



Emptoris – diCarta Merger Capitalizes on Major Market Trends

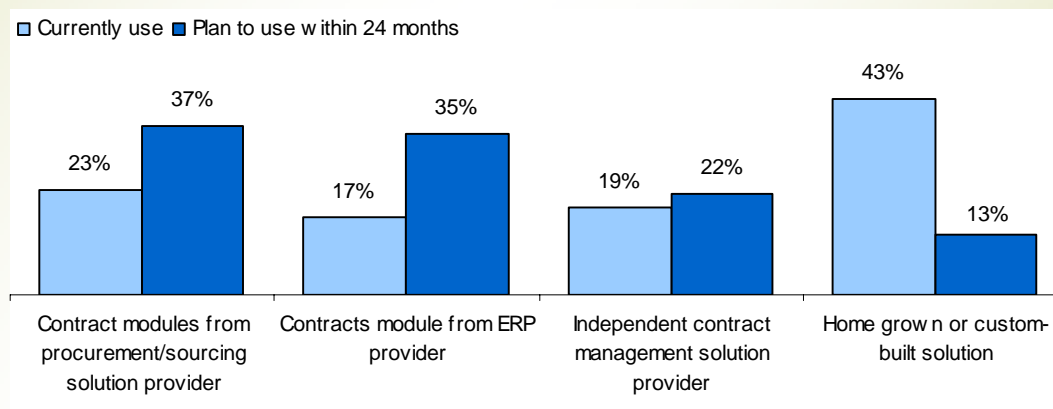
Market Event

As convergence in sourcing, procurement, and contract management continues. Today, Emptoris and diCarta announced a merger that forms one of the largest supply management vendors. These companies were among the market leaders in their respective areas; Emptoris in supply management and diCarta in enterprise contract management.

Aberdeen Analysis

The contract management market has been consolidating in recent years and it's likely to continue. It's only logical that contract management become an integral part of the supply management process. However, there are certain vendors that deliver industry-specific products and expertise that will still be valuable. Aberdeen's most recent [Contract Management Benchmark](#), which focuses on procurement contracts, found that about 27% of the 221 companies surveyed plan to invest in contract management automation within the next 24 months. Figure 1 breaks down where exactly enterprises are looking for contract automation products, with approximately 37% planning to invest in contracts modules from sourcing/procurement providers. These figures show that the merged company, which will be called **Emptoris**, has taken a step in the right direction.

Figure 1: Current and Planned Use of Contract Management Technologies



Source: AberdeenGroup, March 2006

The Emptoris-diCarta deal has just been made official after flying under the radar for the last nine months. Over this period both companies have made significant progress in terms of integrating not only both solutions but also management and employees. Emptoris retained diCarta's senior management expertise, integrating them into Emptoris's executive team. Because both companies came to the table with pretty large and reputable installed bases with

minimal overlap, the union presents strong cross-sell opportunities. With all these customers falling into certain industry categories, the next logical step for Emptoris will be to develop expertise in specific industries.

The two companies have always had strong channel sales approaches in partnering with such companies as IBM, Accenture, and others that will continue to deliver most of their services as Emptoris continues to focus on software functionality. This partner-centric model will help Emptoris scale the business faster. Emptoris also has good flexibility in terms of delivery models, offering installed on-site, dedicated third-party hosting, as well as a shared instance hosted model (i.e., On Demand). Customers will have the ability to pick and choose the delivery model of each module while maintaining centralized visibility. This flexibility in delivery will help Emptoris to serve the needs of both large and mid-size enterprises.

The deal capitalizes on these major trends in the supply management automation space:

- **Spend compliance:** Enterprises have shifted their focus from savings identification and negotiation to savings implementation. The reason: savings leakage. Aberdeen benchmarks found that 60% of e-sourcing users have been unable to fully implement cost savings negotiated online. Companies typically implement only 70% to 80% of negotiated savings according to procurement professionals, however, according to finance executives, this number is closer to 35%.
- **Regulatory compliance:** New regulations, such as Sarbanes-Oxley, require companies to establish and document business controls, procedures, and systems for tracking and reporting material business information, and ensuring compliance.
- **Risk mitigation:** Globalization, outsourcing, licensing, and channel agreements are increasing the number, type, and complexity of contracts and the risks in trading relationships.

The New Offering

Along with this merger announcement, Emptoris is also introducing a new release, Emptoris 6. This includes diCarta's enterprise contract management solution, both buy and sell side (According to our research, about 40% of companies are looking for such a single contract management solution that covers both buying and selling). Emptoris 6 offers spend analysis, sourcing, contract management, compliance, and supplier performance measurement, as well as SAP integration with the recent "Powered by SAP Netweaver" certification. Additionally, enterprises have an option to switch on a separate module that automatically aligns master data (e.g., vendor master data and item master data) and carries it into SAP.

The release also includes a new 'compliance' solution. One of the biggest factors driving improvements in contract management, according to the Aberdeen survey, is the increase in regulatory compliance. This module will allow companies to monitor, track, and improve compliance relating to transactions, processes, and regulations. This module aims to ease some of the SOX 404 reporting requirements using various standardized reports.

Implications for the Customer

Since a large percentage of diCarta customers is made up of larger companies, they may already be using a sourcing/procurement solution. However, Emptoris 6 will allow diCarta customers to fully integrate their contracting and compliance processes and systems into a broader sourcing and supplier management suite, removing the hurdles of integrating various data models.

Current Emptoris customers previously considering its fledgling contract management capabilities now have access to a top-notch solution with contract authoring, collaboration, repository, compliance, and analysis capabilities that are steps ahead of Emptoris' prior contract management capabilities. These companies have an opportunity to adopt a more closed-loop system. By adding this improved contract management capability, these companies can reduce the amount of savings leakage due to non-compliance with contracts negotiated via a sourcing event, for example.

Aberdeen Conclusions

As is typical, this consolidation will result in fewer — but more financially secure — providers with bigger, broader product suites. As this trend continues, we are likely to see contract management players focusing either on building functionality or developing a strength in one particular part of the contracting process; for example, contract conversion or creation.

With this particular merger, both Emptoris and diCarta customers will benefit from extended functionality options. Emptoris' partner ecosystem is also likely to see further development given the combined company's enhanced value proposition and leadership position.

Related Research

[Contract Management Benchmark – Procurement Contracts](#), March 2006

[Supplier Enablement Benchmark](#), March 2006

[Direct Materials Sourcing Benchmark](#), March 2006

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