

NEAT EVALUATION FOR CAPGEMINI:

Procurement Transformation

Market Segments: Transformation Capability

Introduction

This is a custom report for Capgemini presenting the findings of the NelsonHall NEAT vendor evaluation for *Procurement Transformation* in the *Transformation Capability* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of Capgemini for procurement transformation, and the latest market analysis summary.

This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering procurement services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in BPS and procurement transformation.

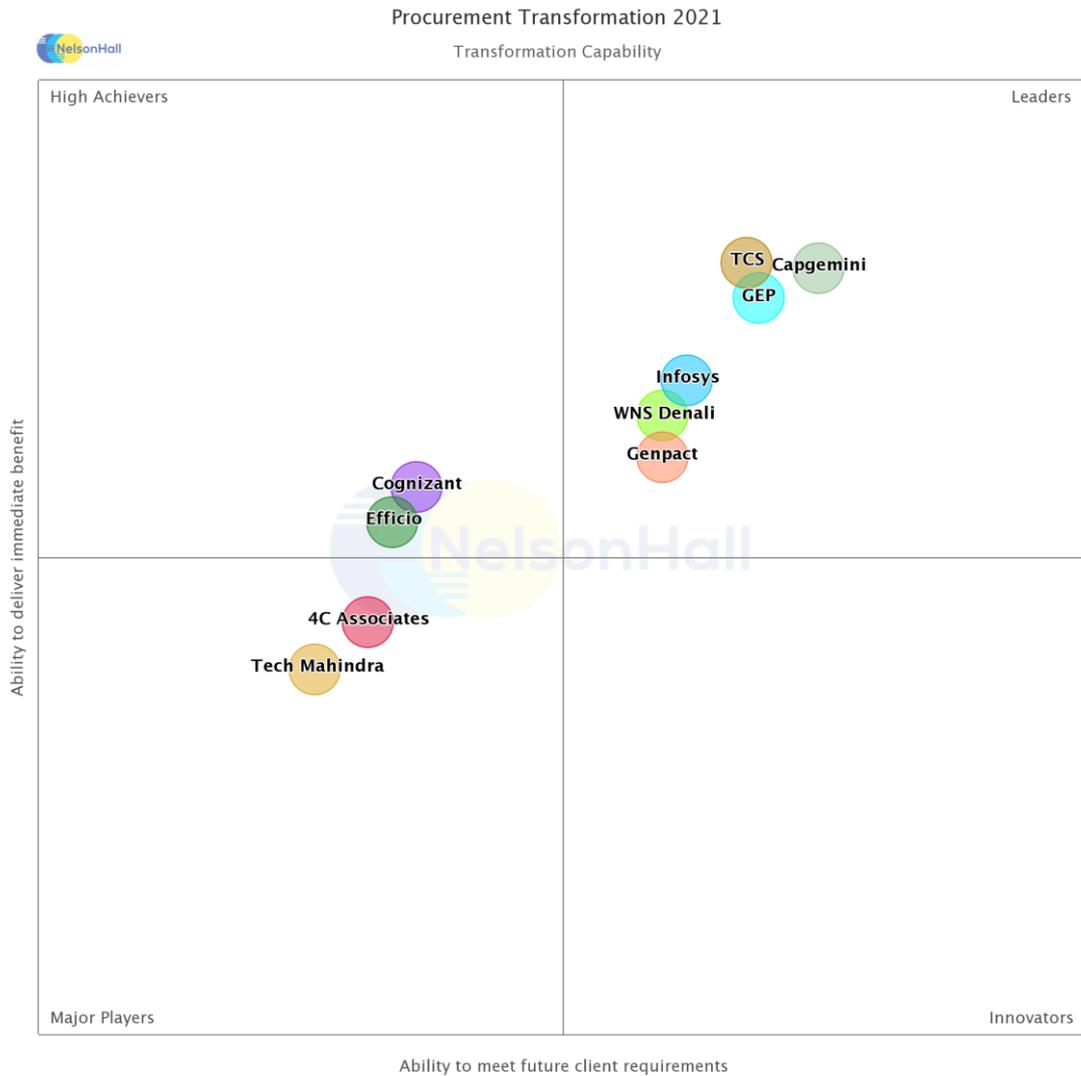
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are: 4C Associates, Capgemini, Cognizant, Corbus, Dragon Sourcing, Efficio, Genpact, GEP, Infosys, TCS, Tech Mahindra, and WNS.

Further explanation of the NEAT methodology is included at the end of the report.



NEAT Evaluation: Procurement Transformation (Transformation Capability)



NelsonHall has identified Capgemini as a Leader in the *Transformation Capability* market segment, as shown in the NEAT graph. This market segment reflects Capgemini’s ability to meet future client requirements as well as delivering immediate benefits to its procurement clients with specific capability around delivering procurement process transformation.

Leaders are vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements.

Buy-side organizations can access the *Procurement Transformation* NEAT tool (*Transformation Capability*) [here](#).



Vendor Analysis Summary for Capgemini

Overview

Capgemini offers a broad range of IT services and business process services (BPS). It positions itself as a one-stop-shop transformation partner and provides digital procurement services as part of a larger transformation program or an F&A outsource.

Capgemini has around 3,000 FTEs globally who focus on procurement (7,000 if AP processing is included). About 1,800 of these are part of Capgemini Invent and are engaged in procurement consulting and technology advisory. The rest of the FTEs are a part of the business services group and are engaged in procurement operations and sourcing activities.

Capgemini's digital procurement services are developed around the design, build, operate model. Capgemini leverages its Digital Global Enterprise Model (D-GEM) to put together an operating model, which improves the user experience while ensuring increased compliance, productivity, transparency, and value. Capgemini Invent promotes a collaborative way of working through interactive workshop formats to co-create solutions together with the client.

Currently, Capgemini's key offerings span:

- Consulting and advisory services
- Platform implementation
- Procurement services.

Financials

NelsonHall estimates Capgemini's 2020 revenues for procurement services (excluding AP processing) at about \$40m, mostly generated by consulting and technology implementation services for EMEA and U.S. clients and some procurement operations services for its F&A clients.

Estimated revenue by activity is:

- Digital procurement transformation (consulting): 65%
- Digital procurement operations (BPS): 35%.

Approximately 70% of digital procurement operations revenue is attributed to P2P operations.

Strengths

- Experience in cloud-based platform implementation and change management
- Large portfolio of RPA and automation use cases in P2P and MDM
- Proprietary analytics platforms
- Potential to add adjacent P2P services to F&A clients
- Broad service.



Challenges

- Relies on capabilities within other practices within Capgemini
- Limited sourcing capabilities
- Making capabilities more transparent.

Strategic Direction

Capgemini looks to continue offering procurement as part of a wider Business Services portfolio for both operations and transformation, as it positions itself as a one-stop-shop transformation partner. It looks to continue growing its capabilities in China to service Asian clients and make proactive efforts to get Latin American clients since it is well-positioned to deliver procurement services out of its delivery centers in Brazil and Guatemala.

Following Capgemini Invent's launch in 2018, it has been working on ensuring that it can deliver a full end-to-end service from transformation through to operations.

In 2021, it is looking to shift its focus to developing sourcing and sourcing support capability while maintaining focus on automation and digital transformation (platform implementation aligned with D-GEM and ESOAR). From the automation standpoint, Capgemini is looking to offer a new cognitive operating model in the form of a single plug-and-play procurement workbench. This workbench, coupled with best-in-class procurement tools, would span Capgemini's entire procurement operations offering and include all the AI, ML, and RPA tools that Capgemini has developed for clients in the past. Additionally, Capgemini may use the platform to build in-house sourcing capabilities or partner with new sourcing platforms and services to offer AI-based sourcing. Capgemini may also look to leverage its design thinking capability as part of Invent to improve user experience in procurement. It has recently applied this in its supply chain practice to find the best way for teams to interact with technology.

Outlook

In 2020, Capgemini worked to bring together its capabilities to offer a broad range of procurement services. Looking ahead, expect Capgemini to:

- Leverage the new Digital Procurement Services offering to target CPOs
- Deploy and leverage its procurement workbench to bring together procurement capabilities for increased transparency and a more comprehensive offering
- Leverage its newly-established sourcing CoE to engage with clients on broader S2C activities
- Launch an iValua capability within business services alongside the existing capabilities within application services
- Expand its use of intelligent automation to address more process gaps in clients' operations.



Procurement Transformation Market Summary

Overview

Procurement transformation services enable clients to utilize procurement platforms, as well as RPA, AI/ML, and analytics to increase the level of cost savings realized, deliver S2P process cost savings, improve standardization and consistency of sourcing and negotiation processes, improve spend and supplier management, reduce maverick spend, improve turnaround times, and increase requisitioner satisfaction.

Key user requirements include the use of analytics for process improvement and spend insight, offering modern user experience leveraging digital enablers, accessing globally consolidated on-demand analytic reporting and predictive insights, and the ability to leverage intelligent automation.

Vendors are expanding and increasing partnerships with technology providers to offer automation beyond P2P, to continue to invest in developing proprietary cognitive “plug and play” delivery models, and build category management, sourcing, and domain expertise. Key investment areas include a focus on partnerships with vendors like Globality for sourcing of services, predictive and prescriptive analytics, and further development of risk management offerings, to cater to the client demand accelerated by the impact of COVID-19.

Buy-Side Dynamics

The key drivers for the implementation of procurement transformation initiatives are:

- Business partnering and value creation
- Efficiency and productivity
- Cost management
- Customer and user experience
- Risk and regulation
- Compliance.

The key decision factors in selecting a vendor to deliver global procurement transformation services are:

- Delivery personnel with relevant qualifications, certifications, and expertise for in-scope categories
- Advanced analytic reporting capability
- Offering innovative pricing and commercial terms
- Ability to enable digital procurement transformation
- Use of design thinking to reimagine procurement processes and operating models
- The breadth of intelligent technology (RPA, AI, ML) offered
- Proprietary enabling tools and technology platforms.



Market Size & Growth

NelsonHall estimates the global procurement transformation and BPS market as ~\$3.4bn in 2021. It is expected to grow at 7% CAGR to reach ~\$4.5bn in 2025. The market growth will be driven by increasing demand for digitalization, particularly in the P2P space and sourcing support services. The growth is expected to be sustained by client demand in continuous transformation as the procurement function gains more strategic importance.

Success Factors

Key success factors for the global procurement transformation services vendors include:

- Ability to deliver end-to-end procurement transformation
- Ability to provide S2P process optimization
- Ability to deliver cost savings programs
- Maturity and application of advanced analytics
- Maturity of transactional processing capabilities with the ability to introduce intelligent automation
- Ability to offer procurement services in a multi-shore delivery model
- Ability to act as a trusted advisor to clients
- Ability to deliver innovation
- Offering a modern user experience through proprietary technology or partnerships
- Talent skilling to provide domain and category management expertise.

Outlook

Over the next few years, buyers of procurement transformation services will look to further invest in:

- End-to-end process improvement and automation
- Procurement platform optimization and extensions
- Centralization and operating model redesign
- Risk management
- Outsourcing of transactional activities and categories to remote locations while concentrating on strategic value-add activities in-house
- Training and enablement of internal resources, particularly in category management, sourcing, and contract management.

To cater to the demand, vendors will look to:

- Offer intelligent automation (RPA, AI/ML, NLP) through plug-and-play delivery models
- Expand implementation of chatbots, particularly in procurement helpdesks



- Increase focus on the democratization of procurement through partnerships and leveraging investments in design thinking and user experience
- Further develop advisory offerings and the ability to deliver innovation to gain a trusted advisor status with clients
- Further develop analytics to offer improved decision making
- Expand the scope beyond traditional procurement activities, offering integrated services to address the disconnect between procurement and other stakeholders (i.e., finance and legal).



NEAT Methodology for Procurement Transformation

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders:** vendors that exhibit both a high capability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet future client requirements
- **High Achievers:** vendors that exhibit a high capability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet future client requirements
- **Innovators:** vendors that exhibit a high capability relative to their peers to meet future client requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players:** other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.



Exhibit 1

‘Ability to deliver immediate benefit’: Assessment criteria

Assessment Category	Assessment Criteria
Offerings	<ul style="list-style-type: none"> Spend analytics capability Risk management capability Category management capability Indirect procurement category management capability Leveraged category management capability Direct category management capability Sourcing capability Contract management capability PO & payments processing capability Transformation capability
Delivery Capability	<ul style="list-style-type: none"> Scale of S2P delivery Delivery capability in support of the Americas (Total) Delivery capability in support of the Americas (BPS) Delivery capability in support of the Americas (Transformation) Delivery capability in support of EMEA (Total) Delivery capability in support of EMEA (BPS) Delivery capability in support of EMEA (Transformation) Delivery capability in support of the APAC (Total) Delivery capability in support of APAC (BPS) Delivery capability in support of APAC (Transformation) Application of sourcing & procurement platforms Application of automation Cognitive procurement assistant capability
Client Presence	<ul style="list-style-type: none"> Scale of client base: BPS Scale of client base: Transformation Scale of client base: spend analytics & sourcing Scale of client base: contract management Scale of operations: PO processing Number of clients in the Americas (BPS) Number of clients in the Americas (Transformation) Number of clients in EMEA (BPS) Number of clients in EMEA (Transformation) Number of clients in APAC (BPS) Number of clients in APAC (Transformation) Number of global/multi-country clients

Continued...



Benefits Achieved	<ul style="list-style-type: none">Level of cost savings realizedS2P process cost savingsImproved standardization, consistency of sourcing and negotiationImproved spend under managementImproved supplier managementReduction in maverick spendIncreased requisitioner satisfactionImproved turnaround timesImproved complianceImproving PO and invoice accuracy
-------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Investments	<ul style="list-style-type: none"> Investment in spend analytics services and delivery Investment in category management process capability Investment in sourcing capability Investment in contract management capability Investment in transformation Investment in self-service delivery technology Investment in cognitive procurement Investment in analytics
Market Momentum	<ul style="list-style-type: none"> Client wins in S2C in the past 18 months Client wins in P2P in the past 18 months
Ability to Deliver Innovation	<ul style="list-style-type: none"> Mechanisms in place to deliver client innovation Extent to which client perceives automation has been delivered Suitability of vendor to meet future needs of client Design thinking
Commitment to S2P BPS/Transformation Market	<ul style="list-style-type: none"> Perceived overall commitment Perceived commitment to transformation

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.



research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

Guy Saunders at guy.saunders@nelson-hall.com

Important Notice

Copyright © 2021 by NelsonHall. All rights reserved. NelsonHall exercises its best efforts in preparation of the information provided in this report and believes the information contained herein to be accurate. However, NelsonHall shall have no liability for any loss or expense that may result from incompleteness or inaccuracy of the information provided.