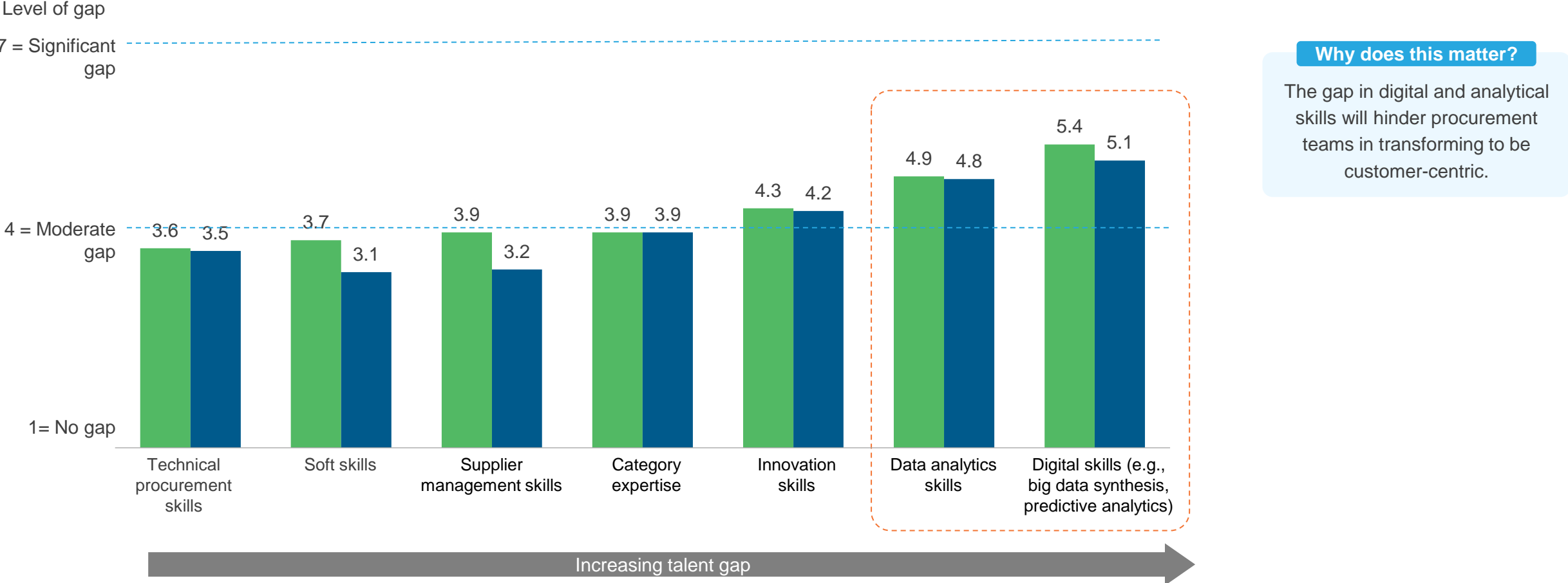
Why does this matter?

Analytical tools, including self-service capabilities, are key to enabling agile decision-making to manage the supply base and react quickly to external changes.

Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

Digital and data analytics skills are perceived as major talent gaps in the procurement function

Extent of talent gap in procurement functions



Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

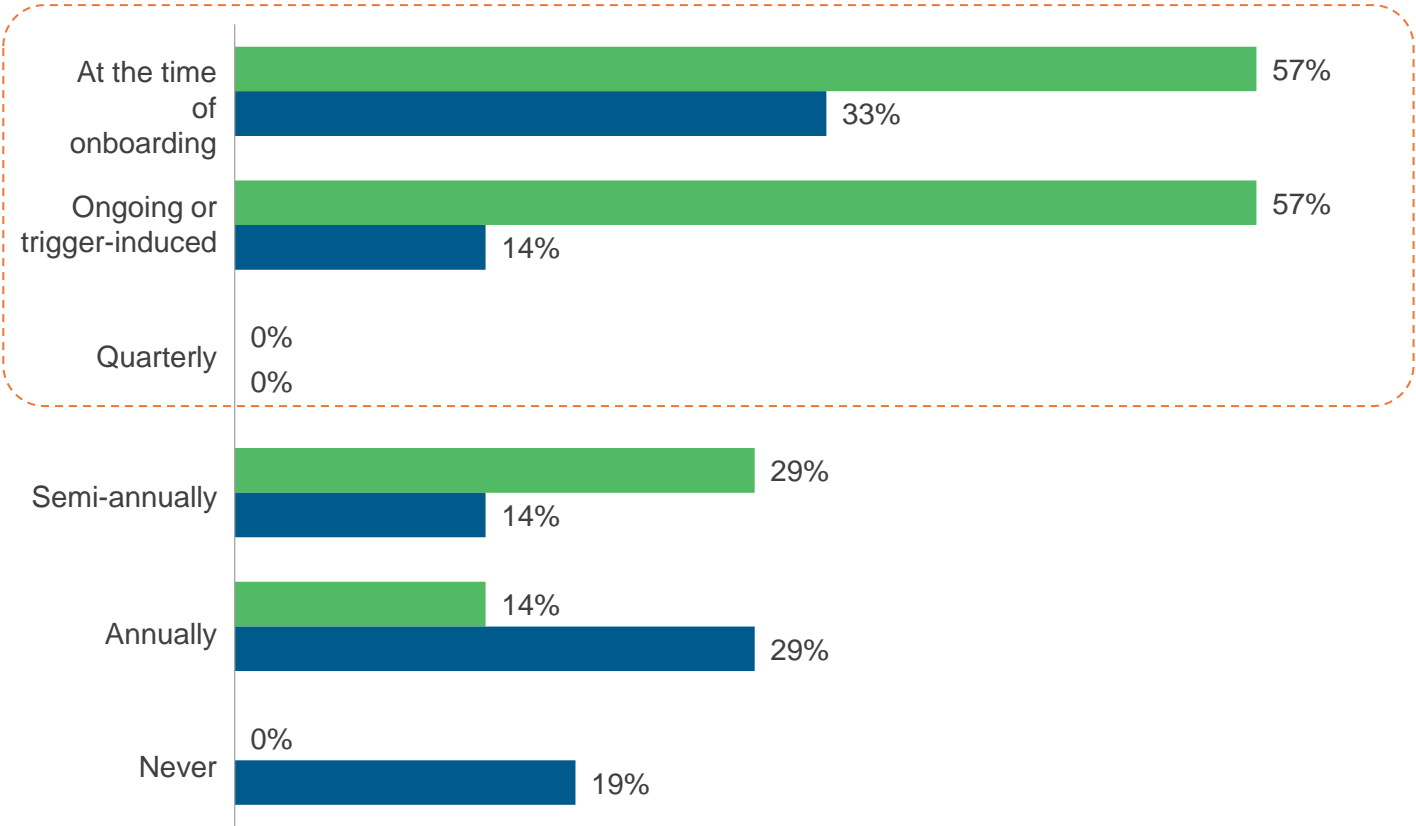
Key insights from the survey



- 1 All organizations have an opportunity to manage services categories better
- 2 Analytics are still not used extensively in any area of procurement, and there appears to be a talent gap in required skills
- 3 Organizations treat risk assessment as a one-time or ad hoc activity and do not conduct frequent enough risk assessments**
- 4 Leaders use a mix of third party market intelligence sources to drive more savings value

Pinnacle Enterprises conduct more risk assessments of their service providers, although there is opportunity for more frequency

Frequency of conducting risk assessment of service providers
Share of respondents






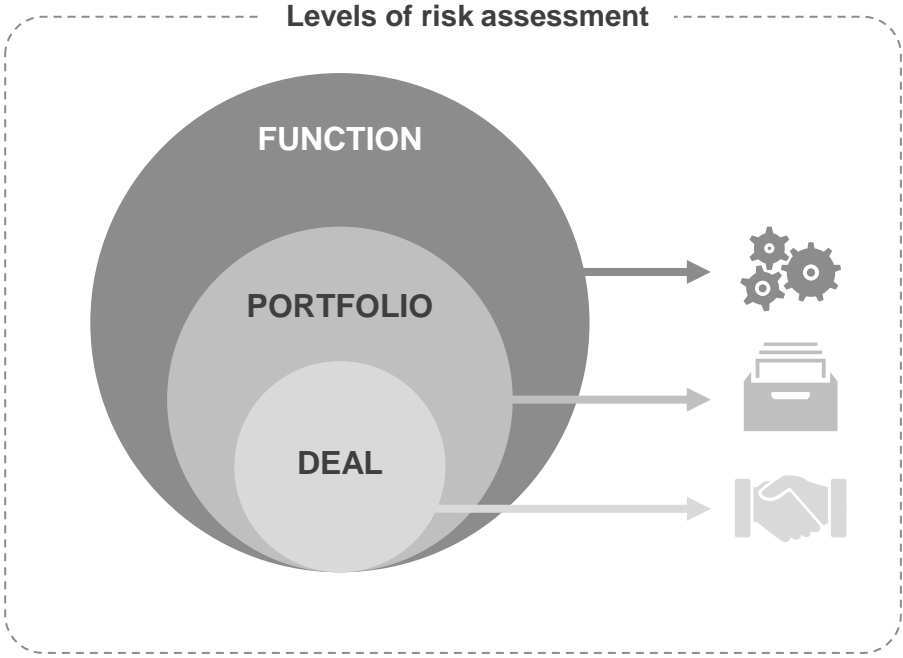
■ Pinnacle Enterprises™ ■ Other enterprises

Why does this matter?

To stay ahead of impending business changes that add risk to the supply base, the ideal risk model should assess suppliers at the time of onboarding, then check on them quarterly. Significant triggers such as an economic/political shifts or mergers should also induce a new assessment.

Procurement needs to execute supply base risk monitoring and mitigation planning at several levels for complex services

Key concerns		
 Corporate risk	 Supply base / location risk	 Service provider risk
Business continuity	Safety and security	Governance
Physical	Geopolitical	Operational
Information security	Macroeconomic	Financial
Financial	Legal and regulatory	Reputational
Economic	Natural disaster	Information security
	Pandemic	
	Talent	
	Operational	



Why does this matter?

COVID-19 and the resulting economic crisis have impacted suppliers, locations, and projects in varying ways. Ongoing monitoring will be key in the coming years.

Key insights from the survey

1 All organizations have an opportunity to manage services categories better

2 Analytics are still not used extensively in any area of procurement, and there appears to be a talent gap in required skills

3 Organizations treat risk assessment as a one-time or ad hoc activity and do not conduct frequent enough risk assessments

4 Leaders use a mix of third-party market intelligence sources to drive more savings value



Which types of market intelligence do you use currently?

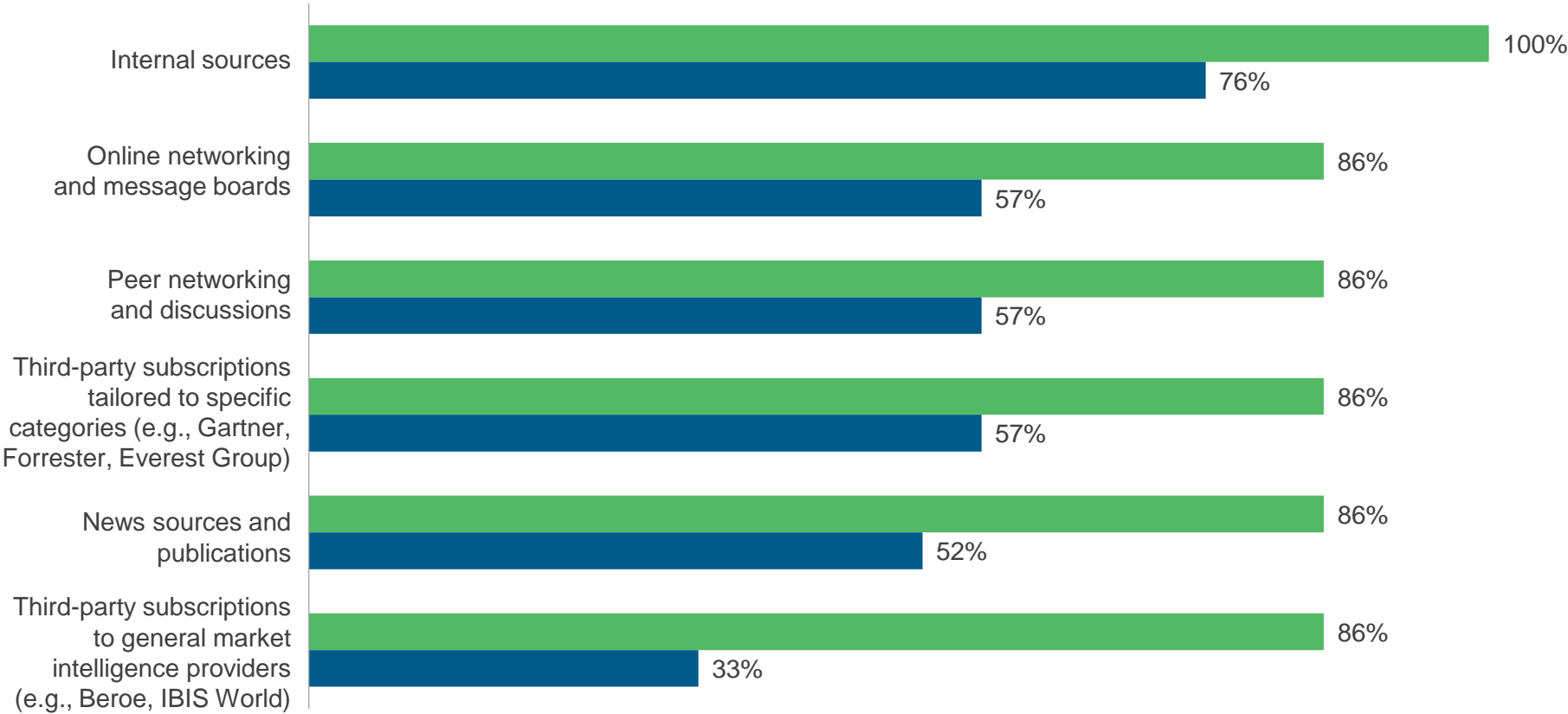
Select all that apply

- Casual sources: Internal contacts, peer networking and discussions
57.7%
- Public sources: Online networking, message boards, news sources, industry sites and publications
73.1%
- Third-party subscriptions to general market intelligence providers: Beroe, IBIS World, etc.
59.6%
- Third-party subscriptions tailored to specific categories: Gartner, Forrester, Everest Group, etc.
57.7%

Pinnacle Enterprises use third-party market intelligence for activities such as supplier identification, category strategy development, and cost benchmarking

Share of market intelligence sources
Share of respondents¹

■ Pinnacle Enterprises™ ■ Other enterprises



Why does this matter?

Integrating up-to-date market insights into sourcing and supply base strategies is fundamental and part of the unique value procurement can offer to stakeholders.

Top processes for which market intelligence is leveraged

- Supplier identification for strategic sourcing
- Category strategy development
- Cost benchmarking for negotiations

¹ Numbers do not sum to 100% as respondents had the option to select multiple responses for this question
Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

External market intelligence needs depend on the shape of the spend portfolio

Third party providers

Category Specific Research Firms



Value Proposition

- Depth of coverage
- Category focus conviction
- Futuristic frameworks
- Self-service research and interaction

General Market Intelligence Providers



- Broad, multi-category research
- Capture of key market data for direct and indirect categories, especially goods
- Support for generalists across the sourcing team

Organizational Best Practices Advisories



- General organizational best practices focused
- Limited third-party category market intelligence
- Perspectives informed by offerings

Procurement Leadership Council

Free and casual sources of market intelligence

- Internal sources
 - Former employees
 - Suppliers
 - Business stakeholders
- Online networking and message boards
 - LinkedIn
 - Procurement Foundry
- Peer networking and discussions
 - Personal networks
 - In person procurement and industry events
- News sources and publications
 - Industry sites
 - Magazines
 - Dedicated sites (e.g., MetalMiner)

Key implications for category management teams responsible for services




- Prioritize category management practices for complex and critical services and leverage technology to improve spend visibility**
- Prioritize stakeholder alignment, strategic planning, and early involvement; credibility with stakeholders drives spend influence**
- Conduct periodic risk assessments of service providers – at least quarterly – and monitor for trigger events**
- Train teams to deploy tools such as TCO and make vs. buy models to present well-developed strategies to stakeholders early on and more frequently**
- Leverage market intelligence from third parties to ensure robust insights and innovative ideas for high value categories**

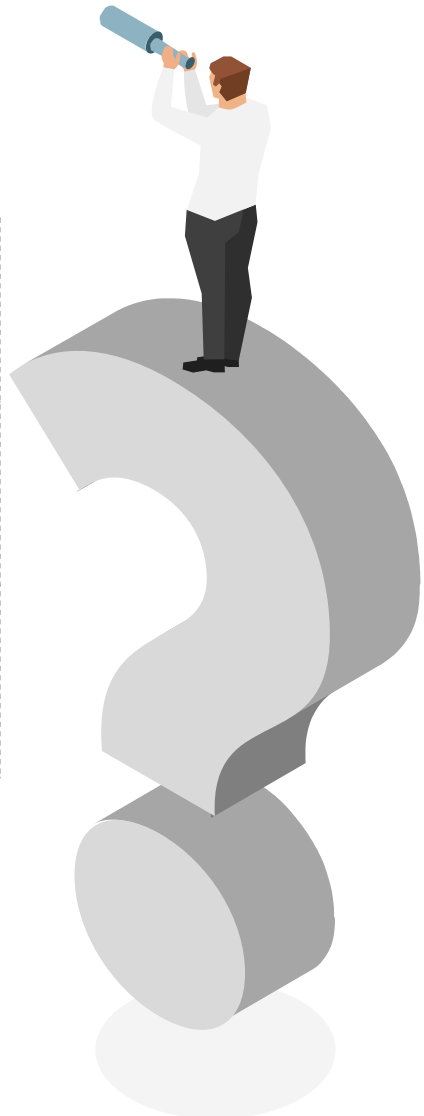
Source: Services Sourcing Organizational Maturity | Pinnacle Model® Analysis (Everest Group 2020)

What does the future of services sourcing look like?

 How will enterprises develop analytics capabilities in light of a continued talent gap?

 How will risk mitigation planning change in the post-COVID world?

 Will the future of procurement see more outsourcing of procurement processes – including routine strategic activities?

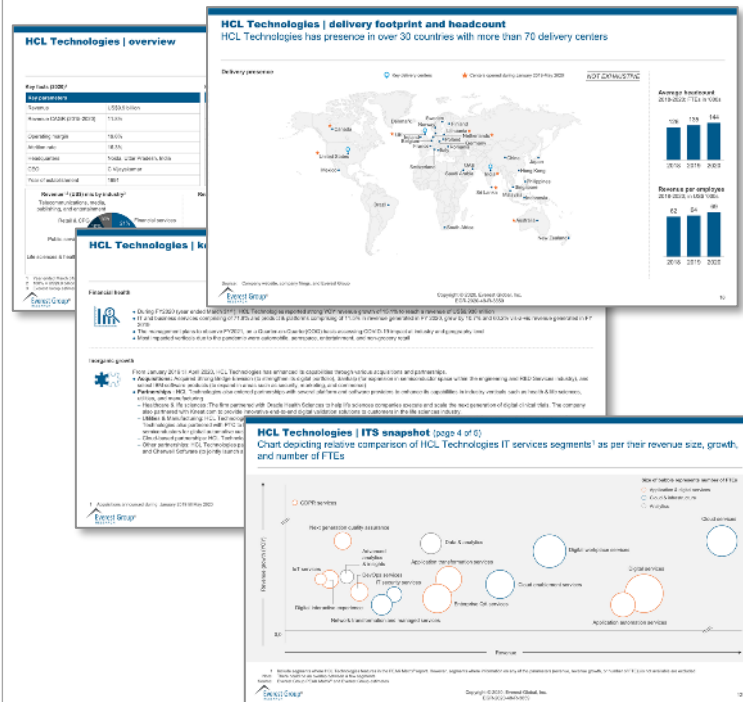


Do you have the market intelligence you need?

Choose a topic and schedule time with our analyst team to review the data

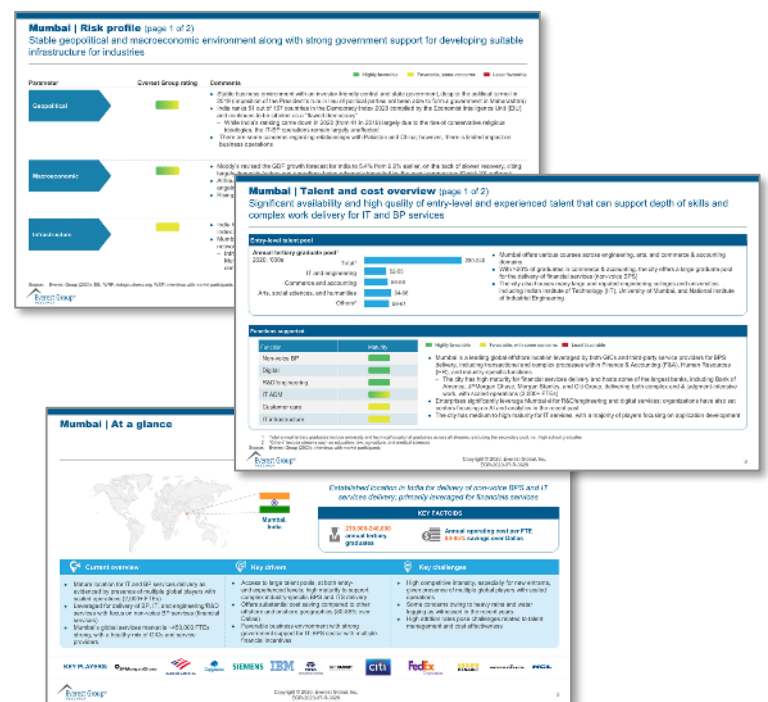
Option 1: Insights on Service Providers

Service Provider Snapshots



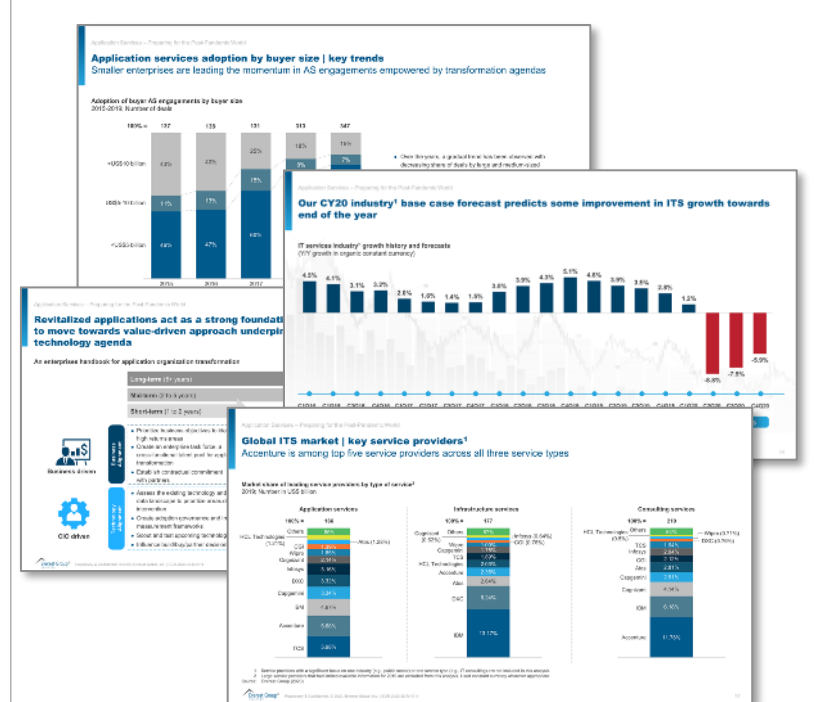
Option 2: Insights on Locations

Location Spotlights



Option 3: Insights on Markets

State of the Market Reports



Use the link in the chat to select a topic and we'll reach out to schedule your complimentary analyst review of the MI

Discussion points for today





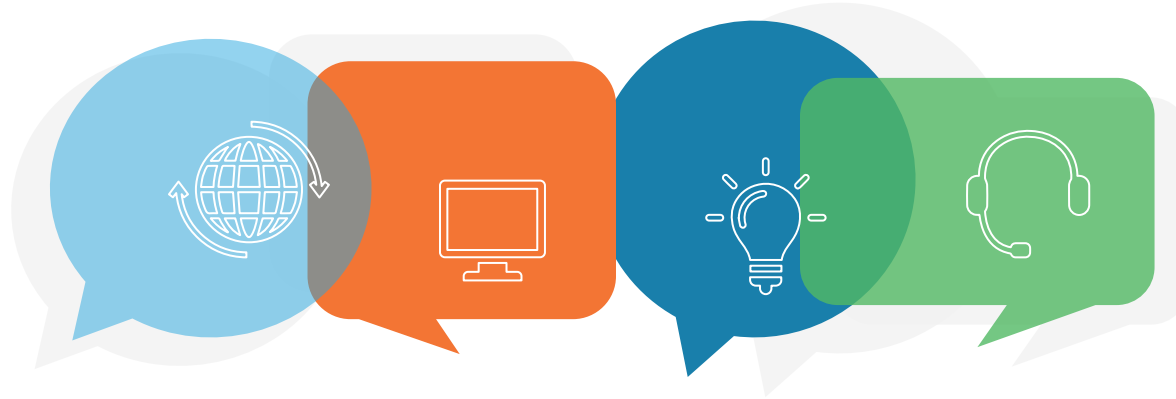
Are you giving your strategic suppliers enough attention?

This Pinnacle Model study explores how organizations measure, communicate, and improve strategic supplier performance, the roles procurement and VMOs play in doing so, and the capabilities in place to partner to maximize business value.

Participate in our study, and we'll share **best practices** in strategic supplier management

TAKE THE SURVEY

bit.ly/SSMPinnacle



To ask a question during the Q&A session

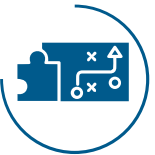
- Access the **Questions** panel within the GoToWebinar console, which is typically located on the right side of your screen
- Type your question in the dialogue box, then select **Send Privately** to submit the question to our session Organizers/Panelists
- Attendees will receive an email with instructions for accessing today's presentation
- To ask a specific follow-up question, or for a complimentary assessment of your organization's digital effectiveness, please contact:
 - Amy Fong, amy.fong@everestgrp.com
 - Bhanushee Malhotra, bhanushee.malhotra@everestgrp.com

Everest Group assists procurement teams in capturing value from their services spend through memberships and focused projects

Memberships

Outsourcing Excellence

Best-in-class **market intelligence** to maximize value from technology and operations outsourcing



Sourcing strategy / provider portfolio



Solution design



Risk management

Pricing as a Service

On-demand **price benchmarking** and performance analytics to maximize outsourced spend reduction



Pricing and cost

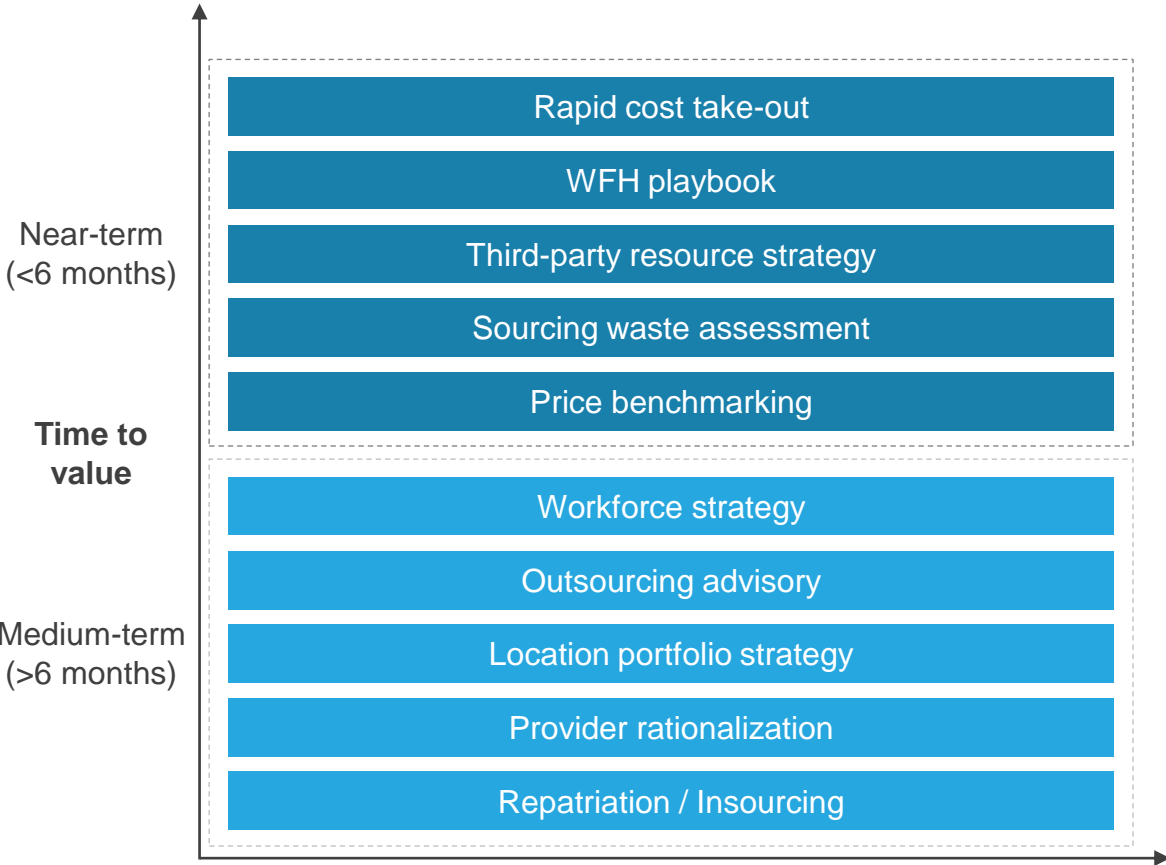


Performance management



Policy and contracting

Projects



Everest Group provides category managers resources to develop strategic category plans across outsourced services spend

Category Strategy Guide (find it [HERE](#))



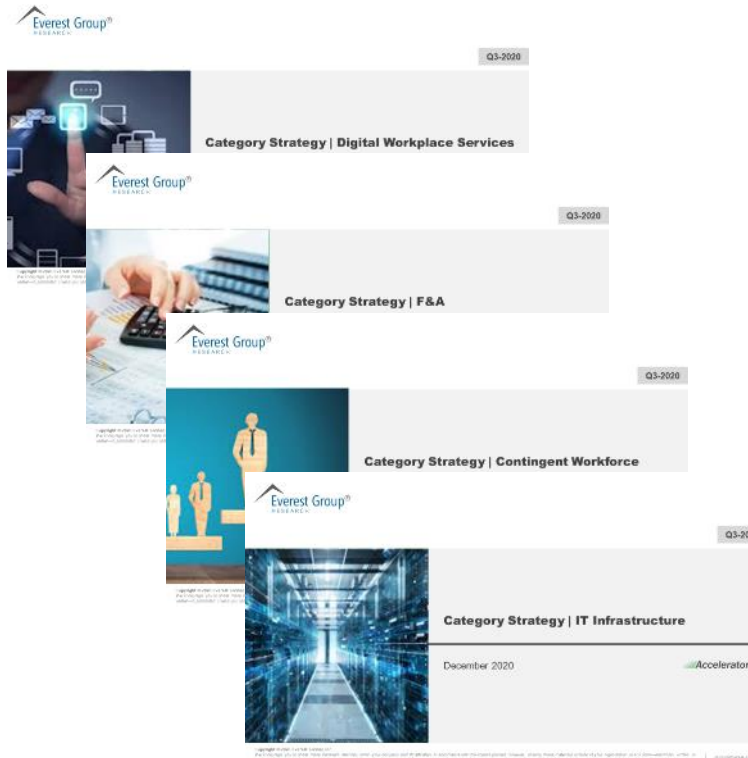
- Guides category managers through the steps in creating a strategy
- Questions and checklists
- Helpful tips

Workshops and Analyst support

- Workshops on category management basics and specific tools
- Category specific questions addressed through inquiry process
- Video series on tools and processes such as make vs. buy, total cost modeling, etc. (Q121)

Category Strategy Templates (releasing Q420)

- Templates for internal buyer data
- Link to market insights from Everest Group
- PPT format can be customized by category managers, blank template available
- Categories will be added monthly



Traditional research firms and general market intelligence providers have **limited coverage of services categories.**

Everest Group's market intelligence is:

- **Specific** – analysts are available to help with even the most detailed requests
- **Objective** – derived from working independently with 350+ providers
- **Current** – continuously refreshed with new deal data and covering the latest innovations
- **Robust** – based on thousands of data points, multiple primary and public sources, and decades of experience
- **Contextual** – focused on the business optimization of outsourced relationships, with custom support available as needed
- **Meaningful** – presented in easy to understand formats that fit directly into your category plans



Stay connected

Website
everestgrp.com

Social Media
@EverestGroup
@Everest Group
@Everest Group
@Everest Group

Blog
everestgrp.com/blog

Podcast
DigitalReallTy



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

Bangalore
india@everestgrp.com
+91-80-61463500

Delhi
india@everestgrp.com
+91-124-496-1000

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

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

Toronto
canada@everestgrp.com
+1-416-388-6765