

Emptoris at a Glance

HQ: Burlington, MA

Founded: 1999

FY 2006 Revenues: Under \$100 million. Privately held.

Ownership: Founder Avner Schneur, employees, Menlo Ventures (the biggest shareholder). Sequoia Capital, ABS Capital Partners, HarbourVest Partners and NETinvest.

Employees: 400

Major customers: GlaxoSmithKline, Motorola, Vodafone, Heinz, Kraft, Kohler, Boeing, AMD, Cigna, ConocoPhillips, Trinity Health, Wolters Kluwer, among others.

Relevant customer awards: GlaxoSmithKline won the Baseline Magazine 2005 ROI Leadership Award for achieving a 5,452% annualized return-on-investment using Emptoris. Vodafone received the 2005 InfoWorld 100 Project of the Year Award for its deployment. Motorola received the Franz Edelman Award for Achievement in Operations Research and the Management Sciences in 2004 for the application of optimization bid analysis with Emptoris to save \$600 million. Heinz (2004) and GlaxoSmithKline (2003) won the Chartered Institute for Purchasing Supply (CIPS) Supply Management Award for "Best Use of Technology" for their application of Emptoris.

Strategies: Emptoris is a software company that has not developed any consulting business. Instead it has developed partnerships with key procurement outsourcers IBM and Accenture, whose customers implement Emptoris software as part of a package. Its new push is Overdrive, whose goal is to increase use of best practices within a given enterprise.

TECHNOLOGY SUPPLIER Q&A

Outsourcing partners help push revenue at Emptoris

Avner Schneur is one of the toughest-talking CEOs in the supply management software space. New data released by Emptoris indicate he may be backing up the palaver. The software company had a bang-up third quarter, recording revenues 86% higher than the year-earlier quarter. Schneur says some defections from its bigger rival Ariba helped fuel the growth. Emptoris also reports that its sales backlog for subscription business are outpacing its total 2006 revenues, which are up 76% year-to-date.

Doug Smock of Global CPO recently sat down with Schneur and Kevin Potts, vice president of marketing at Emptoris, to try to get the story behind the slide show, and to find out what are the emerging trends in the business.

How would you position Emptoris in the supply management space?

Schneur: We look at ourselves as a supply and contract management solution provider that delivers capabilities through our software and services to enable companies to drive a high-level of adoption and deliver real impact to their bottom line business performance.

How is Emptoris different?

Schneur: We know companies need to capture immediate value from the solutions we offer. We help them to do this by providing software that is easy to use with multiple deployment options and backed up with fast track implementation services to help them get live quickly. However, if we only did that, it would be hard to differentiate ourselves. To help companies go beyond the immediate value and create a significant and sustainable savings program, we deliver a comprehensive, integrated solution to support the widest coverage. By widest coverage, I mean all users, all spend categories, all types of contracts and all suppliers globally.

While we offer all of our solutions with extensive full service "on demand", we are not focused solely on providing on demand solutions and we do have customers that implemented behind the firewall. We are not trying to compete in the outsourcing area. We believe we have the best technology. We have by far the strongest balance sheet and the strongest growth. Potts: I would add one more thing. And that is knowing that we are working in an ERP environment. For transactional automation, customers need to be able to link into Oracle or SAP.

Why are companies choosing Emptoris?

Schneur: They are looking for real sustainable business impact that extends well beyond a few quick wins. *Potts:* They see our customers setting the benchmark in this space. If you look at the handful of reputable awards recognizing the business impact of supply management programs, you see our customers making a clean sweep. Other companies see this and want to follow the leaders.

Who are your closest competitors?

Potts: Ariba is the standard bearer in the space. Further out you see SAP and Oracle as the IT organization begins to play a greater role in the selection process.

Why did you take the strategy of partnering with outsourcers IBM and Accenture?

Schneur: The majority of the deals in this business are done by these people. They have influence at the senior most levels of companies we want as customers, they have sales teams that dwarf us and our competitors and they have world class service deliver capabilities. Let me ask you a question, how many people do you think are Emptoris-trained between IBM and Accenture combined? The answer is probably over 3500. How many sales people do IBM and Accenture have in procurement? I would guess that it is over 600. Does anybody have 600 salespeople? We have 50. The reach is huge. We get royalties for their customers using our software. Some of these companies asked to secure the use of Emptoris solution after their outsourcing contracts expire

How do you structure the deals?

Schneur: It's proprietary and complex. It's almost like a blanket contract that is based on size and dollars.

Are the partner customers required to use Emptoris technology?

Schneur: If they go through IBM or Accenture, they use the technology that IBM and Accenture bring to the table. I'll give you an example: A major bank in Europe is a customer of Accenture, but does not have spend analysis. But this bank

uses sourcing. It depends on the deals that are made by the providers. We have no control over that.

Do you see the channel partners as providing the biggest part of your growth?

Schneur: Today they drive about 30% of our business. They will continue to be an important part of our growth. Another major trend we see fueling our growth comes from two sides: the followers and companies looking to expand capabilities to the entire enterprise. The followers form the next wave of adoption, and companies looking to expand to an enterprise solution typically use one of our solutions in a department or two and want to broaden their capabilities.

How would you rate the level of spend management achievement in the global 5000?

Schneur: I would say that today there are about 600 companies that have what I call successful implementation. The number is very small, but the potential remains very large.

Why?

Schneur: There is a transition in procurement leadership. Of all the procurement VPs that came to a recent Conference Board event, 50% of them were new to procurement. So as this transition advances, we will see a greater number of companies moving forward on their spend and supply management transformation initiatives. You can see more implementation coming, but the speed is not fast enough. It hasn't come at the same speed as CRM for example. I think some of it is a matter of focus.

How will Emptoris be different in two years? Where do you have holes?

Schneur: We will grow, fueled by both new customers in the next wave of adoption and continued strong adoption from existing customers. There will be a growth in the existing products and growth from new products. *Potts:* One of our investments now is around enhancing our supplier development and supplier performance management solutions.

Thanks Avner and Kevin