

Magic Quadrant for Strategic Sourcing Application Suites

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The strategic sourcing application suite market offers a diversity of general-purpose, regional and industry-tailored suites for spend analysis, e-sourcing, contract management and supply base management. We identify 29 vendors to help IT and procurement leaders navigate this fragmented market.

Market Definition/Description

Strategic sourcing application suites are a set of related solutions that support upstream procurement activities. Example activities include identifying suitable suppliers, finding savings opportunities, quantifying and reducing supply risk, negotiating and managing contracts, tracking ongoing supplier and category-level performance, and monitoring the overall success of the procurement team. Strategic sourcing application suites are often deployed as a shared solution for larger enterprises. These suites are distinct from downstream procurement solutions, which support the requisitioning, ordering and payment processes.

Strategic sourcing application suites are used primarily by companies with \$800 million or more in annual revenue. This size organization generally has enough spending to generate significant savings that is more than the cost of the technology. Below this revenue size, organizations often invest in response to country regulations (e.g., in Portugal and the U.K.) or because an industry is under intense cost-reduction pressure (e.g., in the European automotive industry).

The strategic sourcing application suite is made up of four core modules:

- E-sourcing
- Contract management
- Supply base management (SBM)
- Spend analysis

All but the spend analysis module are usually united by a common UI and a common database, unless the solution suite was created through acquisitions. The primary users of the suite are category managers, commodity managers and other senior procurement professionals.

Typical functionality for the core modules:

- **E-Sourcing:** The e-sourcing application, the centerpiece of the strategic sourcing application suite, enables buyers to establish sources of supply and to negotiate pricing, terms and conditions for direct materials, indirect materials and services through events: online RFIs, RFPs and reverse auctions. These applications help procurement professionals compare and evaluate bids, and notify participating suppliers of event results. The trigger for an event is an expired long-term contract, the identification of an opportunity to rationalize the supply base and negotiate lower pricing or a new requirement. The output of an event is a long-term agreement spanning multiple deliverables and sourced from one or more suppliers.

Strategic sourcing applications are different from tactical or operational sourcing applications, which support the tender of price and delivery information for a short-term requirement. Operational sourcing is usually delivered as a feature of a procure-to-pay solution. Advanced e-sourcing functionality includes optimization and industry-specific features, such as a computer-aided design (CAD) file viewer for engineered product manufacturing. References¹ run, on average, 51 to 250 events per year with their strategic sourcing solution; 57.8% use their solution for reverse auctions.

- **Contract Management:** Contract management solutions help organizations control and track formal, legal agreements. Contract management functionality offered by vendors in this Magic Quadrant varies widely. At one end of the scale, a contract management application documents limited pieces of data about an agreement, such as supplier name, agreement value, expiration date, and whether the contract auto-renews. At the other end, a fully functional contract life cycle management (CLM) solution facilitates agreement authoring and postexecution tasks, such as change orders.

Gartner assessed the vendor contract management solutions for the five functional groupings. Only the contact repository score is given in vendor profiles, because this is the capability that clients request most. Notable performance for the other feature groupings appears in various individual profiles. The groupings and sample features we evaluated are:

- **Contact Repository:** Metadata capture, search, configurable alerts, version control, support for three-party agreements such as leases, contract workspace for storing related documents and rule-based automatic archive
- **Contract Authoring:** Templates, clause library, contract creation wizard, approval workflow, redlining, e-signature and Microsoft Word integration
- **Postexecution contract management:** Creates an audit trail for changes in pricing, scope or schedule; dispute tracking; mass change management; and renewal planning
- **Contract Compliance:** Burn rate tracking, purchase/blanket order price compliance; and payment-terms compliance
- **CLM Analytics:** Contract risk scoring, clause change frequency, SLA tracking and burn rate analytics

The median number of contracts stored in the solutions that we evaluated is 2,500. References use their contract management module primarily for procurement contracts. Only 7.3% of CLM

references use their strategic sourcing application suite as their primary solution for sales contracts. The highest scoring vendor for contract repository rated "good support," which demonstrates the current mismatch between the long lists of features Gartner clients ask for versus referenceable deployments.

SBM: SBM applications help procurement organizations proactively manage supplier performance. They accomplish this by providing a means and a place to assemble, archive, organize and leverage enterprise supplier data. SBM data sources include the suppliers through self-service, portal as a feature, online surveys and RFIs. Suppliers can maintain contact information, firmographic data (company size, location, etc.), equipment lists, capability summaries and credential documents, such as signed codes of conduct or insurance certificates. Third-party information can be pulled in via Web services, RSS feeds or manual input, and can include financial performance data, news and public registry information, such as export filings.

Internal data is generated and maintained by the procurement organization, and includes supplier audit records, supplier scorecards and supplier ideas programs. The supply base management application unites supplier, third-party and internal buyer information to create a single, enterprise record for suppliers. References typically use their SBM solution to manage hundreds of suppliers. The highest-scoring vendor for SBM rated "good support," which illustrates the immaturity of the solution type and the challenges associated with implementing a robust SBM solution.

- **Spend Analysis:** This provides an enterprisewide view of spending, which is critical for identifying opportunities for cost reduction, prioritizing investments in procurement, and assessing compliance to contract and order channels. Unlike the other three core modules, the spend analysis solution is a data cleansing and enhancement tool, outfitted with analytics for identifying cost savings opportunities and out-of-compliance spending. Strategic sourcing application suite vendors without a spend analysis solution, such as MFG.com, Perfect Commerce and Due North, usually partner with a third party, such as spend360, Rosslyn Analytics or Atamis. Some vendors with a spend analysis solution own only the data extraction and analytics/reporting piece. These vendors outsource data cleansing to a third party such as PRGX (see "Use These Spend Analysis Best Practices to Improve Processes, Find Savings and Reveal Trends").

Many vendors in this Magic Quadrant have complementary offerings to enhance the value proposition of their core strategic sourcing application suite (see Note 1). These capabilities include:

- **Category management** — used for segmenting suppliers and tracking trends by spend category. Category management functionality may include templates for category-specific dashboards, out-of-the-box category metrics and category segmentation tools.
- **Supplier directory** — used for supplier discovery in the private sector and e-notification in the public sector. A supplier directory is a searchable compilation of supplier profiles maintained by the suite vendor on behalf of all buyer customers. Some supplier directories are bundled with e-catalog hosting and/or transaction networks for procure to pay. Social features, such as the availability of community supplier ratings, are also finding their way into supplier directories.

- **Commodity risk management** — used for tracking and managing exposure to raw materials, energy and ingredients (e.g., copper, beef, milk, sugar, oil). By mapping how the commodities are used within an organization, this application provides the possibility to quantify exposure to price changes and to proactively adjust purchasing strategy to take advantage of changes in the market. Commodity risk management applications can leverage third-party providers for price indexes and news feeds for input. Although commodity risk management solutions are used primarily by finance for exposure tracking, strategic sourcing application suite vendors are pushing to involve procurement in the process.
- **Supplier master data management** — positions the SBM module as the system of record for supplier data. Thirty-six percent of the survey reference respondents indicated that they use their strategic sourcing application suite vendor to gather and stage supplier master data. Using a strategic sourcing application suite SBM module for master data management is a promising, but significant, departure from the traditional, formal master data management solution deployed for supplier master data (see "Mastering Master Data Management").
- **Business services** — Many, but not all, strategic sourcing application suite vendors offer complimentary business services. Ninety-eight percent of reference survey respondents indicated that their solution provider implemented their suite for them, and 96% used their suite vendor for training.

Business services to assist with sourcing are an increasingly popular offering in this market as organizations expand the scope of spend under management. This expansion leads them into spend categories with which they are not that familiar — i.e., HR services, legal services or marketing. It also gets them sourcing tail-end spend, which are categories with too little spend to justify hiring staff with suitable expertise. Buyers look to third parties such as strategic sourcing application suite vendors or boutique consulting firms to help them source these categories. Sixty-five percent of reference survey respondents said they used their suite vendor for event management services. Therefore, prospective solution buyers should determine to what degree they will need sourcing services, and use this information to shortlist and evaluate prospective vendors.

Other business services assessed include data migration services, supplier qualification vetting, master data file clean up, supplier onboarding and ongoing technical support for suppliers. The median share of revenue derived from business services for the vendors in this research is 27%.

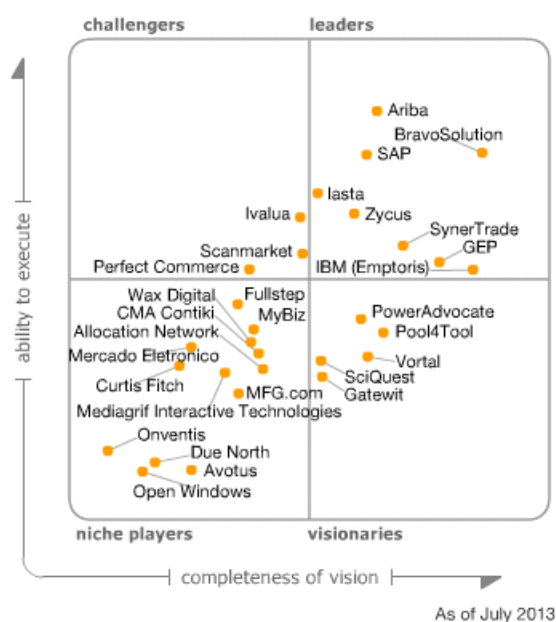
In the detailed vendor profiles, Gartner evaluates the four core suite modules, as well as several other critical solution attributes, including:

- Ease of use
- Technology platform (multilingual support, workflow flexibility, social support, mobile device support, project workspace, personalization, security, etc.)
- Business services (solution design and solution implementation, event management services, data migration services, etc.)

Of the 29 vendors in this research, we identify vendors among the top five for core modules and solution attributes, and the top three for secondary capabilities, such as contract authoring and intrasuite integration.

Magic Quadrant

Figure 1. Magic Quadrant for Strategic Sourcing Application Suites



Source: Gartner (July 2013)

Vendor Strengths and Cautions

Allocation Network

Based in Munich, Germany, Allocation Network was founded in 1998 and employs 30 people. Allocation Network is a specialty vendor focused on e-sourcing, e-auctions, SBM, category management and quality management. Allocation Network has notable traction in the automotive industry, and also has clients in the consumer packaged goods and financial services verticals. Allocation Network has regional offices in Atlanta, Georgia, and Tianjin, China. Allocation's average customer has €8.6 billion in revenue.

Astra 6.3 is Java Platform, Enterprise Edition (Java EE)-architected, and primarily delivered as multitenant SaaS and on-premises. Astra modules include e-sourcing, SBM, contracts and spend management for spend analysis. The spend analysis module is newly released. Allocation Network

has fewer than 100 clients for its strategic sourcing application suite, which was originally released 12 years ago.

Of the 12 references, nine are based in Germany or have divisions in Germany. The other references are based in the U.S., Denmark and Switzerland. The references come mainly from the manufacturing industry, but also represent utility, pharmaceutical and healthcare verticals. Their revenue ranges from €200 million to €800 million and up to €50 billion. Allocation Network references use an average of 1.9 of the four core modules in Astra v.6.1.13 through v.6.2.3. All but one reference use the e-sourcing module, and most use the SBM module, while fewer references use CLM. All types of spend, including direct material, are sourced using Astra. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: strong support
- SBM: some support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: good
- Business Services: some

Strengths

- Highly rated RFP creation and event status monitoring functionality
- Extensive client base in automotive manufacturing
- Solution used globally

Cautions

- Lack of contract authoring functionality
- One client live on spend analysis
- Allocation Network's traction is primarily in Western and Northern Europe

Ariba

Ariba, an SAP company, was founded in 1996 and was headquartered in Sunnyvale, California, until it was acquired by SAP in October 2012. Ariba had 3,000 employees. Ariba, an SAP company, offers a complete industry-agnostic source-to-settle (S2S) solution and a global supplier network for discovery, e-invoicing and e-catalogs. SAP is positioning Ariba SaaS solutions as its cloud procurement product line. SAP sells and supports Ariba solutions through its global network of

offices and partners. During the next several years, SAP likely will be building integration between Ariba's offering with its legacy ERP solutions.

The Ariba 12s1 suite is Java EE-architected, and delivered exclusively as multitenant SaaS. The 12s1 suite includes modules Spend Visibility, Sourcing, Contracts and Supplier Information and Performance Management (SIPM). Its flagship product, Ariba Sourcing, was released in the 1990s by FreeMarkets, which Ariba acquired in 2004. The Ariba Network includes a supplier directory. SAP's Commodity Management module is offered for commodity risk management. Ariba has nearly 1,000 12s1 strategic sourcing application suite customers. Ariba 9r1, an on-premises solution suite, shares the same code base as the 12s1 series, but is not rated here because SAP positions its legacy products to customers that want an on-premises solution.

Six companies that provided a reference for Ariba's suite are based in the U.S., and the other two are in Finland and the U.K. The references have more than \$2 billion in annual revenue; most are manufacturers or financial services providers. References use Ariba for sourcing all types of goods and services. They use an average of three of the four core modules. Module selection varies. Reference feedback was mostly positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: strong support
- SBM: some support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: some

Ariba maintained its position in the Leaders quadrant with high scores in market understanding and responsiveness, sales execution and brand awareness.

Strengths

- In the Top 5 in basic e-sourcing and technology platform, and the Top 3 for contract authoring
- Solution used globally
- Financially strong owner
- Strong technical support scores from references
- Extensive geographic scope of supplier directory
- Complete S2S suite

Cautions

- References cite issues with the cost for suppliers to be part of the Ariba Network
- Limited support for public sector sourcing
- Commodity risk management is not a native suite module
- Low reference scores for contract negotiation and business issue support; customers report feeling held at arm's length
- Activities related to SAP's acquisition of Ariba likely to be a distraction

Avotus

Based in Oakland, New Jersey, Avotus is a telecom expense management solutions provider that combines software with consultancy services. Founded in 1981, Avotus has 138 employees, and its solution is focused exclusively on telecom and IT services. Avotus operates globally, with delivery centers and resources in the U.S., Canada, Europe, Australia and Asia/Pacific (see "Magic Quadrant for Telecom Expense Management").

Avotus offers strategic sourcing as a managed service and a software solution. Its Java EE-architected suite includes Avotus Intelligent Communications Management (ICM) Expense Management v.8.2.03 for spend analysis and contract management, and Avotus ICM Intelli-Sourcing v.2.1 for e-sourcing, e-quote, e-RFP and SBM functionality. ICM Intelli-Sourcing, a solution organically developed and patented by Avotus, offers packaged links to a partner's global carrier supplier directory. Avotus has several thousand customers for its voice telecom spend analysis service. ICM Intelli-Sourcing was first released 12 years ago, has several hundred customers and has sourced \$1.3 billion in telecom spend.

Five North American organizations with revenue between \$1 billion and \$10 billion, representing multiple industries, provided references. All use the suite exclusively for telecom and IT spend management due to its telecom-centric features, such as managing recurring spend purchases. Feedback was primarily positive. Avotus references use an average of one of the current version of the four core modules. Module selection varies.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: some support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: adequate
- Ease of Use: adequate
- Business Services: many

This is the first time Avotus appears in the Magic Quadrant for Strategic Sourcing Application Suites and was included primarily to help clients identify resources in this specific telecom/IT niche. The firm's Ability to Execute rating is negatively impacted by the narrow scope of its customer implementations.

Strengths

- Expertise in consulting services for telecom-related goods and services sourcing
- Ability to build technically complicated recurring expense bid items typical of telecom
- Ability to negotiate service levels and contract terms during sourcing
- Offers broad capabilities, including supplier selection services and invoice matching

Cautions

- Reference customers not using Avotus for nontelecom-related spend
- Lack of brand recognition in the strategic sourcing application suites market
- Lack of contact authoring features, such as approval workflow and e-signature
- Lack of traction outside North America

BravoSolution

Based in Milan, Italy, BravoSolution was founded in 2001 and has 500 employees. BravoSolution is owned by Italmobiliare SpA, an Italian holding company operating in many industries, but with 94% of its revenue of €4,775.7 billion from construction materials. BravoSolution is a specialized strategic sourcing application suite and services vendor with clients of all sizes and in all verticals, with the largest being public, construction and engineering, and consumer packaged goods. BravoSolution has regional offices in Chicago, Illinois, and Philadelphia, Pennsylvania; and outside the U.S. in Shanghai, Dubai, Madrid, London, Mexico City, Munich, Milan, Paris and Amsterdam.

The BravoSolution strategic sourcing application suite is Java EE-architected, and primarily delivered as multitenant SaaS. The suite includes modules for spend analysis, e-sourcing, SBM and contract management. BravoSolution offers commodity risk management as a feature of its spend analysis module. BravoSolution does not disclose the version number of its solutions. It tailors suites for clients using its portfolio of in-house-developed applications and acquired solutions from VerticalNet and Mobile Workers. BravoSolution has nearly 500 clients for its strategic sourcing application solution set, which is more than 10 years old.

The 21 references Gartner received are from most industry verticals and from organizations of all sizes. The organizations are distributed across the U.S. and Western Europe. Except for commodity risk management, all offered modules are used by more than 10 references, and all types of spending are managed. Versions in use include XE 6.2, 6.4; BravoSolution v.12.2 and Spend

Analysis v.3 to v.3.1.1. BravoSolution references use an average of 2.6 of the four core modules. The typical module selection is e-sourcing and various others. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: strong support
- E-Sourcing: strong support
- SBM: good support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: good
- Business Services: many

Compared with its position in the 2010 Magic Quadrant for Strategic Sourcing Application Suites, BravoSolution has moved up in the Leaders quadrant. This is a result of improvements in its geographic strategy, customer experience and innovations in areas such as category management.

Strengths

- In the Top 5 in spend analysis, basic e-sourcing, SBM, contract repository, technology platform and business services
- In the Top 3 for public sector sourcing and optimization
- Large business services organization
- Strong functionality and event management expertise in transportation sourcing

Cautions

- Weak functionality in postexecution contract process. No references for commodity risk management
- No supplier directory
- Parent company financial performance: Italmobiliare's revenue declined 3.6% from 2011 to 2012

CMA Contiki

Based in Lysaker, Norway, Contiki has 30 employees and was founded in 1989. CMA Contiki specializes in contract management and sourcing solutions for oil and gas exploration, utilities and energy industries. Although most of its customers are headquartered in Norway, the company has several clients in other countries, including the U.K., France and Germany, and has a second office in Stockholm, Sweden.

The .NET-architected solution Contiki Enterprise Contract Management v.6.10 includes e-sourcing, SBM and e-contracting modules. A partnership with Achilles provides supplier information relevant to the utilities and oil and gas industries. Contiki v.6.10 is available on-premises only. CMA Contiki has fewer than 100 customers for its strategic sourcing application suite. The first version was released 21 years ago.

The six organizations that provided references range from \$30 million to \$100 billion in annual revenue, demonstrating CMA Contiki's ability to serve companies of all sizes. Four references are headquartered in Norway. Virtually all bought Contiki Enterprise Contract Management primarily for its contract management functionality, to support several hundred to a few thousand complex contracts and related documents. E-sourcing functionality and supplier information management enhance the value proposition. On average, CMA Contiki references use two of the four core modules. They use v. 6.6 through v.6.10 to source all types of spending. Overall feedback was mostly positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: some support
- SBM: very light support
- Contract Repository: good support
- Technology Platform: good
- Ease of Use: good
- Business Services: some

Strengths

- In the Top 5 in contract repository; and best-in-class support for postexecution contract management
- Streamlined project workspace with logical organization of all related request for X (RFX, where X could be information, proposal, quote, etc.) and contract documents
- References rate solution design and implementation services highly
- Strong CLM security, master/subagreement connection and renewal support
- Policies and incentives to keep clients upgraded to the latest version

Cautions

- No spend analysis or commodity risk management functionality
- Limited SBM solution adoption

- No mobile device support
- Available licensed, on-premises only
- CMA Contiki's traction has been primarily in Scandinavia and Northern Europe

Curtis Fitch

Founded in 2004 and based in Cheltenham, U.K., Curtis Fitch is a strategic sourcing application suite provider with 25 employees. Curtis Fitch's primary focus is software development; 50% of the company's employees are software engineers. Curtis Fitch offers its industry-agnostic solution primarily through resellers; however, the vendor has had notable traction with retailers. Most of Curtis Fitch's clients have between £500 million and £6 billion in annual revenue.

The Curtis Fitch eSourcing Suite v.4.9.2 includes iSource, iContract, iSupplier Relationship Management and iProjects. The products are Java EE-architected, and delivered as single-tenant hosted SaaS. Curtis Fitch has fewer than 100 clients for its strategic sourcing application suite. The first version was released eight years ago.

Fifteen organizations from multiple industries, including retail, medical device manufacturers, high-tech manufacturers and consumer packaged goods, provided references. Although 14 references are based in the U.K., many of them use the solution globally. Reference clients use the Curtis Fitch eSourcing Suite v.4.1.1, v.4.8.2, v.4.9.1 and v.4.9.2 for all types of spend. Overall feedback was positive. Curtis Fitch references use an average of two of the four core modules. The typical selection is e-sourcing and CLM; however, several also use SBM.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: good support
- SBM: very light support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: good
- Business Services: some

Curtis Fitch was in the Visionaries quadrant in 2010 and is now in the Niche Players quadrant, because the early innovations it made in e-sourcing functionality are now offered by many other vendors. Curtis Fitch's newer features in v.4.9.2 mostly help it catch up with competitors for contract management and SBM functionality.

Strengths

- Savings tracking functionality

- Strong reference feedback for solution design and implementation services
- Good technical support for suppliers

Cautions

- No spend analysis or commodity risk management
- No references for supplier directory
- Choice of resellers for its sales channel may be limiting growth
- Curtis Fitch is not organized to support clients headquartered outside the U.K.

Due North

Due North is a wholly owned subsidiary of Access Intelligence. Based in London, U.K. and founded in 2002, Due North has 35 employees. It is a specialty software vendor offering solutions to support strategic sourcing in public procurement organizations. Due North also has a limited presence in the private sector in the not-for-profit, food and hospitality verticals. Access Intelligence provides business intelligence and integrated marketing solutions to nearly a dozen markets. It maintains a central software development team to serve its various subsidiaries and promote cross-company knowledge sharing.

The Due North solution suite is .NET-architected, and delivered primarily as a single-tenant hosted service. The main modules include Notice, Quest, Tender, Evaluate, Auction and Monitor 2.1. The Contract Lifecycle Management is ProLegal 2.1. and the Supplier Directory is sold as Pure Tenders. Due North resells Atamis' Force.com-based ProSpend spend analysis solution. Due North has nearly 500 clients for its strategic sourcing application suite. The first version was released 10 years ago.

Four Due North references are U.K. government entities. A fifth reference is a U.K.-based not-for-profit organization. References report using the solution suite for all types of spending, although none is a manufacturer with traditional direct materials. Due North references use an average of 2.5 of v.2.1 of the four core modules. The typical selection is e-sourcing and one or two other modules. Overall feedback was mostly positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: good support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: adequate
- Ease of Use: good

- Business Services: some

Strengths

- References cite free-of-charge supplier directory/portal for suppliers as an important strength
- Strong audit trail functionality
- Winning bidders can subcontract through the platform

Cautions

- No native spend analysis
- No supplier risk management or commodity risk management
- Low rank in customer satisfaction
- Due North is not organized to support clients outside the U.K.

Fullstep

Fullstep, based in Madrid, Spain and founded in 2000, is a niche provider of S2S procurement solutions offering extensive business services, such as process re-engineering. Fullstep has 60 employees and offices in Lisbon, Portugal; Chicago, Illinois; and Bilbao and Barcelona, Spain. Although Fullstep's solution is industry-agnostic, it has notable success in the automotive, food and beverage and financial services industries. Fullstep mainly serves companies with between €200 million and €2 billion in annual revenue. Its largest customer has revenue of €5 billion.

Fullstep's .NET-architected suite v.31900.6 includes the flagship solution Fullstep GS for sourcing; Fullstep SM and Cube for spend analysis; Portal for supplier collaboration; QA for SBM, and CM for contract management. The solution can be installed on-premises, hosted or served as SaaS. Some of the buyer's functionality is accessed through the browser via Terminal Services and requires uploading and ActiveX. Fullstep has fewer than 100 clients for its sourcing applications suite, which was originally released 12 years ago.

Eleven reference organizations are headquartered in Spain. Five references are from the food and beverage industry; the remainder span multiple industries. Reference clients use Fullstep v.31900.3 to v. 31900.6 for sourcing all types of spending; six use Fullstep for SBM. Overall feedback was positive. Fullstep references use an average of 1.9 of the four core modules. The typical selection is e-sourcing and other modules.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: good support
- SBM: some support

- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: good
- Business Services: extensive

Fullstep's position in the Niche Players quadrant moved up from 2010 to 2013, due to improved scores in customer experience.

Strengths

- In the Top 5 in business services and customer experience
- Good ratings on ROI
- Brand recognition and traction in Spain
- Complete S2S suite
- Social functionality

Cautions

- Lightweight contract management functionality
- Lack of engineered product sourcing specific functionality
- Challenges gaining traction outside Spain
- Low rank for cloud operations

Gatewit

Based in Lisbon, Portugal, Gatewit was founded in 1999 and employs 140 people. Gatewit offers a full S2S suite, and its main focus is public procurement. Outside the public procurement vertical, Gatewit serves the healthcare and construction industries. It has regional offices in Bangalore, Mexico City, Sao Paolo, San Francisco, Beijing and London, and some international clients in China, Brazil and Spain.

The Gatewit suite is Linux-Apache-mySQL-PHP (LAMP)-architected, and delivered exclusively as multitenant SaaS. Compras Publicas v.6.26 for public sector sourcing is the flagship product. The first version was first released six years ago. Spend Analysis v.1.1 and Commodity Risk Management modules were added in 2011 and 2012, respectively. Gatewit has nearly 5,000 e-sourcing customers.

All four references for Gatewit are Portuguese organizations that fall under the public procurement legislation, even though they come from different sectors, such as education, local government and national authorities. The references use the current version to handle all types of spending. Gatewit

references use an average of two of the four core modules. Module selection varies. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: some support
- E-Sourcing: good support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

Strengths

- In the Top 3 in public sector sourcing and supplier directory functionality
- Very large client base, especially for e-sourcing and SBM
- Impressive client adoption of newer products
- Complete S2S suite
- Solution set is developed entirely in-house

Cautions

- Limited support for supply risk management
- Low scores from references on ease of use
- Low score on business operations
- Portuguese organizations make up 80% of Gatewit's customer base

GEP

Based in Clark, New Jersey, GEP was founded in 1999 and employs 850 people. GEP has regional offices in Mexico City, Sao Paolo, Shanghai, Prague, London, Mumbai and Hyderabad, India. GEP is a full S2S technology and services provider. It is an industry-agnostic vendor with notable success serving larger organizations in pharmaceutical, healthcare and consumer packaged goods industries. In 2012, GEP acquired Enporion, an e-commerce network vendor serving U.S. energy and utilities companies.

GEP Suite 5.0 is a .NET-architected solution delivered as multitenant SaaS. The suite includes spend analysis, e-sourcing, SBM, CLM, supplier directory and commodity risk management. GEP

has more than 100 strategic sourcing application suite clients. The initial suite was released 12 years ago.

All seven GEP references are U.S.-based companies, from a variety of verticals with annual revenue of more than \$2 billion. None of the references is currently using the supplier directory or commodity risk management modules. GEP references use an average of 2.6 of the four v.5 core modules to source indirect materials and services. The choice of modules varies widely. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: some support
- SBM: some support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

GEP (formerly known as Global eProcure) moved from the Challengers quadrant in 2010 to the Leaders quadrant in 2013, as a result of improvements in geographic strategy, market understanding and broad innovation in its technology platform.

Strengths

- In the Top 5 in technology platform and spend analysis, and the Top 3 in intrasuite integration
- Large service organization and business process outsourcing (BPO) offering
- Strong contract creation wizard and contract search functionality
- Complete S2S suite

Cautions

- No references for supplier directory or commodity risk management
- Even though GEP reports substantial international business, the references were all headquartered in the U.S.
- Limited support for public and engineered product sourcing

lasta

Based in Carmel, Indiana, lasta was founded in 2000, has 60 employees and a regional office in London. lasta offers a specialist strategic sourcing application suite and sourcing services. It does not focus on specific verticals, but has had notable success in the retail, transportation, technology, pharmaceutical and food services industries.

lasta's strategic sourcing suite is .NET-architected and is primarily delivered via multitenant SaaS. lasta SmartSource v.9.0 is the suite's flagship offering. Other modules include SpendAnalytics, lasta Executive Analytics Suite, Supplier Information Management, Supplier Performance Management, Contract Management and SupplierConnect for suppliers. lasta leverages internal and partner resources for spend data cleansing and classification. lasta has nearly 200 customers for its suite. The first suite was released 12 years ago.

Eleven organizations, ranging in size from less than \$200 million to \$30 billion in revenue, provided references. They represent the construction, financial services, pharmaceutical, real estate, retail, transportation and utilities industries. The majority are U.S.-based; the remainder are headquartered in the U.K. None of the references reports using the Supplier Directory. lasta references use an average of 2.1 of the four core modules, v.8.5, to source all types of spend, including goods for resale. The typical selection is e-sourcing and another module. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: strong support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: exceptional
- Business Services: many

lasta moved from the Challengers quadrant in 2010 to the Leaders quadrant in 2013 as a result of improvements in geographic strategy and market understanding.

Strengths

- In the Top 5 in e-sourcing, ease of use and customer experience
- In the Top 3 for optimization
- Good reference ratings on ROI and time to value
- Strong sourcing analytics

Cautions

- No contract approval workflow functionality
- Limited support for public and engineered product sourcing
- No support for evaluating supplier applications in SBM module
- Lack of integration between e-sourcing and CLM

IBM (Emptoris)

IBM, based in Armonk, New York, is a publicly traded, global technology provider with \$104.5 billion in revenue. In February 2012, IBM acquired Emptoris, a U.S.-based specialty procurement solution vendor founded in 1999. IBM (Emptoris)'s offering is an industry-agnostic set of products including telecom expense management, services procurement and a strategic sourcing application suite. These solutions have historically appealed most to organizations with more than \$5 billion in revenue. IBM (Emptoris) partners with Coupa for clients that want e-procurement capabilities in addition to a strategic sourcing application suite.

IBM (Emptoris) Strategic Supply Management (SSM) v.10 includes e-sourcing, SBM, spend analysis and a CLM solution that is often used as a sell-side CLM tool. IBM (Emptoris) will deploy the same code-based version of its products behind the firewall or in the cloud. This suite has been built largely through acquisitions of best-of-breed, Java EE-architected solutions. Version 10 ties the various applications closer together than earlier versions with a unified supplier master, centralized user management and improved intermodule navigation. Since the acquisition, Emptoris transitioned elements of its product set to the IBM technology stack. IBM WebSphere Application Server, Infosphere DataStage and Cognos reporting are now supplied at no cost to IBM (Emptoris) clients. IBM DB2 and Oracle Databases are supported. Gartner estimates that IBM (Emptoris) has several hundred clients for its strategic sourcing application suite, which was first available 12 years ago.

Gartner received nine formal references. Five are headquartered in the U.S.; the others hail from Canada, the U.K. and Western Europe. These references represent different industries and leverage IBM (Emptoris) v.8 and v.9 to support all types of spending. References for v.8 were mostly positive; v.9 references were mixed. Emptoris references use an average of 2.8 of the four core modules. Although IBM (Emptoris)'s sourcing module is the most frequently used solution in the set, module selection varies.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: strong support
- E-Sourcing: good support
- SBM: some support
- Contract Repository: good support

- Technology Platform: good
- Ease of Use: poor
- Business Services: many

IBM (Emptoris), formerly called Emptoris, maintained its position in the Leaders quadrant as a result of market responsiveness, good product feedback and innovation.

Strengths

- Innovative virtual supply master solution for unifying data residing inside and outside the suite
- In the Top 3 in contract authoring and optimization functionality
- In the Top 5 for spend analysis and contract repository
- Financially strong owner and global client base
- Experience with large-scale implementations (e.g., hundreds of thousands of contracts) and the ability to customize solutions to client requirements

Cautions

- Over the past year, Gartner has fielded an unusually large number of client inquiries regarding concerns with IBM (Emptoris) support and the solution road map.
- Low reference scores on ease of use. IBM (Emptoris) is actively investing in ease-of-use improvements.
- References cite issues with solution bugginess. IBM (Emptoris) says it has made architectural and development methodology changes that will improve software quality.
- Low reference scores on technical support.
- Customer migration to new releases has been slow compared with other vendors in this research.

Ivalua

Based in Paris, France, Ivalua was founded in 2000. It has 92 employees, regional offices in Redwood City, California, and Frankfurt, Germany. It offers an extensive, natively developed S2S suite and a travel and expense application. Although Ivalua is industry-agnostic, it has had notable success in the manufacturing, financial services and utilities industries, and does well in organizations with more than \$2 billion in annual revenue.

Ivalua's solution, the .NET-architected Ivalua Buyer v.7, is offered primarily single-tenant hosted. E-sourcing is Ivalua's flagship application. The suite comes with spend analysis, an SBM module and a full CLM solution, replete with authoring and obligation management. Ivalua has fewer than 100 clients for its strategic sourcing application suite. The first version was released 12 years ago.

Ivalua's five reference clients, all based in Paris, are private-sector companies with between €2 billion and €15 billion in annual revenue and are from a variety of industries. Four use Ivalua Buyer v. 6, and one is on v.7. Ivalua references use an average of 2.25 of the four core modules to source all types of spend. The typical selection is e-sourcing and another module. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: strong support
- SBM: good support
- Contract Repository: some support
- Technology Platform: exceptional
- Ease of Use: exceptional
- Business Services: some

Ivalua moved from the Niche Players quadrant in 2010 to the Challengers quadrant in 2013, as a result of stronger scores in products, services and marketing execution.

Strengths

- In the Top 5 in e-sourcing, SBM, contract repository, technology platform and ease of use, and in the Top 3 for category management, dashboards and analytics, and intrasuite integration
- Good new customer growth in 2012
- Embedded platform as a service (PaaS) offering, which clients are using to meet needs such as tooling management
- Complete S2S suite

Cautions

- Legacy reporting tool is very basic
- Business services: weak sourcing event management and adoption improvement consulting
- Small number of clients for the vendor's age
- Gartner received only one reference for Ivalua's spend analysis solution
- Some references cite issues with ease of upgrades
- Until 2013, Ivalua's traction was primarily in Europe

Mediagrif Interactive Technologies

Mediagrif Interactive Technologies (subsequently referred to as Mediagrif in this research) is an e-commerce company based in Quebec, Canada, with regional offices in Albany, New York and Ottawa, Ontario. Founded in 1996, it has 360 employees. Mediagrif's stock is publicly traded on the Toronto Stock Exchange. Mediagrif specializes in e-business networks, and has exchanges that serve a variety of industries, including construction, utilities, gems and wines. In addition to a strategic sourcing application suite, Mediagrif's product line includes e-invoicing, e-catalogs and a transaction network. Mediagrif operates sourcing networks for the public sector under the names BidNet in the U.S. and Merx in Canada.

The Bidnet/Merx platform v.4.4 is a Java EE-architected solution delivered exclusively as multitenant SaaS. Bidnet/Merx platform applications include e-sourcing, SBM and supplier directory. Mediagrif has nearly 5,000 buyer clients using this platform. The product was released 15 years ago.

Four reference organizations are local and regional public entities, while the fifth reference is a utility. These references are primarily using e-sourcing and the Supplier Directory v.4.0 to v.4.4; one reference is also using the SBM module. References report managing all types of spending in this solution, but none is the typical direct materials. Mediagrif references use an average of 1.33 of the four core modules. Overall feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: good support
- SBM: good support
- Contract Repository: not offered
- Technology Platform: adequate
- Ease of Use: exceptional
- Business Services: many

Strengths

- In the Top 5 for SBM and ease of use
- Reference satisfaction with openness to product enhancement ideas
- Highly rated client and supplier support
- Good cloud solution availability

Cautions

- No spend analysis, reverse auction, CLM or commodity risk management

- No team scoring of RFI/RFP
- No mobile device support
- Mediagrif is not organized to support clients outside North America

Mercado Eletronico

Founded in 1994, Mercado Eletrônico is an enterprise software vendor with an S2S offering, a transaction network, procurement BPO services and a CRM solution. Headquartered in Sao Paulo, Brazil, Mercado Eletrônico has 248 employees and has a European office in Lisbon, Portugal. Although the majority of its clients are headquartered in Brazil, Mercado Eletrônico serves some based in Europe, and supports not only the Latin American operations but also global operations for some clients. Mercado Eletrônico markets to all industries, but has had notable traction in the energy, manufacturing and retail verticals.

The .NET-architected Mercado Eletrônico E-Procurement Suite release 205 is currently delivered via multitenant SaaS only and includes the following modules: Sourcing, Contract Management, Process and Workflow Management and Supplier. Mercado Eletrônico partners with third parties for data cleansing for its spend analysis offering. The sourcing module was released 10 years ago. Mercado Eletrônico has fewer than 100 clients for its Strategic Sourcing Application Suite.

Five organizations from the utilities, hospitality, healthcare, manufacturing and retail industries provided references. They ranged in size from less than \$200 million to more than \$25 billion in annual revenue, and they use the solution for all types of spend. Four references are headquartered in Brazil, and one is in Portugal. Overall feedback was mixed. Mercado references use an average of 1.67 of the latest version of the four core modules. The typical selection is e-sourcing or contract management, along with a second various module. This is the first time a Latin American vendor appears in the Magic Quadrant for Strategic Sourcing Application Suites.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: some support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

Strengths

- Market leadership in Latin America

- Complete S2S suite
- Suite includes e-invoicing and a transaction network

Cautions

- Lack of commodity risk management
- Lack of traction beyond Latin America and Portugal
- Most global clients use the solution only for their Latin American operations

MFG.com

Headquartered in Atlanta, Georgia, MFG.com was founded in 2000, has between 200 and 250 employees, and has regional offices in Shanghai, China, and Paris, France. MFG.com is a technology solution provider specializing in direct material sourcing and supplier management for the manufacturing and defense industries. In addition to enterprise software, MFG.com maintains an extensive, global directory of engineered product manufacturers.

MFG.com LiveSource v.9.7 is a Java EE-architected, multitenant SaaS solution for enterprise buyers. A basic version supporting request for quotation (RFQ) in the marketplace is available free of charge; the paid version adds bid analysis, team scoring, auctions, RFI, excel integration and supplier management. MFG.com has fewer than 100, paying, enterprise customers. Several of MFG.com customers for LiveSource came to it through its acquisition of the Swiss vendor SourcingParts in 2006. MFG.com has migrated its SourcingParts clients to its LiveSource platform, which was released more than 10 years ago.

Several of the seven references are manufacturing companies with headquarters in France; most supply the auto industry. Two U.S.-based consumer packaged goods manufacturers also provided feedback. Reference clients use LiveSource v.9.3 primarily for direct materials sourcing, but occasionally for indirect goods and services. MFG.com references for LiveSource use an average of 1.83 of the four core modules. The typical selection is e-sourcing and spend analysis or SBM. Overall feedback was mixed.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: good support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: good
- Business Services: many

Strengths

- In the Top 3 for engineered product sourcing functionality
- Ability to win new, large clients in key markets
- Good cloud solution availability and stability
- Strong project management functionality
- Direct access in LiveSource to MFG.com's 250,000 rated and certified manufacturing suppliers

Cautions

- No spend analysis module
- Lack of broad adoption for indirect goods and services
- Minimal mobile device support

MyBiz

Based in Kuala Lumpur, Malaysia, MyBiz is an S2S solution vendor offering services and technology. MyBiz was founded in 2002, has 45 employees and has a regional office in Jakarta, Indonesia. MyBiz has secured market-leading clients in its target industries: financial services, construction, telecom, healthcare, and oil and gas. Most of its clients are based in Malaysia, but many are multinational with operations in Singapore, Indonesia, Thailand, China, Vietnam, Sri Lanka, Cambodia and the Philippines.

MyBiz's .NET-architected product line includes MySpendNet, MyTenderNet, MyAuctionNet, MyContractNet and MySupplierNet v.5.3.3 through v.5.4.3. MySupplierNet features a supplier directory spanning many Malaysian vendors. The MyBiz solution suite is delivered primarily via multitenant SaaS, but is available on-premises and single-tenant hosted. More than 100 organizations use MyBiz's strategic sourcing application suite. The first version was released 10 years ago.

Four Malaysian companies with revenue between \$1 billion and \$25 billion provided references for MyBiz. All use MySpendNet and MySupplierNet v.5.3 or v.5.4, and at least one MyBiz e-sourcing application, mostly to manage indirect goods and services. One reference provided feedback on MyBiz's newer contract management solution. The feedback was mostly positive. MyBiz references use an average of 3.33 of the four core modules, typically everything except contract management. This is the first time any Asian vendor appears in the Magic Quadrant for Strategic Sourcing Application Suites.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: strong support
- E-Sourcing: strong support

- SBM: good support
- Contract Repository: very light support
- Technology Platform: good, some support
- Ease of Use: exceptional
- Business Services: extensive

Strengths

- In the Top 5 for spend analysis, SBM and business services, and the Top 3 for category management
- Strong spend analysis solution with innovative part-level price analysis functionality
- A commanding market share in Malaysia
- Strong supplier information management and supplier scorecard functionality

Cautions

- Lack of commodity risk management module
- A very basic contract management repository
- Platform-level weakness for project workspace, social functionality and mobile device support
- English is the only UI
- Lack of success expanding beyond Southeast Asia

Onventis

Based in Stuttgart, Germany, Onventis is an S2S procurement suite vendor with 40 employees. The company was founded in 2000 and offers industry-agnostic procurement solutions. Although Onventis sells to companies of all sizes, half of its clients have less than €200 million in annual revenue. Onventis' traction has primarily been in German-speaking countries.

The .NET-architected Onventis TradeCore v.5.3 is a native suite supporting e-sourcing, contract management, SBM, e-invoicing, e-procurement, vendor managed inventory and collaborative planning. It also features a transaction network. Onventis' preferred delivery mode is private cloud; on-premises installation is also available. Onventis has fewer than 100 clients for its strategic sourcing application suite.

The nine references range in size from €200 million to €1.9 billion annual revenue and are headquartered in Germany or Switzerland. Several use TradeCore to support global operations. All use TradeCore for e-sourcing; and several have deployed supplier information management and contract repository. TradeCore is used to manage all types of spend. Reference feedback was

mixed. Onventis references use an average of 2.25 of the four core modules. The typical selection is e-sourcing and various others.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: some support
- SBM: very light support
- Contract Repository: very light support
- Technology Platform: adequate
- Ease of Use: adequate
- Business Services: some

Strengths

- References rate ROI highly
- Onventis has been eager to add functionality at clients' requests
- Complete S2S suite
- Good traction with manufacturing companies

Cautions

- TradeCore products are missing many features found in competitive solutions
- Spend analysis module not offered
- No custom fields; clients must use Onventis' fixed data model
- Onventis is not organized to support clients headquartered outside Germany, Switzerland and Austria

Open Windows

Based in Hawthorn, Victoria, Australia, Open Windows is a solutions provider with offerings in contact management, identity management and fleet management. Open Windows, with 48 employees, was founded in 1994 to serve the Australian construction industry. Although it now serves many industries, including sporting and mining, most of its contract management clients are in the public sector and utilities industry.

The .NET-architected Open Windows Contracts Suite v.6.6 includes modules for contract management, e-sourcing, e-tendering, project management and supplier portal. Open Windows preferred delivery mode is on-premises; however, the solution can also be externally hosted under

single or multitenant arrangements using local Australian hosting data centers or the Microsoft Azure cloud platform hosted in Singapore. The first version of Contracts was released more than 15 years ago.

Nine references for Open Windows hail from Australia, and the tenth is based in New Zealand. Most of the references are public sector agencies and are relatively small, with turnover (or budget) less than A\$200 million. All use Open Windows Contract Management solution for all types of spend; most references keep supplier profiles in the system. A few use Open Windows for sourcing and supplier scorecards. References were on v.6.0 to v.6.6. Overall feedback was mixed. Open Windows references use an average of 1.67 of the four core modules.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: not offered
- E-Sourcing: very light support
- SBM: very light support
- Contract Repository: some support
- Technology Platform: adequate
- Ease of Use: adequate
- Business Services: some

This is the first time a company based in Australia appears in a Magic Quadrant for the strategic sourcing application suites market.

Strengths

- Traction and brand recognition in Australia among focus industries
- Solution configurability to model unique processes
- Experience integrating with SAP for outline agreement creation, synchronization and burn rate analytics
- Financial aspects of contract management — e.g., contract price compliance

Cautions

- No spend analysis, supplier directory or commodity risk management modules
- Light contract authoring support
- Some references cite issues with ease of upgrades
- Various platform aspects lacking, including multilingual support, mobile device support, custom fields and reporting

- Low rank in customer satisfaction and business operations
- Open Windows is not set up to support customers outside Australia and New Zealand

Perfect Commerce

Based in Newport News, Virginia, Perfect Commerce was founded in 1998 and has 120 employees. The company offers a full S2S suite and BPO services for procurement. Perfect Commerce has clients in multiple industries, including financial services, manufacturing and utilities. Perfect Commerce's European base is in Paris.

The .NET-architected solutions PerfectSource and PerfectContract v.07.12 deliver sourcing, SBM, contract management, supplier directory and commodity risk management functionality. Perfect Commerce resells Rosslyn Analytics for spend analysis. All solutions are delivered primarily as multitenant SaaS. Perfect Commerce has fewer than 100 customers for its strategic sourcing application suite, which was first released 10 years ago.

The four references come from a variety of industries and range in size from \$2 billion to over \$75 billion in revenue. All use the latest version of the suite for all types of spend; three of the four companies are based in North America. Perfect Commerce references use an average of two of the four core modules. Module selection varies. Overall feedback was very positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: some support
- SBM: very light support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: exceptional
- Business Services: many

Strengths

- In the Top 5 in ease of use and customer experience
- Strong functionality for supplier self-service registration
- Ability to customize the UI

Cautions

- Weak analytics and dashboards functionality

- No native spend analysis
- Fewer than 25 customers each for e-sourcing, CLM and SBM
- Low rate of new customer growth

Pool4Tool

Pool4Tool is based in Vienna, Austria. Founded in 2000, it has 80 employees. The company offers a complete S2S suite, including vendor-managed inventory (VMI), quality management and collaborative planning, as well as additional support for product life cycle management. Pool4Tool has a clear focus on manufacturing companies. Although the majority of its customers are based in the German-speaking parts of Europe, many use Pool4Tool to support plants worldwide. Pool4Tool offers tight, packaged integration to SAP and other ERP systems, such as Infor and Microsoft Dynamics NAV (formerly Navision). Outside Europe, Pool4Tool has offices in Detroit, Michigan, and Singapore.

The Pool4Tool suite is a LAMP-architected set of modules delivered primarily as multitenant SaaS. Pool4Tool has several hundred clients for its strategic sourcing application suite. The original product was released 12 years ago. The product was v.1301 at the time of this evaluation.

The seven references are manufacturing companies based in Germany or Switzerland. They vary from €200 million up to €10 billion in revenue. All references report using the e-sourcing module, and most also use SBM. Only one reports using contract management, while none uses supplier directory or commodity risk management. Pool4Tool references use an average of 2.29 of the four core modules for sourcing all types of spending. Most of the feedback was positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: good support
- SBM: some support
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

Pool4Tool moved from the Niche Players quadrant in 2010 to the Visionaries quadrant in 2013 as a result of product line expansion and market understanding.

Strengths

- In the Top 5 in SBM and technology platform, and in the Top 3 for engineered product sourcing and category management

- Strong manufacturing client based in countries where German is the primary language
- Solution suite includes several manufacturing-related modules
- Complete S2S suite

Cautions

- References cite some issues with code bugginess. Pool4Tool says if and when issues arise, they usually stem from client-specific customizations, which require more testing than standard features.
- Native spend analysis module limited to reporting and trend analysis to identify cost reduction opportunities.
- Light support for contract authoring.
- Lack of traction outside Western Europe.

PowerAdvocate

Based in Boston, Massachusetts, PowerAdvocate was founded in 2000 and has 112 employees. PowerAdvocate's revenue is divided evenly between consulting services and strategic sourcing application suite software. PowerAdvocate has gained traction primarily with large, North American power generation, transmission and distribution organizations; however, it also has oil and gas industry clients, and a few international customers.

PowerAdvocate has fewer than 100 customers for its multitenant SaaS delivered, Java EE, 10-year old Intelligence solution suite, which includes modules for spend analysis, sourcing, contract management, commodity risk management and market intelligence. PowerAdvocate is one of a few vendors in this research with a supplier directory in use. PowerAdvocate does not reveal version numbers, because all clients are on the same, current version. The solution suite includes extensive content for should-cost modeling and cost benchmarking.

Six North American power and utility companies provided references. These organizations use a mix of modules from PowerAdvocate, and typically also buy consulting services from the company. The overall tone of the feedback on PowerAdvocate was positive. PowerAdvocate references use an average of 1.83 of the four core modules. Module selection varies. Although the solution is tailored for managing spending categories unique to utilities and oil and gas customers (e.g., transformers and pump stations), references use PowerAdvocate to source other, more generic spend categories, such as IT services.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: good support
- SBM: very light support

- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: exceptional
- Business Services: many

Strengths

- In the Top 5 in ease of use, business services and customer experience, and in the Top 3 for supplier directory
- Should-cost models with built-in pulls from related indexes; ability for clients to create their own should-cost models
- \$1 trillion fact base for market intelligence on labor, spend, shifts in supply and demand for utilities and energy industry spend
- Utilities and energy industry-specific consulting services, knowledge and spend taxonomy

Cautions

- Consulting and spend strategy expertise limited to utilities and energy spend categories
- Customers report long lead time for spend analysis refreshes
- PowerAdvocate's traction has been primarily in North America

SAP

Based in Walldorf, Germany, SAP is a publicly traded global enterprise software company, founded in 1972. It has more than \$20 billion in annual revenue. SAP offers multiple S2S suites, including Ariba Spend Management (profiled separately) and SRM, which is not profiled in this research as it is not currently positioned as a lead offering in this market. Although SAP's procurement offerings are not industry-specific, the vendor has notable traction in the consumer packaged goods and manufacturing industries.

The SAP solutions evaluated for this Magic Quadrant, SAP Sourcing and CLM v.9, are Java EE-architected solutions acquired in 2006 and enhanced dramatically since. SAP Sourcing, originally released 13 years ago, includes SBM functionality. SAP Spend Performance Management (SPM) v. 3, first released in 2007, can leverage Business Objects for enhanced visualization and mobile scenarios, and can run on SAP Hana. Going forward, it will utilize Ariba's data cleansing, enrichment and classification services. SAP's sourcing suite offering can be enhanced by SAP InfoNet for predictive performance management and external data sources about suppliers. SAP is one of only six vendors in this research that offers a commodity risk management solution. Collectively, SAP markets these solutions as an on-premises, hosted or BPO alternative to the Ariba cloud product suite. SAP has nearly 500 clients for this strategic sourcing application suite.

Fifteen private-sector companies from the U.S., Australia, the U.K. and Germany provided a reference. All report more than \$800 million in annual revenue; many are larger than \$25 billion. These references use SAP's offering to support all types of spending. Feedback for e-sourcing and CLM was primarily for v.5 and v.7. SAP references use an average of 2.23 of the four core modules. The typical selection is e-sourcing and contract management, and maybe another module. Overall feedback was mixed.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: good support
- SBM: some support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: some

SAP's position in the Leaders quadrant has improved since 2010 as a result not only of improved sales execution, as evidenced by new customer growth, but also customer satisfaction.

Strengths

- In the Top 5 in spend analysis, SBM, contract repository and technology platform
- In the Top 3 in contract authoring and intrasuite integration
- Global presence and resulting ability to support clients in emerging countries
- Financial viability
- Strong reference feedback in core e-sourcing capabilities, including RFI, RFP and project management functionality

Cautions

- Mixed feedback on individual product features in terms of completeness and ease of use. SAP says that its current solution version offers significant improvements in the UI.
- Complex product offering with multiple product lines tend to confuse clients and prospects.
- Industry-specific functionality generally not available out of the box.
- Limited support for engineered product sourcing.
- Low rank for cloud operations.

Scanmarket

Based in Solbjerg, Denmark, Scanmarket is a strategic sourcing application suite and sourcing services provider. Scanmarket sells its solutions directly and through an extensive set of procurement consultants. Founded in 1999, Scanmarket has 35 employees and additional offices in Hamburg, Germany; London; and Atlanta, Georgia. Although its focus is cross-industry, Scanmarket has had notable success in the food and beverage industry.

Scanmarket has nearly 200 clients for its .NET-architected suite v.5.3.0, with 12-year-old centerpiece modules eRFx and eAuction. Complimenting these are ScanSpend, Scanmarket's spend analysis tool; Contract Management for contract repository; and a new supplier directory, Scanmarket Supplier Base. Scanmarket outsources spend cleansing services. Multitenant SaaS is Scanmarket's primary delivery mode, although single-tenant hosting and on-premises delivery are available.

The eight references form the most geographically diverse set of references in this research, reflecting Scanmarket's decade-long focus on exporting. These organizations use Scanmarket primarily for e-sourcing (Scanmarket eRFx and eAuction), for all spend categories. A few use Scanmarket's other modules, notably CLM. In general, reference feedback was very positive. Scanmarket references use an average of 1.29 of the four core modules as defined by Gartner.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: some support
- E-Sourcing: strong support
- SBM: not offered
- Contract Repository: very light support
- Technology Platform: good
- Ease of Use: exceptional
- Business Services: many

Strengths

- In the Top 5 in business services and customer experience
- Survey creation tools and multilingual support
- Good ratings on ROI and time to value
- Ability to serve a global customer base

Cautions

- Basic contract management functionality

- Lack of SBM and commodity risk management functionality
- Competing on price may result in limited resources to invest in the business
- Light traction for spend analysis
- Uneven technology platform with challenges in workflow, multisite support, supplier portal and outlook integration

SciQuest

Based in Cary, North Carolina, SciQuest is a procurement technology specialist with 479 employees. SciQuest was founded in 1995, is publicly traded on Nasdaq and has a core competency in procure-to-pay solutions. Originally targeting higher education, government and healthcare, SciQuest has become industry-agnostic by virtue of its acquisitions. Most SciQuest clients are headquartered in the U.S. SciQuest has a regional office in Edmonton, Alberta, Canada.

SciQuest's SaaS-delivered, .NET-architected strategic sourcing application suite has been built through acquisitions. SciQuest Sourcing Director and Total Supplier Manager v.12.3 come from SciQuest's January 2011 purchase of AECsoft. Its spend analysis and commodity risk management capabilities v.13.11 are from its 4Q12 purchase of specialty vendor Spend Radar. Meanwhile, SciQuest bought the primarily on-premises installed Upside Software ContractDirector v.7.3 in October 2012. SciQuest has several hundred clients across these various modules, which it is busy rationalizing.

Six private sector companies from various industries, four with revenue between \$2 billion and \$10 billion, provided references. All but one are headquartered in North America. Most of the feedback was on the Upside Software CLM solution, v.6.2, v.6.5 and v.7.2. Overall feedback was mixed, as clients generally like the product but have been concerned over acquisition-related changes. SciQuest references use an average of 1.25 of the four core modules. The one reference we received for sourcing uses SciQuest to source all types of spending.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: very light support
- SBM: very light support
- Contract Repository: some support
- Technology Platform: adequate
- Ease of Use: good
- Business Services: some

SciQuest (previously listed as AECsoft USA) moved from the Niche Players quadrant in 2010 to the Visionaries quadrant in 2013, as a result of knowledge and assets gained from its recent acquisitions, relating to geographic strategy and market understanding.

Strengths

- Traction and brand recognition in the U.S. in higher education and state/local government markets
- Complete S2S suite
- Risk mapping functionality in SciQuest spend analysis

Cautions

- Customer concern over acquisition-related changes
- Overlapping solutions for contract management and e-sourcing will likely need to be rationalized
- Lack of brand awareness and traction outside of focus U.S. markets
- It likely will take years for SciQuest to create a seamless user experience across its various acquired applications

SynerTrade

Based in Luxembourg, SynerTrade was founded in 2000 and has 123 employees. SynerTrade offers a complete S2S solution with a main focus on large enterprises, especially in the retail, pharmaceutical and consumer packaged goods verticals. It has an array of additional modules including ArtWork & Packaging Design, Inventory Management, Own Brand Management and Quality Management. SynerTrade has multiple offices in Germany and the Scandinavian countries, and regional offices in Paris, Shanghai, New York, Sao Paulo and Romania.

SynerTrade offers spend analytics, e-sourcing, SBM, CLM, supplier directory and commodity risk management in its ST6 suite. ST6 is Java EE-architected and delivered primarily as multitenant SaaS. SynerTrade has several hundred clients for its strategic sourcing application suite. The original version was released more than 10 years ago.

The 10 references are mainly large French and German companies with revenue more than €2 billion from manufacturing, medical devices and retail industries. References were also provided by a midsize media company and a large U.S. software company. SynerTrade references use an average of two of the four core ST6 modules to source all types of spending. The typical selection is e-sourcing and another module. Overall feedback was mixed.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support

- E-Sourcing: good support
- SBM: very light support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

SynerTrade moved from the Challengers quadrant in 2010 to the Leaders quadrant in 2013, as a result of incremental improvements across the criteria for Completeness of Vision: market understanding, product (offering) strategy, innovation and geographic strategy.

Strengths

- In the Top 3 in optimization functionality
- Solution used globally
- Complete S2S suite
- Extensive supply management product line

Cautions

- E-auction and RFX modules are separate modules, which some references say interfere with event transition
- No references on supplier directory or commodity risk management offerings
- Complex offering with many applications; clients don't seem aware of all functionality
- SynerTrade's traction has primarily been in Northern Europe

Vortal

Headquartered in Lisbon, Portugal, Vortal was founded in 2000 and has 125 employees. Vortal is a full S2S vendor with a focus on public, healthcare and construction procurement. Vortal has regional offices in Madrid, Spain; Berkshire, U.K. and Prague, Czech Republic.

The Vortal Sourcing Suite 12.10 is a .NET-architected solution delivered exclusively as multitenant SaaS. The suite includes modules for e-sourcing, SBM and contract management, and features a supplier directory configured for community ratings. The suite includes analytics capabilities for transactions performed in Vortal's e-procurement solution, as well as solutions for suppliers for buyer intelligence and credential management. Vortal aids buyers in supplier selection with a certification program. Vortal has thousands of clients for its strategic sourcing application, which was initially released more than 10 years ago.

The six references are mainly local, regional and federal/national public procurement organizations from Spain and Portugal. References also include a construction company with significant business in Africa, and a Portuguese BPO service provider. Vortal references use an average of 3.57 or all of the four core modules, and they use the suite for sourcing all types of spending. All Vortal clients run the current version of the solution. Reference feedback was primarily positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: very light support
- E-Sourcing: strong support
- SBM: some support
- Contract Repository: some support
- Technology Platform: exceptional
- Ease of Use: good
- Business Services: many

Strengths

- In the Top 5 in e-sourcing and technology platform
- In the Top 3 for public sector sourcing, engineered product sourcing, supplier directory, dashboards and analytics, and intrasuite integration
- Strong supplier directory for the Iberian Peninsula and the Czech Republic
- Complete S2S suite
- Strong construction sourcing functionality, including support from proposal creation through award implementation

Cautions

- The spend analysis module handles only transactions originating in the Vortal platform (primarily procure-to-pay)
- Limited support for category management
- Lack of integrated external data for tracking supplier risk
- Vortal is not set up to support clients headquartered outside Western and Central Europe

Wax Digital

Based in Manchester, U.K., Wax Digital was founded in 2001 and has 66 employees. Wax Digital is a full S2S vendor primarily serving the U.K. market. The majority of its clients have less than £2 billion annual revenue. Wax Digital's focus is industry-agnostic, but it does notably well in retail,

leisure and hospitality, and the not-for-profit industries. Wax Digital supports the global operations of several clients.

Wax Digital web3 is .NET-architected and delivered primarily as SaaS. The suite includes e-sourcing, SBM and CLM. Wax Digital resells spend360 for spend analysis. Wax Digital has less than 100 clients for its suite, which was initially released five years ago.

Six references were provided by U.K.-based companies. The other two references are large U.S. firms with operations in the U.K. All the references use web3 e-sourcing, while only a couple use spend analytics, SBM and contract management. All types of spend are sourced, including direct materials. Wax Digital references use an average of 1.67 of the four core modules. Overall feedback was primarily positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: good support
- E-Sourcing: good support
- SBM: some support
- Contract Repository: good support
- Technology Platform: good
- Ease of Use: good
- Business Services: some

Strengths

- In the Top 5 for contract repository
- Strong reference feedback on ROI
- Strong user authentication and data security
- Complete S2S suite
- UI available in 11 languages, including right-to-left Urdu

Cautions

- Lack of contract authoring
- No sourcing optimization and weak sourcing analytics
- Offers third-party spend analysis
- Limited support capabilities for companies headquartered outside the U.K.

Zycus

Zycus, based in Princeton, New Jersey, and founded in 1998, has 560 employees. It also has offices in London and Mumbai. The company offers a complete S2S suite. The top three industries that Zycus serves are manufacturing, financial services and pharmaceuticals. The vendor has customers in a wide variety of other industries including manufacturing, healthcare, education and transportation. In addition to the U.S., Zycus has customers in Western Europe, the U.K., the Middle East, South America, South Africa, and Australia and New Zealand regions.

Zycus offers a Java EE-architected product suite that is delivered primarily as multitenant SaaS. Version 12.02 modules include iAnalyze, iSource, iContract, iPerform, iSupplier, iSave for financial savings management, iManage, and iCost for commodity cost modeling and market intelligence. Zycus's flagship product in spend analysis, iAnalyze, was released in the late 1990s. Zycus has more than 100 strategic sourcing application suite clients.

The 10 references include companies in the healthcare, pharmaceutical, industrial manufacturing, medical device, transportation, education and financial services industries. The references ranged from \$200 million to \$25 billion in revenue. These references are based in the U.S., India, the Middle East, and the U.K, but many use Zycus globally. Zycus references gave feedback on v.12.0X of the suite, and they use the solutions for all types of spend. On average, references have deployed 1.5 of the four core modules. Module selection varies. Reference feedback was primarily positive.

For this vendor's product and services, Gartner further evaluated:

- Spend Analysis: strong support
- E-Sourcing: good support
- SBM: some support
- Contract Repository: some support
- Technology Platform: good
- Ease of Use: adequate
- Business Services: many

Zycus moved from the Niche Players quadrant in 2010 to the Leaders quadrant in 2013, as a result of innovative new functionality, good client feedback on new solutions and global expansion.

Strengths

- In the Top 5 in spend analysis, and in the Top 3 in analytics and dashboard functionality
- Strong technical support (noted in all regions)
- Early market leader in spend analysis
- Global client base
- E-sourcing solution can handle 10,000 or more line items in a single event

Cautions

- Lack of CAD viewer for manufacturing sourcing
- References cite some dissatisfaction with browser support
- References cite issues uploading third-party and red-lined contracts
- SBM, contract management and CRM are new products with a small number of customers

Vendors Added or Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

Added

Since the last publication, 16 vendors were added to this Magic Quadrant: Allocation Network, Avotus, CMA Contiki, Due North, Gatewit, Mediagrif Interactive Technologies, Mercado Eletrônico, MFG.com, MyBiz, Onventis, Open Windows, Perfect Commerce, PowerAdvocate, Scanmarket, Vortal and Wax Digital.

Dropped

No vendors were dropped, but some names changed due to acquisitions. Emptoris was acquired by IBM and is listed as IBM (Emptoris). AECsoft was acquired by SciQuest and is listed as SciQuest. Ariba was acquired by SAP, but is still listed as Ariba to distinguish from another SAP entry.

Inclusion and Exclusion Criteria

To be included in the Magic Quadrant for Strategic Sourcing Application Suites, Gartner required vendors to:

- Offer a least three of the following six solutions: spend analysis, e-sourcing, SBM, contract management, supplier directory, and commodity risk management. In order to count, a solution must be generally released and be accessible, out of the box, through single sign-on.
- Have a minimum of 40 logos (unrelated customers) that are live on at least one of the six listed modules. We doubled the minimum number of live customers required for the 2010 Magic Quadrant, because the market has matured considerably in the past three years.

- Have won at least three new logos in 2012. According to "Market Share: All Software Markets, Worldwide, 2012," the procurement solutions market grew 5.9% from 2011 to 2012. Gartner expects healthy vendors in this market to be landing new clients.
- Own the source code for at least two of the six listed modules. Some vendors have stitched together suites by partnering with complimentary providers. While this strategy broadens a vendor's offering, the resulting suite is usually poorly integrated at best. Moreover, suites assembled this way are vulnerable to changes in partners' ownership structure and strategy.

The number of vendors that qualified for inclusion more than doubled from the 2010 edition of this Magic Quadrant. This dramatic uptick in the number of credible players reflects the explosion of regional and industry-specific vendors that are winning the business of large buyers. Emerging vendors are competing successfully against larger, global players with industry or category-specific solutions, locally provided business services and traction in local supplier communities. Emerging vendors should be considered as a viable alternative, when appropriate, to general-purpose strategic sourcing application suite providers.

Vendors that did not meet the inclusion criteria for this Magic Quadrant, but are worthy of consideration when a point solution, narrower suite or an ERP-native add-on is desired include vendors with a primary focus on:

- Spend analysis technology: Creactives, Opera Solutions, Rosslyn Analytics, Sievo and spend360
- E-sourcing technology: Agentrics, Bidsync, CombineNet, Directworks (formerly known as Co-Exprise), Fedbid, Isoco, Magnetized Markets, Market Dojo and Trade Extensions
- Contract management: CobbleStone Systems, Ecteon, Exari, Novatus, Prodagio, Selectica, Symfact
- SBM: Aravo, CVM Solutions, D&B, Hiperos, HICX, Lavante, MetricStream, Resilinc, RSA Archer
- Procure-to-pay: @UK, Coupa, ePlus, Periscope, Proactis, Puridiom, Verian, Visma, Wallmedien
- B2B integration and transaction enablement: Elemica, Hubwoo

Others to consider are:

- Vendors that have their own e-sourcing technology, but primarily sell business services: Intesource, K2 Sourcing
- ERP vendors: CGI, Oracle, Microsoft, Infor

Evaluation Criteria

Ability to Execute

For the ability to execute, Gartner analysts evaluate vendors on products, processes, systems, methods and procedures to achieve competitiveness, efficiency and effectiveness. Ultimately,

vendors are judged on their ability and success in capitalizing on their vision as evidenced by size, reputation, growth and customer retention.

This Magic Quadrant defines and assesses the ability to execute using the following criteria:

- **Product/Service:** This research heavily weights applications and services because a strong product offering is essential to long-term success in this market. The evaluation process considers features but also assesses overall benefit, business service capabilities, platform-level functionality such as multilingual and mobile device support, ease of use and suite-level integration. Third-party tools leveraged by vendors are considered in assessments. Product/service is scored primarily through reference feedback, weighing most heavily whether customers are successful and satisfied with their solution. Product/service capabilities across the broad market are often below customer expectations, because requirements are evolving so rapidly. This is the case, for example, for contract repository functionality. Also, ease-of-use ratings can be impacted by the degree of product sophistication. The more features a product has, the more difficult it is for the vendor to make the solution easy to use.
- **Overall Viability (Business Unit, Financial, Strategy, Organization):** Since there has been no indication of significant financial distress in this market, overall viability is not a differentiating factor and was excluded.
- **Sales Execution/Pricing:** This criterion considers vendor's presales effectiveness in terms of deal management, pricing and negotiation and presales support, including overall effectiveness of the sales channel. Gartner weighted this criterion low, because sales execution/pricing is not as important as product/service capability and customer experience.
- **Market Responsiveness and Track Record:** Gartner rated this element — the ability to respond, change direction, be flexible and as customer needs evolve — highly. The strategic sourcing applications suite market has been rapidly evolving and successful offerings must be able to adapt to changing expectations. In this report, Gartner considers reference feedback on the vendor's openness to add functionality, without additional charge, upon customer request. We also factor in the breadth of vendor focus in terms of geography and industry.
- **Marketing Execution:** Gartner defines marketing execution as the clarity, quality, creativity and efficacy of programs designed to establish and promote a positive brand in the minds of prospective buyers. We rated this criterion standard because brand awareness is critical for growth.
- **Customer Experience:** This research heavily weights customer experience — i.e., the vendor's ability to delight customers and facilitate their ROI. Since this market will likely continue to be fragmented, Gartner believes that vendors must have referenceable customers that are willing to help them grow and evolve.
- **Operations:** For operations, this research considers technical support, business issue support, the fairness of the contract, solution quality and cloud availability at a standard weighting. Gartner expects leading vendors in this market to strive for excellence in operations.

Table 1 summarizes weightings for Ability to Execute.

Table 1. Ability to Execute Evaluation Criteria

Evaluation Criteria	Weighting
Product/Service	High
Overall Viability (Business Unit, Financial, Strategy, Organization)	No Rating
Sales Execution/Pricing	Low
Market Responsiveness and Track Record	High
Marketing Execution	Standard
Customer Experience	High
Operations	Standard

Source: Gartner (July 2013)

Completeness of Vision

For Completeness of Vision, Gartner evaluates vendors on their ability to grasp current and future market and technology trends, customer needs, and competitive forces as Gartner views them. Ultimately, vendors are rated on their understanding of how market forces can be exploited to create opportunities for growth.

This Magic Quadrant defines and assesses Completeness of Vision using the following criteria:

- **Market Understanding:** This research gives standard weighting to vendors' ability to solicit, understand and act on target and current customers' requirements to maintain a competitive advantage. Market understanding is important in this market, because customers have a broad choice of vendors and customers prefer suppliers that demonstrate a high degree of market understanding.
- **Marketing Strategy:** Gartner defines marketing strategy as a clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements. We view results as more important than strategy for this particular market, and so this criterion is not considered in Completeness of Vision.
- **Sales Strategy:** Gartner defines this criterion as an appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base. This research does not consider sales strategy in its ratings, because we do not see it is a significant differentiator in this market.
- **Offering (Product) Strategy:** For this research, Gartner defines offering (product) strategy as the appropriateness and innovativeness of vendors' strategy in terms of delivery mode, product

architecture, complementary business services and suite composition/breadth. We rate offering (product) strategy highly as it is a significant differentiator in this market.

- Business Model: This research does not assess vendors' business model as the models are very similar across this field of vendors.
- Vertical/Industry Strategy: Gartner did not rate vertical/industry strategy for this research, because vendors in this market can be successful as an industry generalist or specialist. Industry-agnostic vendors have a broader set of potential of clients and, therefore, are likely to be larger and have more resources. Vertical/industry specialists often offer deeper functionality specific to their target market, but their smaller size means fewer resources to run and grow the business. Therefore, either strategy has pros and cons.
- Innovation: For this research, Gartner defines innovation as vendors' ability to look beyond immediate customer requirements to understand broader software market advances and foresee future needs. Most innovation in this market is triggered by the Nexus of Forces: mobile, social, cloud and big data. Gartner expects significant enhancements in the solutions for this market over the next five years. Therefore, innovation is weighted heavily.
- Geographic Strategy: The characteristics of the strategic sourcing application suite market support global players that can serve multiple continents. Gartner believes that long-term market leaders will have a global client base. Therefore, geographic strategy is weighted at a standard level.

Table 2 summarizes weightings for Completeness of Vision.

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	Standard
Marketing Strategy	No Rating
Sales Strategy	No Rating
Offering (Product) Strategy	High
Business Model	No Rating
Vertical/Industry Strategy	No Rating
Innovation	High
Geographic Strategy	Standard

Source: Gartner (July 2013)

Quadrant Descriptions

Leaders

Strategic sourcing application suite leaders demonstrate a market-defining vision of how technology and services can help procurement establish, develop and maintain cost-effective, high-performance sources of supply. They have the ability to execute against their vision with products and services and they have demonstrated results in the form of growth and customer satisfaction. Leaders successfully sell into multiple industries and multiple geographies. Leaders are often what other providers in the market measure themselves against, and they are the most likely vendors from this report to be in the strategic sourcing application suite business five years from now.

Challengers

Challengers in the strategic sourcing application suite market offer cross-industry solutions and they earn high marks for customer delight. They make an interesting choice for prospective buyers that want a reasonably capable suite and are willing to take a chance on a lesser-known vendor. Challengers in this market may fall short of the Leaders quadrant due to a lack of substantial traction in multiple geographies and/or market leading solution functionality. There are not many challengers in this market because rapidly evolving requirements require innovation to thrive.

Visionaries

Strategic sourcing application suite vendors in the Visionaries quadrant are ahead of most of the competition in delivering innovative products and services. They harness the power of the Nexus of Forces— mobile, social, cloud and big data — to create unique solutions, and they anticipate emerging/changing market needs. Visionaries are often narrowly focused in terms of industry, geography or both, or they may be vendors that are dealing with recent acquisition(s) and so are in the midst of reorganizing their business.

Niche Players

Vendors in the Niche Players quadrant offer strategic sourcing application suites, but may lack some functional components and/or may not demonstrate the ability to serve clients headquartered in different continents. Niche players may offer a compelling portfolio for a specific vertical, region or spend category. Despite the issues described, they can offer the best solutions to meet the needs of a particular procurement organization, considering the importance of local business services and/or industry-specific capabilities in the overall value proposition of the offering.

Context

The procurement profession has evolved during the past 20 years from a paper-intensive order-processing function to a function able to fully leverage the organization's spending power. The advent of the Internet and the collaborative capabilities it provides triggered a new generation of procurement solutions in the 2000s to support this evolution. Internet-generation procurement

applications, including strategic sourcing application suites, have moved beyond systems of record for purchase order creation and invoice payment to systems of differentiation facilitating sourcing, supplier evaluation and contract management activities.

Innovation in procurement technology continues, driven by the Nexus of Forces of mobility, analytics, social and big data. These technology-based triggers parallel changes in the procurement profession as thought-leading teams find new ways to deliver value and extend their influence into new spend categories. For example, work is ongoing in the procurement in terms of how to track savings, measure and monitor supply risk, leverage community/ecosystem knowledge and track contract burn rates. This evolution impacts procurement solution vendors, challenging them to keep up with packaged solutions when process standards are evolving. Some vendors play the role of thought leaders, enabling the procurement profession to continue making incremental improvements, while others focus on delivering established, best-practice capabilities.

Gartner expects this journey to take at least another decade. Until then, this market will not fully mature, and conditions will support the emergence of new vendors with new ideas that disrupt market leaders and reshape the competitive environment.

Market Overview

The economic downturn of the past four years led to declining profits and losses for organizations of all sizes, industries and geographies. Lacking opportunities to grow their revenue, many organizations turned their attention to any reasonable way to cut costs and improve control over spending. Strategic sourcing suites deliver measurable savings by identifying opportunities for cost reduction, and then improving procurement efficiency and effectiveness delivering on those opportunities. Case in point, two of the top four procurement technology investments identified by Gartner are commonly delivered as elements of the strategic sourcing application suite (see "Tackle These Top Four Procurement Processes to Maximize Procurement Impact").

Strategic sourcing application suites are increasingly recognized as mainstream solutions that deliver value regardless of economic conditions. As a result, demand has been healthy, with revenue growth for 2011 estimated at 13.3% and at 5.9% for 2012. Gartner sizes the total procurement technology market at \$2.7 billion; the strategic sourcing suite accounts for approximately half the total market (see "Market Share: All Software Markets, Worldwide, 2012").

Geographically, the strategic sourcing application suite market is served by a handful of global vendors and a larger number of national and regional competitors. This is particularly true in Europe where Spain, Portugal, France, Germany and Austria have strong local vendors with a competitive advantage due to local knowledge of the supplier base and culture. Most European vendors have a strong local customer base and have followed their clients internationally, but have had limited success attracting new clients with headquarters outside their native countries or regions. We are seeing an increased interest in strategic sourcing application suites from emerging markets. Therefore, in this Magic Quadrant, we feature, for the first time, vendors from Brazil, Malaysia and Australia. Gartner expects this geographic fragmentation to continue over the next three years as a

result of the importance of business services in the broader offering, and because there is great value in being known by the local suppliers and understanding local sourcing practices.

The typical vendor in this space is still small, with a median of 92 employees. ERP companies have not been able to compete effectively in this market because the architecture suitable for accounting and transaction support does not lend itself to the project-, document- and cleansing-oriented capabilities needed to successfully support upstream procurement activities. None of the solutions covered in this research are native ERP applications. The SAP solution set rated here comes primarily from SAP's acquisition of Frictionless Commerce in 2006.

On the client side, we are seeing a continued, increased interest in suites as opposed to point solutions, as well as increased interest and acceptance of cloud delivery models. In the four-month period of November 2012 through February 2013, Gartner client inquiry calls focused on strategic sourcing suites outnumbered point procurement solution calls by three to one. Since the 2010 Magic Quadrant, many suite vendors have gone from having "good enough" functionality to offering full-featured modules with improved intrasuite integration, which enhances the value proposition of the suite.

Attractive market demand and interest in suites has fueled a wave of acquisitions in the market. Since the last Magic Quadrant, SciQuest acquired AECSOft, Upside Software and SpendRadar to fill out its suite; SAP acquired Ariba to offer SaaS; and IBM acquired Emptoris to gain a foothold in the procurement technology area.

Seventy-nine percent of the references for this research access their solutions via the cloud. Despite the hype around cloud, it has become obvious that on-premises versus cloud delivery is not a binary decision. There is a continuum of cloud attributes offered by vendors in this market. For more information on these attributes, see "How to Select the Right Cloud ERP."

Buying a strategic sourcing application suite is not the only way to gain access to the technology covered in this research. Some business process service providers have partnered with vendors profiled here to deliver a complete source to pay platform as business process as a service (BPaaS). Their offerings are hosted in a public or private cloud, and they provide trained sourcing resources to perform tasks. The BPaaS pricing model is pay-per-use (i.e., cost per RFP, per contract or per auction) and the approach eliminates the need for maintenance, licenses or investment in capital expenditure (capex) infrastructure (see "Outsourcing Advisory: Sourcing Strategy Options and Approaches for Business Process Services" and "Expedite BPO Benefits Delivery with Business Process Management Technologies").

Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Magic Quadrants and MarketScopes: How Gartner Evaluates Vendors Within a Market"

"Best Practices for Sequencing Procurement Solution Investments"

"Use These Best Practices to Create a Successful Procurement Technology RFP"

"Use These Spend Analysis Best Practices to Improve Processes, Find Savings and Reveal Trends"

"Technology Overview of Contract Life Cycle Management"

Evidence

¹ The ratings in this document leveraged the following inputs:

- End-user inquiry with more than 1,000 organizations around the globe since the last Magic Quadrant for Strategic Sourcing Application Suites was published in 2010.
- Detailed survey responses on product functionality, platform technology, business services and overall customer satisfaction from 226 organizations spanning all industries and located in six continents. The median respondent size is \$3.5 billion in annual revenue, and the median length of their relationship with their vendor is four years. The vendors rated in this Magic Quadrant were invited to submit as many references as they wished. Survey responses were collected from October 2012 through May 2013.
- Detailed phone interviews were conducted from January 2013 through June 2013 with 40 additional reference organizations.
- Detailed survey responses on features, functionality, customer base size and business services from each vendor rated in this report were collected from December 2012 through May 2013.
- An hour briefing was conducted with each vendor to cover its product road map, business strategy and methodology for gathering customer input. These briefings occurred primarily in January 2013.

Note 1 Evaluation Terms Defined

We evaluate the four core suite modules on the following:

- Strong support:
 - The module has most features requested.
 - References rate module features mostly "good" and "exceptional."
 - References report above-average productivity gains with the module.
 - Overall client satisfaction with the module is above average.
- Good support:
 - The module has many requested features.
 - References rate module features mostly "good."
 - References say the module delivers acceptable productivity gains.

- Overall client satisfaction with the module is good.
- Some support:
 - The module is missing some key features.
 - References' feedback on module features is mixed.
 - Overall client satisfaction and productivity scores are mixed.
- Very light support:
 - The module is missing many key features.
 - References feedback on module features is mixed.
 - Overall client satisfaction and productivity scores are mixed.
- Not offered:
 - This module was not available at the time of publication.

We evaluate the technology platform as one of the following:

- Exceptional: The suite has most platform capabilities requested, and references rate these capabilities good or exceptional.
- Good: The suite has many platform capabilities requested, and references rate these capabilities mostly good.
- Adequate: The suite has only some platform capabilities requested, and/or reference feedback on platform capabilities was mixed.

Ease of Use was evaluated across multiple roles, including the procurement professional, chief procurement officer (CPO), supplier, IT administrator and stakeholders.

- Exceptional: References rated ease of use exceptional for most roles.
- Good: References rated ease of use good and exceptional for most roles.
- Adequate: References rated ease of use adequate and good for most roles.
- Poor: References rated ease of use adequate and poor for most roles.

Business services (solution design and solution implementation, event management services, data migration services, etc.) are evaluated as follows:

- Extensive: The vendor provides an extensive array of business services to most customers.
- Many: The vendor provides an array of business services to many customers.
- Some: The vendor provides a limited number of business services to some customers.

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability (Business Unit, Financial, Strategy, Organization): Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness and Track Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word-of-mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest

degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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