



Strange Bedfellows, New Models: What's Next for Services Procurement?

Market Event

Click Commerce this week announced the acquisition of Elance, a pioneer of contingent labor and outsourcing services procurement solutions. The deal coincides with the emergence of Provade, a managed services procurement platform for complex services categories built atop the Oracle Procurement suite. The two events portend the growth of On Demand and hybrid solution delivery models for the labor procurement solution marketplace.

Aberdeen Analysis

Click Commerce Extends its Reach Further

Supply and service chain collaboration platform provider **Click Commerce** this week announced the acquisition of **Elance**, a pioneer of contingent labor and outsourcing services procurement applications. The deal augments Click's collaborative supply chain visibility and execution functions with capabilities to automate and streamline business services procurement, management, and payment, particularly for complex contingent labor management.

While a seemingly odd fit on the surface, the union responds to the following market trends:

- *Prioritization of contingent labor cost management.* AberdeenGroup interviews with more than 100 chief procurement officers identified contingent labor as the number one spend category targeted for sourcing, procurement, and compliance improvements within the next 12 to 24 months. (See [The CPO's Agenda](#), March 2005.)
- *Increased adoption of category-specific procurement solutions.* Aberdeen research has also tracked a growing appetite from category-specific procurement functionality and solutions. Evidence: Investments prioritized for category-specific solutions include investing in contingent-labor procurement applications and analytics, and outsourcing labor cost management activities. (See [Best Practices in Category Spend Management: Contract Labor](#), September 2005.)
- *Changes in staffing patterns among manufacturers.* Faced with an uncertain economy and competition from low-cost countries — particularly China — U.S. manufacturers have cut back on both production and full-time employee capacity, relying instead on third-party services, contract manufacturers, and contingent workers as a way to lower cost structures and be more responsive to swings in customer demands.
- *Growing adoption of On Demand and Software as a Service (SaaS) models.* Aberdeen research found that 45% of companies are using sourcing or procurement solutions in a shared, multi-tenant delivery mode (a.k.a., On Demand or SaaS), and another 22% plan to

adopt such solution types within the next 24 months. (See [On Demand Supply Management Benchmark](#), March 2005.)

- *Broader adoption of SOA to support supply chain initiatives:* Aberdeen research indicates that business-line executives are increasingly partnering with IT to drive the adoption and use of SOA infrastructures and applications to support and extend supply chain processes. In fact, more than 45% of supply chain executives indicate that their companies have initiatives to apply SOA to support integration and flexible business process development to support supply chain initiatives. And another 17% of supply chain executives say their companies have such initiatives planned within the next 12 months. (See [The Service Oriented Architecture in the Supply Chain Benchmark Report](#), September 2005.)

Provade: Removing the Tradeoffs of Services Procurement

The acquisition of Elance coincides with the emergence of **Provade**, a managed services procurement solution that is built on (SOA) and utilizes a SaaS delivery model — all supported with category expertise and outsourcing services. The Provade solution is a competitive services procurement application that layers category-specific templates, workflows, and analytics atop the Oracle Procurement solution suite. The solution footprint is designed to support the complete services cost management cycle for contingent labor, legal, marketing, facilities, and professional services.

In addition to the above factors, Provade's new approach capitalizes on additional trends:

- *Continued traction of the "hybrid" solution model:* Since 2001, Aberdeen has been projecting that future procurement and supply management solutions would embrace a hybrid model that incorporates a self-service application platform combined with category-specific market intelligence, process methodologies, and analytical scenarios.
- *Increased interest in outsourcing category procurement and management:* Aberdeen research revealed that 67% of companies plan to outsource some aspects of contract labor procurement and management within the next 24 months. The discrete manufacturing sector was among the most aggressive in their plans to outsource contract labor procurement and management. (See [Category Spend Management Report Series: Contract Labor](#), March 2004.)

Recommendations for Action

- √ Click Commerce customers should consider extending their implementations to include the contingent labor and outsourced services management capabilities of the Elance platform.
- √ Oracle and PeopleSoft customers should consider Provade's managed services offering as a way to accelerate deployment and improve services category procurement and management.
- √ Enterprises can anticipate alternative embedded, hybrid, and outsourced solution delivery models for services category procurement.

Implications to Enterprises

Click Commerce

Click Commerce's customers should benefit from Elance's complementary solution functionality. It extends Click's supply and service chain visibility and service chain operations into the acquisition and management of contingent workers as well as other non-labor related services. Both platforms support SOA and anticipate integration issues to be minimal and complete within a year. This move also advances Click's strategy to provide the underlying technology for an integrated suite of applications that will combine various categories of spend.

Click Commerce will offer the Elance platform as a service for large enterprises to manage outsourcing and contractor spending. Company executives anticipate cross-selling opportunities in the aerospace and defense and contract manufacturing verticals. Click will continue to target Elance's traditional sectors, such as high-tech, financial services, and institutional research. Company executives pledge to continue support and development for existing Elance customers.

However, Aberdeen anticipates that initial beneficiaries of the acquisition — and the likely drivers of integration and user-interface and functional enhancements — will be current customers of both firms, including FedEx and Motorola.

(Note: Elance has maintained its online marketplace for software and Web development services and will focus on growing its online service for small business outsourcing.)

Provade

Provade's open architecture and managed services delivery approach has the potential to eliminate many of the tradeoffs procurement executives have faced when evaluating category solutions. Specifically, Provade offers advanced category procurement functionality — such as costing models, supplier management, and invoice reconciliation and payment — while supporting corporate IT objectives to consolidate on a common ERP platform. Through a strategic relationship with **Oracle**, Provade also provides hosting and managed services for its own solutions as well as the complete Oracle Procurement and **PeopleSoft** SRM suites.

Such attributes should appeal to Oracle and PeopleSoft customers looking to accelerate their procurement solution deployments or extend the ability of their existing platforms to manage the complete services procurement lifecycle. Indeed, Provade's earliest customers include several major financial services organizations that were already PeopleSoft customers. It also counts major staffing companies among its clients. Oracle's own internal procurement organization is using Provade to extend the Oracle Procurement platform and improve how it manages its contractor spend.

Provade's managed services model could also help enterprises capitalize on (and avoid any potential challenges that may come with) upgrading to Oracle Fusion, which will begin integrating and rationalizing Oracle Procurement and PeopleSoft SRM solutions in 2007.

Although initially built to leverage and complement components of Oracle and PeopleSoft suites, Provade's open architecture and delivery approach could enable it to extend its solution to interoperate with and extend other major business platforms, including **Ariba** and **SAP SRM**.

Implications to the Solution Marketplace

These recent market events portend a major shift in how services procurement solutions are

architected, packaged, and delivered. Specifically, this shift will affect the most leveraged category solutions that support the growing preference for hybrid solutions (which couple application functionality and category domain expertise) and outsourcing services.

For example, **IQ Navigator** has driven significant growth and multi-year customer agreements by offering a flexible range of solution and service delivery offerings, from an installed, self-service application to a full business process outsourcing (BPO) and vendor on premise (VOP) offering.

This flexible solution packaging and delivery approach is also offered by rivals, such as **eWork** and **Beeline** for contingent labor management and **NewlineNoosh** for print cost management. Others like **Chimes** and **ICG Commerce** are primarily offering services procurement management as a managed service or full BPO solution.

Aberdeen Conclusions

The entries of Click Commerce and Provade into the services procurement solution market signify a continued trend for category solutions to interoperate or embed within broader business application platforms. They also reaffirm earlier Aberdeen research findings detecting enterprise preference for hybrid solutions that combine category-specific functionality with domain knowledge — all delivered as a managed or fully outsourced service. Enterprises can expect additional partnerships and mergers in this space as solution providers aim to better integrate advanced category functionality with deep expertise and support services.

Related Research

[Best Practices in Category Spend Management: Contract Labor](#), September 2005

[The Service Oriented Architecture in the Supply Chain Benchmark Report](#), September 2005

[On Demand Supply Management Benchmark](#), March 2005

[Category Spend Management Report Series: Contract Labor](#), March 2004

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