

ICG Commerce, Inc.

Last month, procurement BPO vendor ICG Commerce won a deal with The Goodyear Tire and Rubber Company in North America. The contract sees ICG working with Goodyear's internal procurement organization to reduce the company's indirect spending, using processes such as strategic sourcing, savings implementation, transaction processing, and ongoing category management.

The deal was the first to be publicly announced by ICG in 2006, although according to the company's vice president of outsourcing, Jason Gilroy, ICG is "consistently closing deals with new customers". "We have extended our deal with Avaya, and Goodyear is a new customer," Gilroy told *BPO Market Report*. "We are not seeing a decrease in the pipeline of new customers."

Indeed, research carried out by Everest Partners reveals that ICG has won 26% of the contracts signed in the procurement outsourcing space to date, more than any other vendor. ICG leads IBM, which has secured 24% of deals, Accenture (16%) and Ariba (15%).

Of these four leading suppliers, ICG and Ariba represent the specialist providers, as opposed to global IT services giants IBM and Accenture, who offer procurement outsourcing as just part of a BPO business that also includes areas such as finance and accounting and human resources. Jason Gilroy is keen to emphasize the point that ICG is "100% focused on procurement outsourcing."

Gilroy also said that, while ICG and Ariba can both be described as procurement specialists, the two companies have different business models. "Ariba started as a software company," said Gilroy, "and a lot of [ICG] customers are Ariba users, but also use ICG to drive value and efficiency from their technology investments".

"For ICG, technology is an absolute necessity for enablement, but we don't care what technology it is," said Gilroy. "In that sense, we are technology agnostic."

ICG was set up in 1992 as strategic sourcing provider Purchasing Solutions Inc (PSI). In November 1999, e-commerce company Internet Capital Group Inc paid \$12m for a majority stake in PSI, and changed the company's name to ICG Commerce.

The following year, ICG raised approximately \$117m in private placement financing from a group of investors led by Internet Capital Group and including Staples, Unisys, Keppel, Graham Partners and Koch Ventures. A further \$35m was raised in an equity funding round in January 2003, including investment from Cross Atlantic Capital Partners, Wynnefield Capital and CIC Group alongside ICG's parent company.

Today, ICG has offices in the US, the UK and Germany. The company operates a nearshore policy, rather than investing heavily in low-cost offshore locations such as India, China or the Philippines. Jason Gilroy explains: "We view offshore as good for data mining, classification and other non-customer facing processes. "Our business requires extreme interaction at a local level with suppliers. For that, you need to have a strong understanding of the local culture, language and so on."

Without a strong technology base, ICG relies on its knowledge of the procurement market, and its relationship with suppliers, to deliver cost savings to customers. "Our large value proposition is not that we are smarter than our customers," Jason Gilroy told us, "but that we are more knowledgeable than they are at the time of going to market."

The company divides its operation into four main categories:

1. Sourcing: ICG sources a range of goods and services on behalf of its clients, using tools such as e-sourcing technology, data gathering templates, supplier databases and price benchmarks. Gilroy told us that this process tends to be done in waves, over a period of between 18 and 24 months.

2. Savings Implementation: Having sourced goods and services, ICG handles finding, ordering and receiving the items, including implementing standardized procurement processes and policies.

3. Transaction Management: ICG's transaction management infrastructure includes an e-procurement platform for goods and services, content management tools and detailed transaction, spend and savings reporting capabilities.

4. Category Management: ICG offers services to monitor suppliers' performance and company expenditure, as well as providing information on impending price changes and identifying additional improvement opportunities.

ICG operates in a number of vertical markets, including the airline sector, pharmaceuticals and healthcare, retail, telecommunications, utilities and manufacturing.

Gilroy accepts that it is not always easy for companies to relinquish authority over such a core part of their operation. "Customers know their own business, so it can be hard to reconcile giving control to a third party." He also accepts that, unlike other areas of BPO, procurement is "not a labor arbitrage-type business", so clients have to comprehend what it takes to deliver services cheaply and efficiently.

The vast majority of ICG's business involves outsourcing indirect procurement, but Jason Gilroy said that the company was "seeing more interest in direct procurement, usually involving the purchase of chemicals, gases, packaging and transportation logistics." Despite this, "all except maybe one of [ICG's] customers start by outsourcing indirect spending," and none of the company's clients is currently outsourcing solely direct procurement.

RECENT CONTRACTS

January 30, 2006: ICG won a deal with The Goodyear Tire and Rubber Company to provide procurement services to the company's North American operation. ICG works with Goodyear's internal indirect procurement organization at more than 40 locations. The project focuses on transportation and distribution, packaging, energy, MRO supplies, marketing products and services, and professional services. The contract value was not disclosed.

September 20, 2005: ICG was selected by Rent-A-Center Inc to provide procurement BPO services. ICG provides services to finance, procurement, store operations, IT, and service center areas. The engagement initially focused on strategic sourcing and supplier enablement activities, along with the implementation of a transaction platform to drive savings. The value of the deal was not disclosed.

January 24, 2005: Industrial packaging products and services vendor Greif Inc selected ICG to provide procurement services. ICG provides sourcing, purchase-to-pay processing and ongoing category management across a range of indirect materials and services categories. The total value of the contract was not disclosed.

November 22, 2004: ICG won a deal with Cooper Cameron Corp, a producer of oil and gas pressure control equipment. ICG provides Cooper Cameron with strategic sourcing, savings implementation, purchase-to-pay processing and ongoing category management, across 17 purchasing categories. Also, ICG's RealExchangeSM technology platform is integrated with Cooper Cameron's SAP system in an attempt streamline the company's global procurement process. The value of the contract was not disclosed.

November 9, 2004: Universal Packaging Systems Inc, a cosmetic contract manufacturer, chose ICG to provide procurement outsourcing services. Under the terms of the five-year deal, ICG provides strategic sourcing, savings implementation, purchase-to-pay transaction processing and invoice reconciliation. ICG also provides an onsite procurement team to coordinate the delivery of services to Universal Packaging. The contract value was not disclosed.

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