

Emptoris Is Back in the Spotlight With Click Commerce CSM Acquisition

by Mickey North Rizza

Avner Schneur, **Emptoris** CEO, is on a quest to lead his company to the next growth level. Since its inception, Emptoris has delivered value to its customers. However, a lawsuit from **Ariba** and lack of funding late last year really gave the company, and a few of its clients, cause for concern. Emptoris addressed the lack of funding by refinancing the company with **Marlin Equity Partners**, a private equity firm.

2009 looks to be just as busy. Emptoris this week announced the acquisition of **Click Commerce's** Contract and Service Management (CSM) application, an effort to further its quest of speed to value by bringing more spend under management. We recently caught up with Mr. Schneur to discuss the acquisition as well as the future of a financially healthy Emptoris.

Hindsight

AMR Research: Emptoris started in 2000 as a sourcing application provider. Soon after it made a few acquisitions—**ZeBorg**, **DiCarta**, and a few small ones like **Mindflow** and **Intigma**—to round out the application set of today. What would you say is the advantage Emptoris brings to the market with the acquisitions it has made over the years?

Avner Schneur: We have acquired the best technology and resources, enabling us to provide our customers with major business process improvements and extreme cost savings while setting new standards for sourcing in the supply management industry.

When we introduced integrated spend analysis with sourcing in 2002, we were the first to define the value these tools brought to the market in terms of harness-

ing the power and performance of two critical applications. In 2006, we added a contract management solution, further rounding out our suite of tightly integrated sourcing solutions.

Although others vendors have followed in our path, today we are constantly pushing ahead in understanding the market demands to provide innovative, incremental capabilities to our suite.

AMR Research analysis: Emptoris has definitely made an impact on the marketplace with its supply management suite and contract management offerings. It continues to go head to head with **Ariba**, **BravoSolution**, and **Zycus** for suite functionality of spend analysis, sourcing, and contract management. While all four of these companies have pros and cons in each area they bring to market, buyers base their decisions on the business problems they are trying to solve and the solution set that closely meets their criteria to purchase.

Emptoris is highly focused on direct and indirect materials. When direct materials/supply chain is the focus, it wins the deal 95% of the time. The complexity for direct materials and supply chain is exceptional in the Emptoris product suite, although many indirect buyers shy away from the depth and breadth of the this robust package.

AMR Research: Today you announced the acquisition of Click Commerce. This is a surprise move considering Emptoris doesn't have a traditional footprint in services procurement. Why now?

Avner Schneur: We continue to enhance our solution set to help our customers be more successful, and this includes the ability to assist in all areas of spend, including services procurement. When we surveyed our customers, we found a growing recognition that better management of statement of work (SOW) or project-based services procurement presents an immediate opportunity to impact their bottom line, but they specifically cited this as a major challenge.

Our customer noted that their current instances of ERP systems do not solve the problem. Click Commerce has been a quiet giant, providing services spend solutions for companies across a multitude of industries, similar to the current Emptoris customer base. With this acquisition, we can help our customers get the from their "high value but hard to manage" categories such as SOW-based services, IT outsourcing, management consulting, and contingent labor. In addition, this is a natural progression for us, allowing us to capture more spend for our customers across all categories and awakening the market that Emptoris is here to stay.

AMR Research analysis: Click Commerce is just one of many services procurement firms. **IQNavigator**, Ariba, and **Fieldglass** are also at the top of the list. With the Click Commerce CSM solution now part of Emptoris, this brings all types of sourcing spend available to Emptoris users, reducing a reason to look at other applications for services functionality. The uniqueness in services spend is in the multiple types of rates for services, milestone, and progress contracting arrangements, and capture of contractor travel and expense.

In addition, Emptoris is also gaining access to the large market of outsourcing, which has been devoid of technology platforms and strategies. See "SaaS and BPO Providers Should Work Together To Create Business Utility Services" for more.

AMR Research: The Click Commerce CSM acquisition brings some great customers names with it, including **BP**, **FedEx**, **GE**, **HP**, **Qwest**, and **Sun**, really enhancing Emptoris' market share and customer roster. What else does the acquisition consist of?

Avner Schneur: The acquisition consists of the Click Commerce Contract and Service Management CSM solution, including the technology, development, contract services, equipment, contracts, customers, and approximately 80 professionals. Currently the Click Commerce product set provides services category expertise of 55% for temporary labor, 35% IT services and project services, and the remainder a combination of marketing, real estate and some field services

AMR Research analysis: **Illinois Tool Works (ITW)** has divested itself of Click Commerce. The business units being purchased by Emptoris are the Service Network Solution, Contract Management, and Development. This will be a boost to the current Emptoris contract management application because the product captures services spend characteristics, including multiple billing, rate cards, and multiple time based contractor charges. The Click Commerce product enables travel and expense management for straighttime/overtime/second-overtime charges, milestone billing, tiered escalations and discounts, and markup and margin rate billing.

AMR Research: What are the future investments of Emptoris and Marlin Equity Partners, beyond today's announcement?

Avner Schneur: Marlin Equity Partners provides Emptoris with a very strong financial partner and the capital resources to fund long-term growth plans. Unlike other private equity deals, they didn't load us with debt. To the contrary, Marlin took on debt.

Their strategy is to maintain and grow Emptoris' position in the supply and contract management space. They'll do this by providing expertise and capital for both organic growth and strategic acquisitions that augment our offerings. In fact, this acquisition announcement provides us the first of many as we continue to move Emptoris forward.

AMR Research analysis: Marlin Equity Partners has proven its value already with this current announcement. How Emptoris integrates this product and provides even more value will be key to future acquisitions. The next acquisition targets may be in the procurement space, so they can compete as one against Ariba, **Basware**, **Oracle**, and **SAP**.

Customer value

AMR Research: What do you believe are the differentiators of the Emptoris supply management and contract management product suite that bring immediate value to your customers?

Avner Schneur: Our strength really manifests itself in three dimensions: wider, deeper, and faster. The Emptoris suite allows you to address more categories in spend, sourcing, and contracts across the enterprise than any other suite because of the significant flexibility of our offering.

Deeper stands for significant savings. Our optimization and adaptation allows companies to address total cost of ownership and utilize the science to bring the best applicable total cost of ownership. Faster means addressing and scaling faster than anyone else.

I always challenge enterprise executives on this topic. I like to ask them, “Do you know your adoption rate? Do you know how much spend on contract from total you are addressing? How will you get to upper double digits?”

For us it’s all about the impact to earnings per share (EPS). It’s not about how much you saved. It’s about how much we were able to positively move your EPS.

AMR Research analysis: Adoption rates are critical to technology success across an organization. In addition, the impact to EPS hits home with the CEO, CFO, CPO, and CSCO. Emptoris marketing to these four key executives, with the discussion moving past cost reduction, savings, and efficiencies, is radically different from other competitors in the market. The others are focused heavily on only the CFO and CPO because more indirect spend is typically ignored in companies than their supply chain spend.

In today’s economy, this difference in the Emptoris marketing strategy is assisting the sale of products to new customers, specifically in supply chain. With the addition of services spend, Emptoris can also capture the services associated with supply chain and also indirect spend.

AMR Research: Emptoris is noted for its on premise solution set that is single tenant? Will you ever bring forward a multi-tenant solution?

Avner Schneur: Emptoris is an hybrid provider. We support three models of deployment: software-as-a-service (SaaS) application, on-premise third-party application, and hosted dedicated instance application. We believe that the customer makes the decision and not us or Wall Street.

The real issue is not about multi-tenancy but rather subscription versus behind-the-firewall. We tell companies that we can get them going without IT involvement within days. Why would you want to bother with having behind the firewall? But some insist and we respect their wishes. In the last two years most of our sales have been SaaS and our subscription rate is the highest ever.

Some of our customers are e-sourcing markets, like **Exostar** for aviation, **Quadrem**, **Agentrics**, and others. They use our solution as multi-tenancy for their customers.

AMR Research analysis: AMR Research has spoken to many Emptoris subscription based and behind-the-firewall customers. The alternative go-to-market strategies with Agentrics, Quadrem, and Exostar have helped build and cater to different business and budget considerations.

2008 results

AMR Research: The Emptoris focus for 2009 is speed to value, specifically on the immediate value the buying organization derives from the Emptoris application set for cost savings, workflow efficiencies, margin improvements, and EPS. How did 2008 end up for Emptoris?

Avner Schneur: We grew 20.5% in revenue with very good traction in North America and Europe. In fact, our Q4 2008 was the largest Q4 ever in revenue. We did find that some deals were delayed into Q1. Some deals were fully negotiated and ready for signature by both Emptoris and the buyer, but the contracts were

delayed by the buyer because of the fear of a weakening economy. Like others in the technology sector, deal cycles have lengthened significantly. However, the deals are still moving forward because companies recognize the need to lower costs immediately to stay in business.

AMR Research analysis: 2008 was in general a good year for supply management vendors. Calendar 4Q08 and 1Q09 were much slower in supply management deal closures, but the amount of activity and interest has increased in sourcing, procurement, contract management, spend analysis, and supplier risk and performance. The increase in activity is based on several factors driven the global economy: the buyers' immediate need to know what is being spent, need to cut costs, improve efficiencies, and gain visibility into spend.

Summary

Emptoris appears to have moved forward beyond financial concerns and now is bringing services procurement to market as a part of their product suite. Is this acquisition enough to move it past the struggles in the past year? Only time will tell, but it definitely appears that Emptoris has a new lease on life.