Global leaders are emerging in the strategic sourcing application suite market as it begins to mature. IT, procurement and supply chain leaders can use this report to assess the top solution vendors competing in the global market.

Market Definition/Description

Strategic sourcing application suites are a set of related, integrated solutions that support "upstream" procurement activities, or in other words, the strategic work the procurement team does for planning, assessment and performance management. The global strategic sourcing application suite market was expected to achieve $1.1 billion in revenue in 2014; Gartner expects this market to achieve a compound annual growth rate (CAGR) growth rate of 8% to reach $1.5 billion by 2018. North America is the largest and fastest-growing region for most technology providers, accounting for more than half of the market revenue.

Strategic sourcing application suites are used primarily by companies with $800 million or more in annual revenue. At current suite prices, organizations of this size generally have enough spending to realize a return on investment. Below this size, we see organizations adopting technology in response to regulations (for example, directives to use e-sourcing in the European Union public sector), or because their industry is under intense cost-reduction pressure (for example, in the automotive industry).

The strategic sourcing application suite delivers four primary capabilities. Most vendors offer these capabilities as separately licensable modules:

- **Spend analysis** is a software- and service-based solution for cleansing, enhancing and classifying spend data. It features rule-based data cleansing, automated category-level classification, analytics and decision support. Automated spend analysis is used in procurement and sourcing to quantify spend by supplier, category and part, and to identify opportunities for cost reduction and supply base resizing.

- **E-sourcing** applications help organizations solicit and evaluate information (RFIs) and proposals (RFPs). E-sourcing supports "project" bidding where the outcome is a long-term agreement. This generally does not include price checks or requests for quote (operational sourcing or RFQs), tasks that are more commonly supported in a procure-to-pay solution.
Some solutions enable large-scale, complex bid events with thousands of line items and awards spanning multiple suppliers.

- **Contract management** solutions help organizations document and track supply agreements. Contract management functionality offered by vendors in this Magic Quadrant varies widely. At one end of the spectrum, they create a database of information such as supplier name, agreement value and expiration date. At the other end, some suites support contract negotiation, presignature approval workflow and postexecution activities, such as version control, burn rate tracking and change order management.

- **Supply base management (SBM)** applications help procurement organizations solicit and manage supplier information, risk and performance. They accomplish this by providing a means and a place to assemble, archive and organize supplier data. SBM data sources include information such as contact information, insurance certificates and plant locations collected directly from suppliers through a portal interface. Third-party information can be pulled in via Web services, RSS feeds or manual input, and can include financial performance data, social sentiment analysis, news and public information, such as export filings. Internally generated data, such as audit records and performance statistics, round out the information managed in the SBM solution.

Other functionality widely available in strategic sourcing application suites includes project management, category management, savings tracking and a supplier marketplace. Business services for implementation, best practice consulting and event management round out the offering.
Magic Quadrant

Figure 1. Magic Quadrant for Strategic Sourcing Application Suites

Source: Gartner (February 2015)
Vendor Strengths and Cautions

BravoSolution

BravoSolution was founded in 2001, employs 620 and has dual headquarters in Chicago and Milan. It has regional offices in the U.S., Spain, China, the United Arab Emirates, the U.K., Mexico, Germany, France and the Netherlands. BravoSolution is owned by Italmobiliare, an Italian holding company, and has notable traction in manufacturing, consumer packaged goods, healthcare services and the public sector.

The Java Platform, Enterprise Edition (Java EE)-architected BravoSolution Supply Management Suite version 12.3 and Spend Analysis version 6.3 are delivered primarily via multitenant SaaS. BravoSolution has 440 customers for the solutions covered in this report; and it partners for procure-to-pay functionality. BravoSolution’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.22.

BravoSolution retained its Leaders quadrant position as a result of its strong product offering, good overall customer satisfaction, innovation in category management and supplier management functionality, and strong geographic strategy. It ranked in the top half of the vendors rated herein for all product-level capabilities.

Strengths

- BravoSolution products demonstrate strong e-sourcing, sourcing optimization, project management and savings tracking functionality.
- It has strong traction in government and quasi government organizations outside of the U.S.
- Security and user authentication are both cited as strengths.
- Graphics and dashboards are tailored for mobile devices and tablets.
- The vendor has notable traction in emerging markets including Australia, Mexico, the United Arab Emirates and North Africa.

Cautions

- BravoSolution has a decentralized business model, which makes its businesses in various locations quite differentiated.
- The vendor is missing a strong global brand.
- The solution user interface lacks intuitiveness, looks dated and requires numerous clicks for many processes. BravoSolution says it will release a new, improved user interface in 2015.
- U.S.-based customer references provided feedback only on spend analysis and advanced sourcing, rather than the full suite, due to BravoSolution directing prospects to its Enterprise Sourcing Platform (ESoP).
Gatewit

Based in Lisbon, Portugal, Gatewit was founded in 1999 and employs 150 people. It offers a full source to settle (S2S) suite. Although it has strong traction in public sector, Gatewit has done well in the private sector, with clients in a variety of industries. It has regional offices in Bangalore, Madrid, Mexico City, Sao Paulo, San Francisco, Beijing and London.

Gatewit’s suite is Linux-Apache-MySQL-PHP (LAMP)-architected. Although it is delivered primarily as multitenant SaaS, private cloud delivery is available. In addition to the strategic sourcing suite, Gatewit offers e-invoicing, e-payment and a consumer expense management mobile application. Many of Gatewit’s 4,000 suite customers are small public sector agencies. Gatewit’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 2.65.

Gatewit's position in the Magic Quadrant moved from Visionary to Niche Player primarily due to a shift in focus to developing mainstream capabilities, such as financial reporting mobile device support, and less on thought leadership.

**Strengths**

- Ease of use is one of the solution’s main strengths.
- Gatewit has a marketplace listing many suppliers in Eastern Europe, Portugal and Brazil, but also a growing number of suppliers in Western Europe, Asia and other South American countries.
- References rate procurement strategy consulting services highly.
- The vendor has a global presence.

**Cautions**

- Gatewit’s solution lacks project management functionality.
- There is no specific functionality for mobile device support.
- Analytics and reporting are sold as add-on modules.
- The vendor ranks low for spend analysis and contract management capabilities.

GEP

Based in Clark, New Jersey, GEP was founded in 1999 and employs 1,100 people. It has regional offices in Mexico City, Sao Paulo, Shanghai, Prague, Cologne, Germany, London and multiple Indian cities. GEP is an industry-agnostic S2S technology and business process outsourcing (BPO) service provider.

Smart by GEP, version 6.0, is a .NET-architected suite delivered as a multitenant, tablet-native SaaS solution. Gartner estimates that GEP has 180 strategic sourcing suite clients. It is moving over all version-5 clients to Smart in phases this year. Many clients deploy only one or two modules.
GEP shifted from the Leader’s quadrant in 2013 to the Visionaries quadrant in 2015. The primary reason is lower product rankings and customer satisfaction scores compared to 2013, which seem to be a result of issues with the roll-out of Smart. GEP’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 2.53. There is a good chance GEP will regain customer confidence once the roll-out and upgrade issues are worked through.

**Strengths**

- GEP offers robust support for supplier-level spend analysis.
- Smart is the first procurement suite built for touchscreen tablets.
- The vendor has an encouraging product road map, which includes integrated project/savings capability, category intelligence and a supplier 360-degree view.
- GEP’s solution is competitively priced.

**Cautions**

- Low overall customer satisfaction was reported.
- E-sourcing and reverse auction functionality both have low product scores.
- There is a lack of opportunities for customers to share best practices with each other.
- There are various product issues, including object formatting problems and hard-to-use supplier master data management.
- GEP does not always meet the high expectations it sets for clients in terms of module integration. It says it is working to identify and address shortcomings.
- Customers report quality issues with the new tablet-based platform.

**IBM (Emptoris)**

IBM, based in Armonk, New York, is a publicly traded, global technology provider with $97.4 billion in revenue. In February 2012, IBM acquired Emptoris, a U.S.-based specialty procurement solution vendor founded in 1999. IBM’s Emptoris offering is an industry-agnostic set of products including telecom expense management, service procurement and a strategic sourcing application suite.

IBM Emptoris deploys Strategic Supply Management (SSM) v.10.0.2.2 on-premises and via private cloud. IBM Emptoris Contract Management is often sold as a sell-side or general-purpose tool. Gartner estimates that IBM (Emptoris) has 275 clients across the modules that make up SSM.

The Emptoris suite was 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.

IBM (Emptoris) slipped from the Leaders quadrant in 2013 to the Visionaries quadrant this year as a result of lower scores in customer satisfaction and a lower ranking in product functionality.
compared with 2013. IBM (Emptoris) management has stated that they are working hard to improve customer satisfaction, with some clients citing increasing stability and service responsiveness in late 2014 and early 2015. However, from the feedback received at the time of the Magic Quadrant survey, Emptoris’ overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) was a low 2.49. Version 10 reference customers were less satisfied than version 8 or 9 reference customers.

**Strengths**

- Emptoris exhibits thought leadership in functionality to support proactive supplier management and in Watson cross-solution intelligent search.
- The software is fully customizable.
- There are in-house services for integration, customization and business process outsourcing.
- Emptoris has proven support for large-scale contract management and spend analysis implementations.
- There are offices in 175 countries.

**Cautions**

- Customers have expressed dissatisfaction regarding ease of upgrade, and they report low overall satisfaction. IBM has realigned its support functions over 2014 to address this.
- IBM (Emptoris) received poor customer marks for ease of use and support for mobile devices. It affirms that it is overhauling its UI and mobile platform.
- There have been reports of persistent technical issues with the product.

**Ivalua**

Based in Paris, Ivalua was founded in 2000. It has 135 employees and regional offices in Quebec, Canada; Frankfurt, Germany; London; Milan; and Redwood City, California. Ivalua’s geographic footprint, in terms of customer base and office locations, has significantly expanded over the past 18 months.

Ivalua offers an extensive, natively developed S2S suite and a travel and expense application. The .NET-architected Ivalua Buyer v.8 is available on-premises, but private cloud is the most popular delivery option. The first version of the suite was released 13 years ago. Gartner estimates that Ivalua has 100 clients for its strategic sourcing application suite. Ivalua’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.00.

Ivalua moved from the Challengers quadrant in the 2013 Magic Quadrant to the Leaders quadrant in 2015, as a result of improvements in its scores relating to vision.
Strengths

- Ivalua is achieving traction and momentum in North America, which is an accomplishment for a vendor based outside of the U.S.
- The product has strong contract authoring and supply base management functionality.
- Ivalua has a strong understanding of the market and its evolving requirements.
- The vendor has a vertical market focus in manufacturing.
- Ivalua offers an application platform as a service (aPaaS) for highly configured application add-ons.

Cautions

- Ivalua’s revenue is derived primarily from organizations that are headquartered in France and North America.
- The vendor has a small customer base compared to other vendors in this research.
- Ivalua received poor customer feedback on analytics and reporting capabilities.
- Customers expressed dissatisfaction regarding ease of upgrade to version 8.
- There is limited multilanguage support; the user interface is currently available in five languages.

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 262 employees and offices in Lisbon and Miami, Florida.

The .NET-architected Mercado Eletrônico E-Procurement Suite release 224 is delivered exclusively as multitenant SaaS. Mercado Eletrônico partners for spend analysis data cleansing. Gartner estimates that Mercado Eletrônico has 100 clients, some of which have multiple divisions, for its strategic sourcing suite. Mercado's overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 2.85.

Mercado Eletrônico maintained its position from 2013 as a Niche Player. Mercado's regional footprint, focus, brand recognition and product capabilities make it a very interesting option for organizations in Brazil and Portugal, a possible option for other countries nearby, but a poor fit for organizations headquartered on other continents.

Strengths

- The product has strong intrasuite integration that is easy for users to navigate.
- Ease of use is a positive quality of this product.
Mercado has a marketplace of more than 1,000,000 suppliers, the majority of which are Brazilian.

The solution’s platform-as-a-service capability has strong traction.

**Cautions**

-Mercado Eletrônico has a small strategic sourcing suite customer base compared to other vendors in this study.
- The suite has limited functionality and light traction for spend analysis and contract authoring.
- Mobile device support is for approval and reports only.
- More effort goes into supporting unique configurations than into proactive functional enhancements.
- Mercado Eletrônico has a narrow focus on Brazilian and Portuguese markets, and a user interface in Portuguese, English and Spanish only.

**SAP (Ariba)**

Ariba, an SAP company, is headquartered in Sunnyvale, California. It was founded as a niche procurement solution provider in 1996, and acquired by SAP in 2012. Ariba has significant market share, with approximately 1,000 strategic sourcing suite customers. SAP positions Ariba as its lead cloud-delivered solution for procurement and sourcing.

The Java EE-architected Ariba Sourcing suite version 13s is delivered exclusively as multitenant SaaS. In addition to the strategic sourcing suite, Ariba offers procure-to-pay solutions and an extensive supplier network. Ariba’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.03.

Ariba maintained its position in the Leaders quadrant and improved its vision score as a result of investments in multienterprise grid functionality, mobile device support and Hana.

**Strengths**

- The solution offers robust reverse auction, e-sourcing, and project management functionality.
- SAP provides a large marketplace for finding new suppliers.
- Help desk and support for suppliers is cited as a strength.
- Sales execution is strong.
- Global brand awareness and physical presence are strengths.
Cautions

- Clients have expressed dissatisfaction with ease of use due to complex menu choices and the number of clicks required to accomplish tasks. Ariba says it plans to address these challenges in 2015.
- Few Ariba customers have implemented Ariba’s strategic sourcing suite and P2P solution together for contract compliance and contract burn rate tracking.
- Many Ariba customers report feeling pushed into contracts for more modules than they can practically implement in full at once.
- Many clients complain that the integration road map for SAP ERP Central Component (ECC) and the Ariba product line is too slow to unfold. Ariba says it is addressing this in 2015, and, in the meantime, customers can use the current Web services framework to integrate to ECC.
- Support is weak for large-scale sourcing events exceeding a thousand line items.

SAP (Sourcing)

Based in Walldorf, Germany, SAP is a publicly traded global enterprise software company founded in 1972, with €17 billion in annual revenue. SAP has an extensive enterprise application offering including multiple ERP solutions, and multiple procure-to-pay offerings. SAP’s Ariba cloud offering is covered separately in this research. This profile covers SAP’s Sourcing, which includes modules for sourcing, contract management, project management, supplier information and performance management. Gartner estimates that SAP has 650 clients for this suite.

SAP’s Java EE-architected Contract Lifecycle Management (CLM) and E-Sourcing offerings were acquired in 2006. SAP’s spend analysis offering, Spend Performance Management, runs on SAP Hana for high performance and it is integrated with Ariba’s data cleansing and enhancement services. E-Sourcing and CLM are loosely integrated with ECC. With version 11 in the works, over 100 development and support personnel dedicated to this solution, and expanding locations/languages supported (20 languages now with v.10), SAP says it sees a clear future demand for this suite.

This SAP offering moved from the Leaders quadrant in 2013 to the Niche Players quadrant. In all but a few emerging markets SAP positions Sourcing as its lead on-premises strategic sourcing suite, whereas the market shows an increasingly strong preference for cloud delivery direct from the technology vendor. Additionally, SAP’s standings for customer satisfaction and product functionality declined significantly. SAP’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 2.56.

Strengths

- SAP Sourcing has robust contract repository and project management functionality.
- Intrasuite integration and navigation are strong capabilities.
- Mobile device support is available (via SAP Fiori).
SAP is committed to offering indefinite product support.

Cautions

- Reference customers expressed dissatisfaction with technical support and account management.
- SAP received lower scores for overall customer satisfaction.
- SAP’s sales force is pushing the competing Ariba suite in the market more than this suite.
- A private cloud option is available only from SAP partners AT&T and Secure-24.
- Customers are dissatisfied with ease of upgrade.

Scanmarket

Based in Solbjerg, Denmark, Scanmarket is a strategic sourcing application suite and sourcing service provider. Founded in 1999, Scanmarket has 48 employees and approximately 250 software subscription clients. Additional offices are in Hamburg, Germany; London; and Atlanta, Georgia.

Scanmarket’s natively built, .NET-architected suite v.5.25.0 is available as multitenant SaaS and private cloud. Its Supply Base Management (SBM) solution is less than a year old. Scanmarket outsources spend cleansing and data enhancement services to London-based Spend360. Scanmarket does not offer other solutions beyond the strategic sourcing suite.

Scanmarket moves from the Challengers quadrant in 2013 to the Niche Players quadrant in 2015, primarily because most of its revenue still comes from its e-sourcing and reverse auction solutions rather than from suite sales. Scanmarket’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.38.

Strengths

- The solution offers robust e-sourcing and reverse auction functionality.
- Solution ease of use and flexibility are cited.
- There is strong reference feedback for implementation services, consulting, event management and help desk support.
- Overall customer satisfaction is rated high.
- Scanmarket has a diverse global customer base in terms of industry and location.

Cautions

- It has little traction in spend analysis.
The newer contract management and SBM modules will likely evolve as clients deploy them and provide feedback.

A low percentage of reference customers for this report indicated plans to implement additional Scanmarket solutions in the next 12 months.

No vertical industry capabilities are currently offered. Scanmarket has indicated near-term plans to offer key functionality for food and beverage, retail and manufacturing.

SciQuest

Based in Cary, North Carolina, SciQuest is a procurement technology specialist with 551 employees. It was founded in 1995, and is publicly traded on Nasdaq. Originally targeting higher education, government and healthcare, SciQuest has grown rapidly and become industry-agnostic by virtue of its acquisitions: sourcing vendor AECsoft in 2011; spend analysis vendor Spend Radar and CLM specialist Upside Software in 2012; and sourcing optimization leader CombineNet in 2013. SciQuest has offices in multiple U.S. cities, Alberta, Canada and London.

SciQuest’s original core competency was catalog-based procure-to-pay solutions. With its acquisitions, SciQuest can now deliver source-to-settle functionality. Gartner estimates SciQuest’s strategic sourcing suite client count at around 250. Most live clients have only contact management or sourcing optimization. SciQuest’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.19.

SciQuest has moved from the Visionaries quadrant to the Niche Players quadrant in this year’s Magic Quadrant. Execution scores rose as a result of improved customer satisfaction, but innovation scores declined because SciQuest’s focus has been on suite integration and plugging gaps in functionality.

Strengths

- SciQuest has decisive market share and a strong brand in the U.S. higher education market (source to settle) and in consumer packaged goods (sourcing optimization).
- The solution offers robust spend analysis and sourcing optimization functionality.
- There has been significant improvement in customer satisfaction scores from 2013 to 2015.
- Financial performance and viability are strong.
- Recently, there has been deal flow coming from a broader array of industries.

Cautions

- SBM solution functionality is weak.
- Suite-level integration is not yet complete.
- The user interface is English-only for Spend Analysis and Contract Director.
Most deployed, full-suite customers are in higher education. There are few multimodule live deployments in other industries.

There is low brand awareness outside of the U.S.

**Selectica (lasta)**

Based in Carmel, Indiana, lasta, a Selectica company was founded in 2000 and has a regional office in London. Selectica, a specialist contract life cycle management (CLM) solution vendor, acquired lasta in July 2014. The combined organization has 170 employees. lasta and Selectica plan to integrate their solution offerings over the next few years. lasta is a niche strategic sourcing application suite provider with event management and SBM configuration services.

lasta’s .NET-architected strategic sourcing suite version 9.0 is sold as multitenant SaaS, but is available for implementation on-premises. Gartner estimates that lasta has 150 customers. Selectica CLM version 6.4 is a Java EE-architected solution with approximately 120 customers.

lasta’s position changed from Leader in 2013 to Visionary in 2015. Although lasta earned strong scores in product functionality, customer satisfaction and innovation, it has limited global presence and support. lasta’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.45.

**Strengths**

- lasta has notable traction in the retail industry.
- The company is doing thought-leading work in configuring and deploying supply base management.
- The solution offers market-leading CLM capabilities through parent company Selectica, and has strong savings tracking and e-sourcing functionality.
- References cite ease of use as a main solution strength.
- Overall customer experience is reportedly positively.

**Cautions**

- There are long-term financial performance challenges for parent company Selectica.
- For the lasta product line, most clients are headquartered in the U.S. The UI is available in English only, and the solution is hosted at a single data center located in the U.S. The Carbon platform, due out in 2015, is planned to address these issues.
- A practical limit of "6,000 line items" in sourcing events is a constraint for very large bid scenarios.
- Integration between Selectica CLM and lasta SmartSource is just getting underway.
SynerTrade

Based in Luxembourg, SynerTrade was founded in 2000 and has 152 employees. It has regional offices in France, Germany, Italy, Sweden, Denmark, Romania, New York, Sao Paulo, Shanghai and Dubai. SynerTrade sells to companies of all sizes and in all sectors in commercial industries.

SynerTrade’s natively integrated suite, SynerTrade Accelerate Version Core 2.0, offers source-to-settle functionality and an array of complementary modules such as ArtWork & Packaging Design, Inventory Management, Brand Management and Quality Management. The Accelerate platform was first released May 2014, and, during 2015, SynerTrade will be migrating most of its version 6.x clients. Delivery of the Java EE-architected SynerTrade Accelerate in 2014 was split between private cloud and multitenant SaaS. Gartner estimates SynerTrade's strategic sourcing suite client count at 250.

SynerTrade’s position in the Magic Quadrant moved from the Leaders quadrant in 2013 to the Challengers quadrant. Feedback from SynerTrade's clients indicate some issues with market understanding and customer satisfaction. SynerTrade’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 2.71.

Strengths

- SynerTrade offers robust solutions for spend analysis, supplier information management, reverse auctions and category management.
- The vendor’s ability to close new deals is rated strongly.
- There is a rich assortment of suite modules, including tooling management, vendor-managed inventory and master data management.
- The solution includes very strong analytics and reporting capabilities with flexible graphics and configurable reports.
- There is some industry-specific functionality for several industries, including consumer packaged goods and public sector.

Cautions

- Feedback is highly variable in terms of overall customer satisfaction.
- In-house best practices consulting and event management services are limited.
- Customers express dissatisfaction with technical support and account management. SynerTrade says it installed a new CRM system in the summer 2014 to address the issue.
- Customers are dissatisfied with the ease of upgrade of SynerTrade version 6.
- Issues with solution uptime/availability have been reported. SynerTrade says it changed hosting providers in 2014 to address the issue.
Vortal

Headquartered in Lisbon, Portugal, Vortal was founded in 2000 and has 200 employees. Vortal is a full S2S vendor with a focus on the public sector, healthcare and construction industries. Vortal has regional offices in London, Madrid, Berlin, Prague and Bogota, Colombia.

The Vortal Sourcing Suite is a .NET-architected solution delivered exclusively as multitenant SaaS. Although most of Vortal’s 2,700 customers are small government agencies, it has approximately 200 commercial customers and several larger public sector platform contracts. For example, Vortal recently won multiagency deals in two Latin American countries. Vortal’s overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.17.

Vortal shifted from the Visionaries quadrant in 2013 to the Niche Players quadrant in 2015. Vortal’s orientation, brand market understanding and geographic strategy are focused on public sector organizations in Europe and Latin America. Outside of these target markets, it lacks brand recognition and traction.

Strengths

- Robust intrasuite integration and navigation are cited.
- Vortal has an extensive Portuguese supplier marketplace.
- The vendor has a leadership role in driving public procurement reform in the European Union.
- It has proven capability meeting the needs of small or midsize government agencies, but it has also had recent success winning larger, multiagency deals.
- References say that the product is easy to use.
- Authentication and data security capabilities are strong.

Cautions

- There is a low level of traction in organizations with more than $2 billion in annual revenue.
- Spend analysis functionality is limited.
- There is a low level of brand recognition outside of target markets.
- Most live clients are located in Portugal and Spain.

Zycus

Zycus, based in Princeton, New Jersey, was founded in 1998 and has 624 employees. It is privately held, with offices in Chicago, Atlanta, Australia, London and Mumbai. Verdantis, a sister company, offers complementary purchased-part master data management and data quality solutions.
Zycus offers a complete Java EE-architected S2S suite, but the procure-to-pay portion is relatively new. Zycus's solution is available as multitenant SaaS only. Gartner estimates that Zycus has 175 live strategic sourcing suite clients.

Zycus maintained its position in the Leaders quadrant this year. It demonstrates strong market understanding and its product offerings rate highly compared to most other vendors in this research. Zycus's overall customer satisfaction score (on a scale of 0 to 4, with 4 being the highest) is 3.46.

**Strengths**

- Customer feedback for spend analysis, contract authoring, contract repository, supply risk assessment, analytics and reporting is strong.
- The suite received high marks for ease of use and overall customer satisfaction.
- Zycus has signed many suite deals, and a significant percentage of current clients are planning to implement additional modules.
- Operations, and especially technical support and implementation services, are noted strengths.
- High practical line-item limit for single sourcing events differentiates Zycus for the manufacturing industry.

**Cautions**

- A self-funding model may limit the vendor’s ability to grow.
- Some modules do not support the Safari browser.
- Data integration between suite modules is incomplete.
- Gartner estimates that half of Zycus's customer base has only spend analysis deployed.

**Vendors Added and 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’s appearance 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. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

**Added**

No vendors were added to the Magic Quadrant.
**Dropped**

A significant number of vendors were dropped as a result of Gartner transitioning the focus of this Magic Quadrant to larger, global vendors. This change reflects the gradual shift in user preference away from working with local vendors, to contracting with larger, global brands. Nevertheless, organizations should consider regional vendors in addition to the global leaders covered herein when investing in a strategic sourcing suite.

Vendors dropped include Allocation Network, Avotus, CMA Contiki, Curtis Fitch, Due North, Fullstep, Mediagrif, MyBiz, MFG.com, Onventis, Open Windows, Perfect Commerce, Power Advocate, POOL4TOOL and Wax Digital. Several of dropped vendors are profiled in context research connected with this Magic Quadrant.

**Inclusion and Exclusion Criteria**

To be included in the 2015 Magic Quadrant for Strategic Sourcing Application Suites, Gartner required vendors to:

- Own, market and sell modules for spend analysis, e-sourcing, contact management and supply base management. We allowed outsourced data cleansing and enhancement for spend analysis if the vendor has its own associated user interface and analytics.
- Have earned a minimum of $10 million in combined subscription, license and/or maintenance revenue in calendar 2013 for the four required modules.
- Have won the business of a minimum of five new logos in 2013 for the suite.
- Have offices of their own, excluding partners, on two or more continents.
- Have earned a minimum of 15% of 2013 revenue from customers headquartered on a different continent from the vendor’s home office.

ERP vendors such as Oracle and Infor were excluded from this report because they did not meet the inclusion criteria.

**Evaluation Criteria**

**Ability to Execute**

For the Ability to Execute, Gartner evaluates vendors on products, processes, systems, methods and procedures to achieve competitiveness, efficiency and effectiveness. This rating dimension is the more qualitative assessment, based on survey input from the vendors and their reference customers.

User requirements and best practices for the strategic sourcing suite continue to evolve, and the strategic sourcing suite market is still immature. This Magic Quadrant heavily weights product and
service. Strategic sourcing suite vendors are still building out their solutions, and, as a result, there is wide variability in the robustness and completeness of their suites. Likewise, marketing execution is weighted highly because vendors must be visible to prospective clients to build market share. As a counterpoint, we weighted customer experience highly because our bottom line is whether a vendor has delighted its customers and helped them achieve their goals.

Other criteria considered in the Ability to Execute include:

- Overall viability, because with market consolidation and increased demands for investment in capabilities such as mobile and ease of use, financial performance is of growing importance.
- Marketing responsiveness and track record, because vendors need to understand the market to serve it well.
- Sales execution, because the ability to win deals is critical to building market share.
- Operational excellence in terms of account management, technical support and cloud services.

Table 1. Ability to Execute Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Product or Service</td>
<td>High</td>
</tr>
<tr>
<td>Overall Viability</td>
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</tr>
<tr>
<td>Sales Execution/Pricing</td>
<td>Medium</td>
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<tr>
<td>Market Responsiveness/Record</td>
<td>Medium</td>
</tr>
<tr>
<td>Marketing Execution</td>
<td>High</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>High</td>
</tr>
<tr>
<td>Operations</td>
<td>Low</td>
</tr>
</tbody>
</table>

Source: Gartner (February 2015)

Completeness of Vision

For the 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 rating dimension is the more quantitative assessment based on Gartner’s interaction with end users and subsequent understanding of the market.

Two criteria were weighted highly for vision: vertical industry strategy and innovation — because in the crowded strategic sourcing suite market vendors need to differentiate. Functionality tailored to specific vertical industries is one good way to stand out above the crowd, because there are meaningful differences in the way some industries, such as public sector and manufacturing, deploy
strategic sourcing suites. Innovation in areas such as mobile device support and big data can also impact customers' success.

For moderately weighted criteria, Gartner selected market understanding, because vendors need to have a good feel for the market's direction in order to remain competitive; product offering strategy, which assesses whether the full offering of the vendor is in line with client expectations; and geographic strategy, to gauge the vendor's likelihood of building a global brand. Scores on sales strategy were incorporated because some vendors are better than others at closing deals.

Table 2. Completeness of Vision Evaluation Criteria

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Understanding</td>
<td>Medium</td>
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<tr>
<td>Marketing Strategy</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Sales Strategy</td>
<td>Low</td>
</tr>
<tr>
<td>Offering (Product) Strategy</td>
<td>Medium</td>
</tr>
<tr>
<td>Business Model</td>
<td>Not Rated</td>
</tr>
<tr>
<td>Vertical/Industry Strategy</td>
<td>High</td>
</tr>
<tr>
<td>Innovation</td>
<td>High</td>
</tr>
<tr>
<td>Geographic Strategy</td>
<td>Medium</td>
</tr>
</tbody>
</table>

Source: Gartner (February 2015)

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 have proven viability, demonstrated market performance and shown the ability to exceed customer expectations on technical functionality. Challengers need to focus on innovation
in their product road maps, as well as their geographic and vertical industry strategies to move into the Leaders quadrant.

**Visionaries**

Strategic sourcing application suite vendors in the Visionaries quadrant are ahead of most of the competition in developing 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 in this report, however, have some challenges delivering those innovations to clients.

**Niche Players**

Vendors in the Niche Players quadrant offer strategic sourcing suites, but may lack some functional components and/or may not demonstrate the ability to serve clients headquartered on different continents. Niche Players offer a compelling portfolio for a specific vertical, region or spend category, and they can offer the best solutions to meet the needs of a particular procurement organization.

**Context**

This Magic Quadrant is an update to the Magic Quadrant for Strategic Sourcing Application Suites published 1 July 2013.

The procurement profession has evolved during the past 25 years from paper-intensive order processing to a strategic enterprise function able to fully leverage spending power to build a competitive advantage. The advent of the Internet, and the collaborative capabilities it provides, has served as a trigger for a new generation of procurement solutions that support and enable this transformation.

This evolution has heavily impacted the market for strategic sourcing suites. A decade ago most organizations expected to license, deploy and significantly customize an ERP vendor offering to serve as a "system of record" for upstream activities. Most of these initiatives failed because ERP solutions are architected for transaction-oriented processes.

The emergence and acceptance of packaged, multitenant SaaS offerings that deliver much of the needed functionality out of the box has displaced the ERP-based solution with a knowledge-management-oriented flexible architecture, quicker time to value, lower overall cost of ownership and order-of-magnitude improvements in access to innovation. None of the solutions evaluated in this Magic Quadrant are native ERP applications, not because we focused on best-of-breed offerings, but because ERP offerings do not effectively compete in this market.

Innovation in procurement and sourcing technology continues, driven by the Nexus of Forces of cloud, mobility, social and big data. As a result, organizations are beginning to leverage their strategic sourcing suites for much more than just running events and documenting contractual agreements. They are successfully configuring their solutions to track savings, measure and monitor
supply risk, support category management, and leverage community/ecosystem knowledge. Some vendors play the role of thought leader in this endeavor, enabling the procurement profession to raise the bar on performance, while others focus on delivering established, best-practice capabilities. Organizations interested in investing in a strategic sourcing suite can shorten their evaluation process by deciding upfront whether they want thought leadership or a proven product.

Gartner expects the procurement transformation journey to take at least another decade. Until then, this market will not fully mature, and conditions will support the emergence of ideas that disrupt market leaders and reshape the competitive environment. Prospective buyers looking for leading-edge capabilities should therefore anticipate that suite vendors may not meet all their needs. Niche vendors not covered in this report may be the most effective choice for point capabilities such as supply base management and sourcing optimization.

Market Overview

The strategic sourcing suites Magic Quadrant evaluates solutions that support upstream procurement activities, or, in other words, the strategic work the procurement team does for planning, assessment and performance management. Strategic sourcing application suites are distinct from downstream procurement solutions: applications and suites that support operational requisitioning, ordering and payment processes. Strategic sourcing application suites are often deployed as a shared service, even for very large organizations, and they are used for managing all types of spend, including services and direct, raw and indirect materials.

This report evaluates vendors that have achieved a critical mass in the global strategic sourcing suite market. Key findings are:

- **Multitenant SaaS delivery dominates.** Eighty-one percent of the references provided for this report are deployed as multitenant SaaS. Fourteen percent are private cloud, and the remaining 5% are on-premises installations. The major driver for multitenant SaaS is significantly easier upgradability and, thus, access to innovation. Organizations chose private cloud or on-premises delivery when they wanted to customize their solution and/or maximize privacy.

- **Mobile support is on the rise.** Fifty-three percent of the vendors covered offer the ability to approve a contract or sourcing event from a mobile device, up dramatically from 34% in 2013. Eighty-five percent support HTML5, up from 69% in last year’s report. Half offer a touchscreen tablet client.

- **Big data is on the rise.** Seventy percent of the vendors in this report offer a supplier marketplace, although SAP Ariba’s network is by far the most extensive. Thirty-six percent of vendors pull third-party data into their suites for at least half of their clients, and 65% allow suppliers to input once, for multiple buyers to access, common firmographic data such as the tax ID and address. However, only 14% offer social sentiment analysis and tracking out of the box.
Procurement is the buyer. Eighty-two percent of references said procurement was the lead decision maker for selecting a strategic sourcing suite. The next-closest role was supply chain at 17%. IT was the lead decision maker only 10% of the time.

Private cloud (single-tenant SaaS) solutions are proving significantly more difficult to upgrade than multitenant cloud solutions. Reference clients graded all solutions delivered primarily via private cloud low in terms of ease of upgrade.

Strategic sourcing suite vendors are getting serious about SBM. To date, SBM has been dominated by niche vendors in supply risk and governance, risk, and compliance. Several references in this report utilize their strategic sourcing suite vendors to build extensive programs for tracking risk, information and performance.

The systematic import and use of third-party data, such as financial viability scores or social analytics, in strategic sourcing suites is not widespread. Half of the vendors in this report indicated that fewer than 25% of their clients have configured their strategic sourcing suite implementations to pull in third-party data.

Gartner Recommended Reading

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

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

"IT Market Clock for Procurement and Sourcing Solutions, 2014"

"Maximize the Value From Investments in Strategic Sourcing Suites"

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

"Best Practices for Sequencing Procurement Solution Investments"

Evidence

Input for this report was from the following sources. Surveys and calls were conducted in the summer and fall of 2014:

- Survey responses from 161 reference customers
- In-depth calls with an additional 20 reference customers
- Detailed information from the vendors on their product capabilities, vision and strategy
- Inquiry calls and in-person visits with more than 2,000 different end-user customers over the past 8 years.
Evaluation Criteria Definitions

Ability to Execute

**Product/Service:** Core goods and services offered by the vendor for 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:** 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/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 to 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.