

Procurement Services

Assessment of services for strategic sourcing,
procurement modernization and direct
procurement



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Introduction

The accelerated and widening business transformation is reshaping the scope and value of procurement services sought and used by client enterprises. This ISG study reflects those changes in the recreation of our provider and service assessment approach and the types of services included in three new comparative quadrants.

Pandemic-driven supply disruptions have prompted a global focus on diversifying and localizing suppliers to mitigate risks – while simplifying procurement overall. Sustainability and social responsibility have emerged as highly visible concerns, shaping supplier selection and supply chain transparency. Automation and AI have initiated the streamlining of certain procurement processes, although not all, while helping create silos of efficiency and cost savings. Furthermore, rapid advances in the capabilities and value of AI, including GenAI, have catalyzed the growth of analytics and the adoption of non-human, task-specific decision-making processes.

This 2024 ISG Procurement Services Provider Lens™ study reflects these disruptions and the business changes they have brought about.

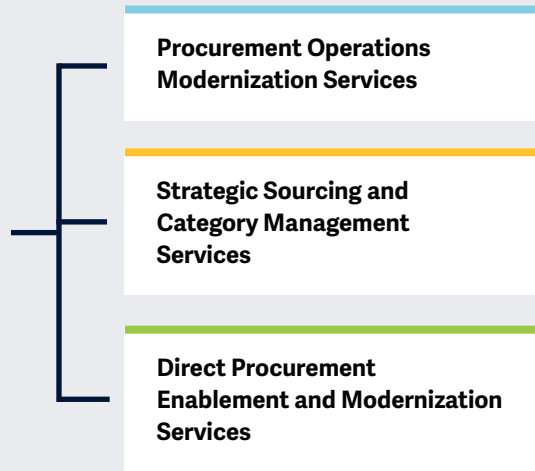
This study now includes three quadrants to better represent clients' changing procurement business requirements: Procurement Operations Modernization Services, Strategic Sourcing and Category Management Services, and Direct Procurement Enablement and Modernization Services.

Each of these quadrants includes aspects of the BPO and Transformation Consulting Services assessments featured in ISG's past Procurement studies. These, with change management consulting and management services, remain key components in all types of procurement services outsourcing and consulting services engagements.



This study focuses on services that **enable and drive** the **strategic advancement** of enterprises' **procurement** functions and organizations.

Simplified Illustration Source: ISG 2023



Scope of the report

The ISG Provider Lens™ Procurement Services study offers the following to business and IT decision-makers:

- Transparency on the strengths and weaknesses of relevant providers
- A differentiated positioning of providers by segments on their competitive strengths and portfolio attractiveness
- Focus on the Global market

Our study serves as an important decision-making basis for positioning, key relationships, and go-to-market considerations. ISG advisors and enterprise clients also use information from these reports to evaluate their current vendor relationships and potential engagements.



Procurement Operations Modernization Services

Definition

Modernization in enterprise procurement is about embracing technology, data-driven decision-making, and a strategic approach to procurement to progress beyond cost reduction. This enables a more agile, efficient and sustainable procurement ecosystem that seamlessly interoperates with finance and SCM organizations as well as vendors and suppliers.

Providers in this quadrant integrate increasingly advanced procurement BPO services with strategy, operations and technology transformation consulting services to enable modernization of procurement operations.

Key provider capabilities include integration and automation of procurement technologies, systems, solutions and services with increasingly advanced AI. Modernization often involves the adoption of digital procurement platforms and e-procurement systems to streamline supplier management, sourcing and procurement transactions. Simplifying procurement workflows, reducing manual tasks and optimizing procurement operations help achieve efficiency and cost savings.

Beyond BPO, procurement modernization requires change management expertise to address — and minimize disruption from — significant shifts in processes, technology and organizational culture. Change management helps employees adapt to new methods, minimizes resistance and ensures smoother transitions to new UX, tools and ways of doing business, ultimately enhancing the success of modernization efforts and the realization of associated benefits.

Eligibility Criteria

1. **Core procurement BPO services** from sourcing through payment (S2P)
2. **AI-enhanced process automation**, including autonomous sourcing
3. **Cloud migration and modernization services** optimized for procurement operations improvement
4. Advanced technological capabilities, including e-procurement systems, **big data-enabled predictive analytics** and blockchain
5. **Demonstrated business improvement for clients**, including cost reduction and adaptability to current and changing business needs
6. **Market and operational intelligence** integrating finance, SCM and procurement systems, data and functions
7. **Change management services**, including training/reskilling of all relevant customer organizations
8. **Strategic road map** development, implementation, adaptation and partnerships with technology and solution providers



Strategic Sourcing and Category Management Services

Definition

Strategic sourcing is a comprehensive procurement approach that involves the systematic and long-term evaluation and management of suppliers to continually improve the acquisition of goods and services. Properly implemented and managed, strategic sourcing optimizes clients' supplier networks; improves relationships and leverage with suppliers; reduces overall and per-category goods and services costs; improves supplier service levels; and optimizes goods and services quality, inventory levels, supply continuity, net cash flows, payment terms, and diversity spending.

Key developments in strategic sourcing currently include a growing emphasis on sustainability within supplier networks. Rapidly developing technologies play significant roles in these developments, including the adoption of AI for analytics and task optimization and blockchain for enhanced supplier visibility and improved risk management.

Supplier and supply chain resilience also play an increasingly important role, with a greater emphasis on diversifying supplier bases and enhancing contingency planning while maintaining manageable supplier networks.

Category management in strategic sourcing is a systematic approach that covers strategic analyses, procurement, the optimization of goods and services acquisition, and use within specific product or service categories. It aims to enhance supplier relationships, drive cost savings, and improve overall performance by segmenting purchases into manageable categories, setting goals and strategies for each, and then closely monitoring and adapting them. This allows enterprises to maximize efficiency, minimize risks and align sourcing practices with their broader business objectives, ultimately leading to improved value and competitiveness.

Eligibility Criteria

1. **Agile and autonomous sourcing** capabilities to optimize supplier base and continuity, cost and quality of goods and services, inventory levels, and spend levels
2. **Demonstrated category management value** for clients' business and financial management and operations
3. **Spend management** excellence and adaptability
4. **Cross-functional collaboration and stakeholder engagement** to align sourcing strategies with clients' current and expected business objectives
5. **Continuous market intelligence** with AI-driven predictive analytics regarding supplier data, cost trends and industry dynamics
6. **Integration with ERP and SCM** platforms and data sources
7. **Advanced analytics and decision support** using ML, NLP and GenAI
8. **Change management consulting** to enable and support business adaptability with minimized disruption in sourcing and procurement



Direct Procurement Enablement and Modernization Services

Definition

Direct procurement is the process by which businesses directly acquire goods, materials and services essential for their operations from suppliers. This method streamlines the purchasing of core resources, eliminating intermediaries and ensuring a secure supply chain. Its growing importance to enterprises lies in cost efficiency, supply chain resilience and improved supplier relationships. Direct procurement optimizes expenses by negotiating favorable terms with suppliers and bulk purchasing, ultimately reducing operational costs. Furthermore, it enhances resilience by allowing businesses to maintain tighter control over essential supplies, particularly during disruptive events like the COVID-19 pandemic. Ultimately, it fosters better collaboration and innovation within the supply chain, creating a competitive edge for enterprises.

Despite its potential benefits, such as cost control and supplier relationships, direct procurement has had limited adoption to date due to several factors. Direct procurement requires substantial infrastructure and supply chain expertise, making it less attractive to many companies. Many businesses prefer to use industry-expert intermediaries, such as distributors or third-party procurement services, to streamline direct procurement processes, optimize costs, reduce administrative burden and access expertise.

Eligibility Criteria

1. Sourcing and contracting management within and across clients' industry **materials management practices** and supply chains
2. **Production and inventory optimization** planning, implementation, management and adaptation
3. **Supplier relationship management**, including identification, qualification, diversification, QA, risk management and compliance
4. Facilitation of cross-functional business CoEs to improve TCO and **optimize revenue opportunities**
5. **Market intelligence optimizable for client verticals**, especially with regard to costs and logistics
6. **Compliance and risk management** addressing sourcing security and diversification requirements
7. **Staff training and upskilling** addressing operational, organizational, technological and cultural transitions and transformation



Quadrants by Region

As a part of this ISG Provider Lens™ quadrant study, we are introducing the following three quadrants on the Procurement Services 2024 study.

Quadrant	Global
Procurement Operations Modernization Services	✓
Strategic Sourcing and Category Management Services	✓
Direct Procurement Enablement and Modernization Services	✓



The research phase falls in the period between November 2023 and January 2024, during which survey, evaluation, analysis and validation will take place. The results will be presented to the media in March 2024.

Milestones	Beginning	End
Survey Launch	November 16, 2023	
Survey Phase	November 16, 2023	January 05, 2024
Sneak Previews	February 2024	March 2024
Press Release & Publication	March 2024	

Research Production Disclaimer:

ISG collects data for the purposes of writing research and creating provider/vendor profiles. The profiles and supporting data are used by ISG advisors to make recommendations and inform their clients of the experience and qualifications of any applicable provider/vendor for outsourcing the work identified by clients. This data is collected as part of the ISG FutureSource™ process and the Candidate Provider Qualification (CPQ) process. ISG may choose to only utilize this collected data pertaining to certain countries or regions for the education and purposes of its advisors and not produce ISG Provider Lens™ reports. These decisions will be made based on the level and completeness of the information received directly from providers/vendors and the availability of experienced analysts for those countries or regions. Submitted information may also be used for individual research projects or for briefing notes that will be written by the lead analysts.

Please refer to the [link](#) to view/download the ISG Provider Lens™ 2023 research agenda

Access to Online Portal

You can view/download the questionnaire from [here](#) using the credentials you have already created or refer to instructions provided in the invitation email to generate a new password. We look forward to your participation!



ISG Star of Excellence™ – Call for nominations

The Star of Excellence™ is an independent recognition of excellent service delivery based on the concept of “Voice of the Customer.”

The Star of Excellence™ is a program, designed by ISG, to collect client feedback about service providers’ success in demonstrating the highest standards of client service excellence and customer centricity.

The global survey is all about services that are associated with IPL studies. In consequence, all ISG Analysts will be continuously provided with information on the customer experience of all relevant service providers. This information comes on top of existing first-hand advisor feedback that IPL leverages in context of its practitioner-led consulting approach.

Providers are invited to [nominate](#) their clients to participate. Once the nomination has been submitted, ISG sends out a mail confirmation to both sides. It is self-evident that ISG anonymizes all customer data and does not share it with third parties.

It is our vision that the Star of Excellence™ will be recognized as the leading industry recognition for client service excellence and serve as the benchmark for measuring client sentiments.

To ensure your selected clients complete the feedback for your nominated engagement please use the Client nomination section on the Star of Excellence™ [website](#).

We have set up an email where you can direct any questions or provide comments. This email will be checked daily, please allow up to 24 hours for a reply.

Here is the email address:
ISG.star@isg-one.com



Contacts For This Study



Bruce
Guptill

**Distinguished Lead
Analyst**



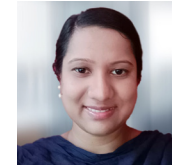
Namratha
Dharshan

**Chief Business
Leader**



Mukesh
Ranjan

Research Specialist



Sarida
Khatun

Data Analyst



Abhilash
M V

Project Manager



ISG Provider Lens Advisors Involvement Program

ISG Provider Lens offers market assessments incorporating practitioner insights, reflecting regional focus and independent research. ISG ensures advisor involvement in each study to cover the appropriate market details aligned to the respective service lines/technology trends, service provider presence and enterprise context.

In each region, ISG has expert thought leaders and respected advisors who know the provider portfolios and offerings as well as enterprise requirements and market trends. On average, three advisors participate as part of each study's quality and consistency review team (QCRT). The QCRT ensures each study reflects ISG advisors' experience in the field, which complements the primary and secondary research the analysts conduct. ISG advisors participate in each study as part of the QCRT group and contribute at different levels depending on their availability and expertise.

The QCRT advisors:

- Help define and validate quadrants and questionnaires,
- Advise on service provider inclusion, participate in briefing calls,
- Give their perspectives on service provider ratings and review report drafts.

ISG Advisors to this study



Shahid
Bhatti

Director



Invited Companies

If your company is listed on this page or you feel your company should be listed, please contact ISG to ensure we have the correct contact person(s) to actively participate in this research.

* Rated in previous iteration

4C Associates

Accenture*

Aquanima

Bain & Company

Capgemini*

CGI

ChainIQ*

Cognizant*

Conduent*

Corbus*

Corcentric*

Deloitte*

Dragon Sourcing*

DXC Technology

Efficio

Exela Technologies

EXL*

EY

Genpact*

GEP*

HCLTech*

Hexaware

IBM*

Infosys*

Kearney

KPMG

LogicSource*

Nexdigm*

NTT Data

Oracle

PremierBPO

Procura Consulting*

Proxima Group*

PwC*

TCS*

Tech Mahindra*

Wipro*

WNS Denali*

ZER*



iSG Provider Lens™

The ISG Provider Lens™ Quadrant research series is the only service provider evaluation of its kind to combine empirical, data-driven research and market analysis with the real-world experience and observations of ISG's global advisory team. Enterprises will find a wealth of detailed data and market analysis to help guide their selection of appropriate sourcing partners, while ISG advisors use the reports to validate their own market knowledge and make recommendations to ISG's enterprise clients. The research currently covers providers offering their services across multiple geographies globally.

For more information about ISG Provider Lens™ research, please visit this [webpage](#).

iSG Research™

ISG Research™ provides subscription research, advisory consulting and executive event services focused on market trends and disruptive technologies driving change in business computing. ISG Research™ delivers guidance that helps businesses accelerate growth and create more value.

ISG offers research specifically about providers to state and local governments (including counties, cities) as well as higher education institutions. Visit: [Public Sector](#).

For more information about ISG Research™ subscriptions, please email contact@isg-one.com, call +1.203.454.3900, or visit research.isg-one.com.

iSG

ISG (Information Services Group) (Nasdaq: III) is a leading global technology research and advisory firm. A trusted business partner to more than 900 clients, including more than 75 of the world's top 100 enterprises, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; strategy and operations design; change management; market intelligence and technology research and analysis.

Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,600 digital-ready professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry's most comprehensive marketplace data.

For more information, visit isg-one.com.





NOVEMBER, 2023

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