PROJECT UNIVERSE – ESOURCING STRATEGY

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Abstract:

Triton is a small esourcing company located in Southern England. Triton operates in the e-procurement space whereby it enables clients to create their own e-auction interfaces. The reverse auction model is in significantly widespread use in the e-procurement sector. Triton has key competencies within this space. As a recently established start up company, Triton faces a couple of key challenges. First it is unclear which market it should operate in. Should it for instance, service all sorts of customers in the procurement market or address the needs of a specialist segment. Second, Triton also hasn't been able to figure out whether it should direct its efforts to locate public sector projects or create customised solutions for smaller companies that are coming into the market. Being a small company it needs to build reputation by creating uniquely reliable customer service yet such a strategy tends to impact on its cash flow in the short term. By placing oneself as a consultant to Triton, the student will be expected to develop a strategic plan for its growth. The strategic plan in essence is expected to address the immediate past, present and future existence and growth of Triton's business.

Keywords: Reverse auction, e-procurement, e-sourcing, differentiation

PROJECT UNIVERSE – E-SOURCING STRATEGY

1. Introduction

Triton is a start up company in the SME sector that has been in existence a little over four years. During this time the company has gradually strengthened its position. Developing custom made software that its clients could use as well as providing specialist support to new entrants into the procurement sector have been key approaches to garner stability of cash flow that Triton currently enjoys. However, as it is a small company with limited manpower, discretion needs to be used to decide on the future direction of the company. If it grows too quickly it may be unable to sustain its uniqueness on the other hand if it concentrates on progressing in a direction that would require a great deal of expensive capital it may find it difficult to obtain an healthy cash flow. Project Universe is the name given to the overall strategic plan that is being created by Vince Baker, a consultant tasked with developing a strategy to pull Triton to safety.

2. Round 1: 2011

Vince Baker thought about his meeting with the Triton team of directors on his train back to the big city. Triton is a prospective entrant into the e-sourcing space, looking to acquire market share from the dominant players by taking advantage of the best of today's cloud computing technology. The analogy they used was that they seek to do to Oracle, SAP and Ariba what Salesforce and subsequently Zoho has done in the CRM space to Act and Goldmine, or what Google has done in the application space to Microsoft.

At first he thought they were crazy, trying to take on the mature e-sourcing market swamped by numerous players that already had at least a ten year head-start. How could there possibly be room in the market for yet another entrant? How on earth could they convince their potential customers to adopt their offering, particularly as customers were increasingly looking for end-to-end solutions?

However as he listened to their proposition, he began to see that their ambitions were not fuelled by experience and determination alone, but upon a sound market niche which they were looking to exploit. Although ten years had allowed the competition to develop a robust, feature-rich toolset, it had also encouraged complacency in the market. In fact, a refreshing offering is precisely what the market needed. If marketed and positioned in the right manner, Triton could even manage to create a market of their own, one that very few competitors would even consider. Just a cursory glance towards their main competitor, Ariba, and you could see that the market was bracing itself for a shift, just the kind of shift that Triton had anticipated.

Vince contemplated his role as the lead for Project Universe, the name given to the activity for the refinement and implementation of the Triton business case. The Triton directors had constructed the initial business case from many months of analysis as well as using their own experience as purchasing consultants. During their previous roles they had conducted and managed e-sourcing services for major clients in the oil and gas, manufacturing, automotive and aerospace sectors, amongst others. During this time they had spotted something their competitors had not or had chosen to ignore. Vince had no doubt they knew the product and services. However, he noted that they did not have extensive commercial experience, particularly in relation to board level strategy. It would be this top-level planning and direction that he would most need to apply himself.

Through no coincidence this was precisely his background, having fulfilled roles within the aerospace sector as a buyer then purchasing manager before joining the consultancy field for a large blue-chip advisory firm. Dissatisfied with the rigid corporate structure inhibiting his career path, he left to found his own niche management consultancy, an action which resonated well with the Triton directors and perhaps even secured him the work. As one of the first projects on his books, he was determined to make it a resounding success.

3. e-Procurement and Reverse Auctions

Billions of pounds are tendered every year on goods and services by companies across the globe. Procurement as a profession is becoming an ever more important focus (Laudon and Traver 2013). Companies realise that in these times, coming out of a recession with increased global competition, an efficient procurement strategy can mean the difference between profitability and receivership (Kauffmann and Tsai 2009). Simple analysis at OEM's such as Rolls-Royce shows that a 1% reduction on procurement costs can relate to a 10% increase in gross profit.

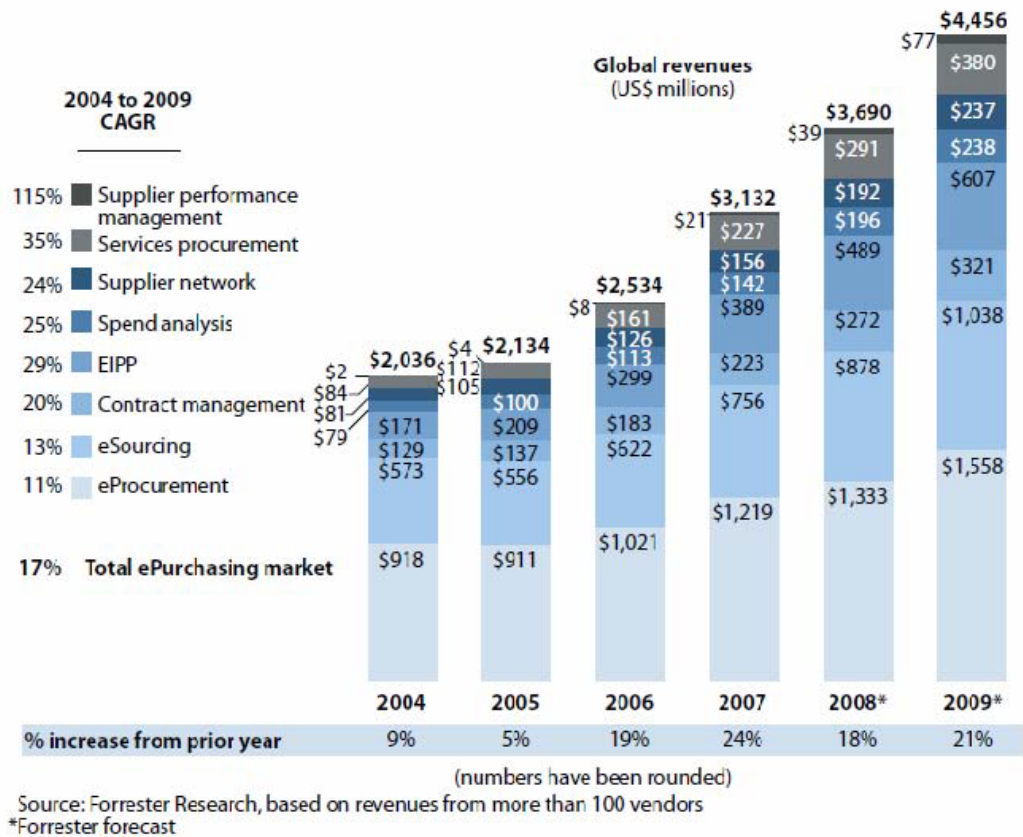**Figure** 1 ePurchasing Market By Type Of Product, 2004 To 2009

Figure 1 above shows the growing trend for e-procurement which is enabling the procurement profession to evolve and gain the much needed efficiency.

[Appendix 1 included in the teaching note for this case study also indicates the potential growth in the SaaS sector of e-procurement]

E-procurement entered the scene in the mid-nineties with the dotcom boom and e-market places (Turban et al 2012). It took time for the real value to come to light after the initial surge and consolidation. One technology which emerged in assisting companies efficiently and effectively reducing costs of their purchased goods and services was the reverse auction.

A reverse auction is an auction in which the roles of buyers and sellers are reversed. In an ordinary auction (also known as a forward auction), buyers compete to obtain goods or services, and the price typically increases over time. In a reverse auction however, sellers compete to obtain business, and

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prices typically decrease over time. It is widely recognised that the reverse auction does not conclude all negotiations but has its place in the buyer's toolset where it can be hugely beneficial when used correctly. Traditionally reverse auctions in the procurement space were utilised solely for commoditised and readily defined goods and services (Laudon and Traver 2013). Typical examples are office supplies and furniture, printing services, IT hardware, utilities and so on. However, today they are increasingly being used to negotiate for strategic goods and services, such as raw materials, logistics, manufacturing processes and precision engineering services.

To make a reverse auction a success, there are several criteria you need to examine.

- **Specification -** The category needs to be defined exactly. The reverse auction will focus on price so to be able to compare everyone's prices; they all need to be bidding on exactly the same commercial terms, service levels and standard of product or service.

- **Market Liquidity –** The probability of a successful reverse auction increases with every supplier involved who is willing to bid. It would be risky to run an auction with fewer than three motivated bidders.

- **Scheduling –** The timing has to be right. The categories could involve hundreds of parts for example and all the contract end points need to be examined so any result from a reverse auction can be concluded swiftly, otherwise it will adversely affect your potential market liquidity.

- **Savings potential –** A reverse auction can be quick but will generally involve a fair amount of work. The most successful events will have well written RFQ's and involve personally calling the supplier base to sell them the idea and get them involved. Thus you would not generally embark on this direction unless there is sufficient ROI for the work involved. Typically you would look at tenders over £250,000 to ensure not only that the bidders are attracted to the contract but also that you see a return from the costly investment of time and resource.

Due to procurement professional's poor level of understanding of this new technology, the primary method of delivering benefits from reverse auctions was via a managed auction service. This is where a third party consultancy or service provider manages and carries out all the work during the reverse auction process, from composing the RFQ, sourcing, qualifying and motivating suppliers to take part, expediting and analysing the quotations, managing and hosting the auction event and on occasion assisting with the implementation with the chosen supplier(s). From start to finish the activity takes 6 to 8 weeks, requiring both a project team from the client to sign off the documentation and suppliers lists and to respond to any questions, and a project team from the service provider, typically a project manager and a sourcing manager.

The companies who emerged offering this activity derived their benefits from their skilled resource, cutting edge methodologies, robust technology and their proprietary supplier databases. Some prime examples of such companies would be TradingPartners, BravoSolution and FreeMarkets (now part of Ariba).

The most common form of remuneration for such an activity was a gain-share model of up to 30% of the contingency savings. An upfront fixed fee may also have been applied for more complex and resource-intensive projects, as a way of sharing the risk. The total fees for such a service could command upwards of £60,000 at the turn of the millennium. However, as the market matured and cost became a greater differentiator, a managed auction service can now be bought for less than £30,000, despite the service being almost identical to when it first hit the market. This was having a noticeable effect on the service providers, provoking many to diversify their software and services into the broader cost reduction and e-procurement arenas.

With sales revenue of managed Reverse Auctions apparently on the decrease, Vince Baker considered what the next s-curve in innovation would look like. With the general understanding of reverse auctions vastly improved within the procurement community and with universities teaching about e-sourcing as part of their curriculums, would procurement professionals wish to run their own tenders via reverse auctions? Or do they just want a wider range services in the e-procurement space?

4. Why companies would use e-auctions?

To help him direct the sales and marketing strategy, Vince Baker contemplated why companies actually use e-auctions (the broad term for both forward and reverse online auctions) in industry. They are certainly growing in usage and awareness but what are the driving factors and who would use them?

As the global economy was struggling to overcome the effects from the 2007 to 2009 recession with companies typically facing lower sales revenue from global competition, there was an increasing pressure on cutting costs. Procurement became the heart of the organisation. More efficient, better negotiated purchasing was required to keep the firms in profit. The pressure on companies was immense, exemplified by the uncharacteristically aggressive letters distributed to the supply chain from leading public sector service firms such as Serco and MITIE.

Vince Baker recollected the variety of sourcing strategies which he used to employ in his former profession (Appendix 2). Reverse auctions easily fell in to the category of exploiting buying power, which, on top of aggressive negotiation, sought other benefits such as spend and invoicing consolidation and supplier rationalisation. Aggressive negotiation could take several forms. There was the demand for a cash rebate based on the previous 12 months of business or in return for a 'preferred' supplier status, there were cost reduction workshops, held co-operatively with the key suppliers, there were tactical negotiations based on volume increases, raw material price movements, currency fluctuations and other factors, there were make versus buy decisions and there were sourcing and RFx (Request for Information / Proposal / Quotation etc.) activities. Clearly the reverse auction was just one tool to be used out of many potential alternatives. What could the reverse auction achieve that none of these other activities alone could offer?

Reverse auctions are proven to generate more savings than face-to-face negotiations, on average up to 25% when viewed against traditional paper-based tender processes (LGA 2012), as suppliers are put under greater levels of competition than they would have otherwise experienced. The other big advantage is the efficiency in the negotiation stages, as the software could allow in excess of 50 suppliers to compete concurrently. This could not be achieved either without some form of electronic bidding technology. Reverse Auctions not only find you the true market price for your goods and services, but can also help you narrow down your options for the final award decision process. Such a strategy can put suppliers at ease as they know there will be a chance at the end for the top few to sell the other value-added services that they can offer.

Reverse auctions have become increasingly popular in the public sector. The key reasons listed by the government for adopting reverse auctions are (LGA 2012):

- elimination of paper and streamlined processes
- short negotiation cycle
- better value for money procurement
- increased transparency of the contract award process

These sentiments are echoed throughout the procurement field and are not just applicable to the public sector. As the government are morally obliged to represent the public and therefore cannot rock the boat too greatly, it could be argued that reverse auctions are, in the general consensus, the right approach. This bodes well for Triton.

There are many typical objections to using a reverse auction as a negotiation tool and bad practices by an unscrupulous few have not helped. Typically, the objections centre on the use of reverse auctions as nothing but a one-way negotiation on price and on the negative impact reverse auctions have on supplier relationships. Auctions are price-focused but if adequate preparation is carried out and you clearly communicate your intentions with the supplier at all times before, during and after the auction, such objections can be mitigated. With respect to supplier relationships, the open and honest approach of reverse auctions has been shown to actually strengthen ties (I-ADAPT 2010).

Forward auctions also have much more value and application than is widely known. The most obvious application is to dispose of excess stock or unused assets. Companies tend to put little effort into these activities as it is not their core business and in many cases the assets have been written off the accounts anyway. However, if these activities are approached with the same rigour as the reverse auction activities, then significant improvements can be made on their success compared to just selling the scrap to a local dealer.

Increasingly many companies are realising the potential of selling their product to their customers via a forward auction. If your goods or services are in sufficient demand and you operate in a seller's market, a forward auction presents a genuine opportunity to negotiate the optimum sales price. It makes the process extremely efficient with great repeatability; saving both time and resource.

Vince Baker could see there were some unique reasons for companies to negotiate via an e-auction. There is good awareness and positioning already in the market for reverse auctions yet forward auctions were still largely underused. Perhaps it was connected to the non-core nature of forward auctions or for their non-strategic sales process which enables sites like eBay to cater for them. Either way, it would pose a significant challenge to address the forward auction market, yet if successful there would be few competitors in the B2B arena.

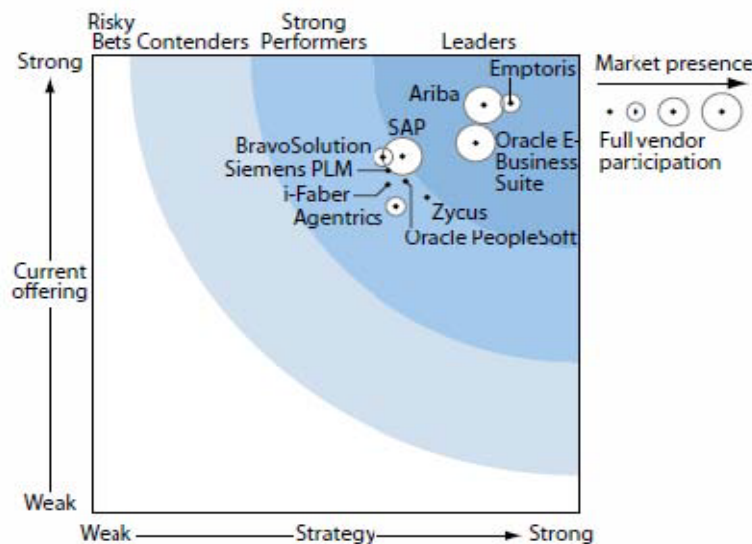**Competitors in the Reverse Auction Market**

Figure 2 Forrester Wave: eSourcing Q1'09

The reverse auction market is very competitive yet equally there are potential niche markets which can be exploited. The competitors can be broken into four segments:

Large multinationals: The traditional large companies such as Ariba, SAP, Emptoris and Oracle dominate this segment, which offers reverse auction capability as part of a much wider purchase-to-pay offering. They are beginning to embrace the notion of cloud solutions with a pay as you go approach. Ariba signalled their intentions when they bought Procuri in 2007 (Ariba 2007) to be able to offer a subscription service. However as these companies are large, global corporations, they are less agile and responsive than some of their smaller counter-parts. In many cases it can be off-putting to companies turning over less than $1bn to partner with such dominant solution providers. On the other hand, other very large organisations with sales into the many billions would actively seek to partner with solution providers in this segment for the breadth and depth of the service that they offer, as well as the reassurance of working with a recognised brand.

Boutique consultancies: There are many consultancies in this area such as TradingPartners, BravoSolutions and Hedgehog. They offer managed e-auctions, typically hosted on their own bespoke

software, to companies on a fixed and/or contingent fee arrangement. The software used by these vendors is not developed explicitly for use by third-party purchasing professionals rather it has tended to be largely influenced by the e-auction process that the consultancies follow. Nevertheless their software is on occasion licensed to their customers but more to supplement their service offering. It is these consultancies that are facing the greatest pressures, as the barrier to entry for an experienced procurement professional to enter this market is low, particularly if their clients have their own licensed software or if the professional can partner with a software vendor. TradingPartners, for example, has undergone a major restructuring of their business, greatly reducing the headcount in their head office (Spend Matters 2010). The question that needs answering to ensure longevity in this sector is do companies still want a managed e-auction service or do companies want a much broader e-auction and cost reduction service covering all aspects of their supply chain? Depending on their interpretation, they may either remain as boutique consultancies in a wider context or they will become software vendors.

Tailored software vendors: These could be typically classed as SMEs who offer bespoke e-procurement software packages solely for use by their customers. They differ from the large multinationals in that they traditionally aim at specific solutions and do not have the infrastructure to support the large global corporations. Traditionally their software has been locally deployed on their clients' premises and they will have a legacy of pricing which inhibits their ability to offer a clear price level. Companies in this sector may also offer some level of supplementary services or consultancy, such as supplier sourcing, bid analysis and managed e-auctions. However they differ from the above as they would still class themselves as a software company. Examples here are Iasta, Curtis Fitch, Quadrem and Wax Digital.

Commoditised software vendors: This is the sector inhabited by Triton, which is where e-auction software is offered to the general market as an off-the-shelf, easy-to-use product; much like the Hotmail of the e-mail world or the Facebook of social media. Increasingly this is the sector that e-auction providers are seeking to infiltrate, with companies such as CPOConnect and Purchasing Auctions already established in this area. The differentiators here come down to support levels, price, professionalism and features. The software has to be carefully balanced so that one size fits all yet is not over-complicated or insufficient to their customers' needs. Provision of support is also vital to provide reassurance to their customers, yet it also has the potential to place too great a demand on the vendor.

Vince Baker realised that it is in this sector that Triton should look to uniquely position itself. Yet he also saw that as they expand, the strategy must allow them to compete in the other, more service-oriented sectors. He could see that this could be a difficult challenge, particularly as Triton had no intentions of becoming yet another service provider.

5. The Triton Proposition

Triton believes it has realised a gap in the market for a commoditised product that could cater particularly well for the SME market. The apparent paradigm shift away from the managed e-auction service towards the software-as-a-service (SaaS) model, that allows any company to run their own e-auctions, makes the basic concept very attractive to them. The traditional managed auction service had been considered a luxury product in the market, affordable only by those companies with significant areas of spend, whose cash flow would allow for a high level of investment for a medium-term return. However, by pricing in their cloud software at a level affordable to many SMEs, Triton believes they can create their own market niche.

Since very few companies had entered the e-sourcing market since 2001, there were very few companies in this industry who were in a position to radically adapt their company structure and strategy around the SaaS model. The teams of highly-skilled sourcing consultants recruited by all these companies would find themselves largely redundant in a SaaS company. Therefore it would take a very brave CEO to make the irreversible call to switch to a software model. By the end of 2010, only one dominant player, Ariba, had made the decision to focus on e-procurement SaaS when they decided to sell their sourcing services and business process outsourcing (BPO) services assets to Accenture for $51 million (Ariba 2011). Just 6 years earlier in 2004, Ariba spent $493 million to acquire the same outfit which at the time

was called FreeMarkets (CRM Buyer 2004). Despite the less-than-exemplary performance by Ariba, Triton shared the vision that SaaS was the future of the e-sourcing market.

Triton had spent the last 3 months designing and developing their e-sourcing and e-auction software in-house to keep the start-up costs to a minimum. The software, written in Ruby on Rails, a platform shared by Twitter, Groupon and Shopify, was not innovative in terms of feature/function, as they believed that 90% of e-auction needs could be catered for by the bare essentials, but was novel in the way it could approach and be positioned in the market. The Triton unique selling point and mantra is that there is no e-auction software on the market offering a solution which combines the following characteristics:

- Easy to use (no training costs),

- Professional processes (ensures success),

- Transparent pricing (great value)

Triton, by offering a combination of the above features, feels it is uniquely placed to take e-auctions to the next stage in their evolution. Not only can they build on the understanding already in the market place, which ironically is continually increased the more prodigious their competitors become with their managed e-auction services, but their software can also be marketed to any 'average' purchasing professional by providing a very low barrier to entry with respect to cost, usability and best practice. The definition of the term 'average' is any purchasing professional that has a decent grasp of e-procurement, spend analysis, RFQ compilation and supplier sourcing. Triton recognises that by addressing the average purchasing professional, their software will not be suitable to the very large enterprises, for example the major supermarkets, that run complex, combinatorial e-auctions almost on a daily basis. Triton made this decision early in their developmental phase to help focus their product yet sought to incorporate functionality to cater for 90% of the e-auction market.

In addition to the reverse auction, the Triton software can be used for forward auctions for activities such as asset disposal, where platforms like eBay lack the professionalism. Triton intends to exploit such immature markets in order to maximise their revenue potential.

Another prospective revenue stream identified by Triton is to approach the purchasing consultancies and interim purchasing managers, as there is a clear overlap in their sales and marketing targets. Typically e-sourcing software would take many months to develop and would incur significant costs; hence it is major barrier to entry for the niche consultancies, of which there are thousands in the UK market alone. Instead consultancies and interims offer their skills, experience and resource as a service to assist their clients with reducing cost in their supply chain. However, due to the clear and highly competitive price level of the Triton solution, consultancies could now be tempted into adopting the software into their own service offering to their clients. Not only would this help Triton rapidly infiltrate the market through an affiliated network but it would also generate multiple revenue streams from selling either directly to the consultancies or indirectly to the clients they engage with. Very few competitors would be able to similarly perform this feat as they have their in-house consultants to take precedence.

Notably, the majority of the Triton marketing plans were focused on the private sector. The main reason was the lower barrier to entry. The public sector, whilst on the one hand has a huge market potential and has a vested political interest in e-auctions, was on the other hand dominated by a handful of large organizations, such as BravoSolution and Due North, who were firmly embedded within the various public sector bodies on up to seven year contracts. It would take a huge overhead in terms of time, cost and resource to develop software that could compete in this market. Triton took the decision that whilst the potential return could be significant, the risks involved were too great for a self-capitalised start-up.

Triton also had great ambitions in the horizontal market. They stated their intentions of offering their solution to the consumer; a completely untapped market. Their innovative USP of ease-of-use, clear pricing and professional software would render their solution attractive to companies or individuals with a tender value as little as £20,000 to allow, for example, consumers to negotiate the price for their new conservatory or for re-roofing their house. Furthermore the software could cater for new initiatives for

forward auctions such as property and estates. This potential for new business is vast and would only require new website designs with the same e-auction engine integrated into the back-end.

One of the more unique features of the Triton offering was their payment system. Triton offered two payment structures, the first a Pay-As-You-Go type approach, which cost £1,000 per e-auction, regardless of scale, complexity or value. The second was an Annual Licence model, which cost £5,000 per user and permitted an unlimited number of e-auctions. As the software could also be used as a paperless method of gathering in quotes, regardless of whether or not the user then goes on to run an e-auction, the Annual Licence also had further benefits in this way. What was unique about this system was not the pricing, but the way it was paid for. The payment method was transacted via a credit system, whereby 1 credit cost £10. Therefore to run one successful e-auction you would purchase 100 credits, which would then be expended when you invite your bidders to interact with your event.

Triton was keen to push the advantages that their customers would have from this approach. Firstly they believed it gave their clients flexibility to choose when and what to spend their money on. They were not tied into any monthly subscriptions and could simply purchase an e-auction, run the auction, then not use it again for a year. The credits also allow their customers to consolidate their purchasing and invoicing transactions, as they could bulk buy credits and gradually use them at each opportunity.

The advantages of the credit system to Triton was that the credits were purchased in advance, perhaps many weeks prior to the event being created, which greatly helps their cash flow. Secondly it allows them to develop add-ons for their software, which could then be sold for additional credits. Thirdly, Triton could design various marketing campaigns that could bring in leads enticed by the offer of say 20 free credits towards their first event. Once Triton grows in size, the campaigns could grow accordingly, such as 30 credits to the company that runs the most valuable e-auction each month.

Vince Baker enjoyed discussing the ambitions and ideas of the Triton directors. There is certainly logic behind their reasoning but at the same time it is a difficult and competitive market with some interesting challenges around differentiation and adoption.

6.   Round 2: 2012

Vince thought back to his first engagement in 2011 and considered the success that he had had. The plan that he helped design, clarify and implement had been so successful that the Triton team had brought him in for a second project.

2011 had been a great year for Triton. The sales and marketing plan Vince had helped create, being varied and diverse had enabled the team to keep their fingers in many different proverbial pies. This allowed them to understand the most successful routes to market and focus on the most relevant to bring in leads from many different directions. LinkedIn proved to be the best social media site, with 'Spend Matters' being the most influential blogging site for the procurement community. The Triton team also dabbled with their YouTube channel adding software videos and even virals. The creation of several resellers instantly helped them to rapidly expand their sales force and they are also scouting for interesting software partners to help create a fuller solution.

Vince had made some other good suggestions that the team had followed.

Firstly Vince believed in letting the clients develop the software. Taking this on board and working closely with their first customer, before long they had developed an integrated 'Request for Quotation'[1] capability along with many other smaller developments such as white labelling[2] and allowing the clients to upload supplier databases.

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[1] Request for Quotation: The Triton system for a 'Request for Quotation' basically allows a company that is collecting quotes by email or phone to streamline and centralize this activity through their platform. Not only that but it offers an easier to use system to the companies that actually have a current ERP system such as SAP or Oracle.

[2] White labelling: This is where a client can upload their own logo and menu colours onto the Triton platform. This means that the client and the suppliers will see the clients branding when they log onto the platform. This adds to the professionalism of the solution.

Secondly Vince suggested and implemented changes to the pricing structure. It was quickly noticed that the Pay As You Go solution was less attractive than the subscription model. Due to the pricing of other solutions on the market, the quick ROI from Auctions and the surprising interest in their solution from large enterprises (Spend Matters 2013), the Annual Licence was proving to be popular. As a modification to their pricing structure, they decided to include monthly pricing at £500 a month. This made for an easier business case for buyers who wanted to use their software, whilst spreading the Triton revenue across the year and generating 20% more revenue over the upfront one-off fee of £5,000 per Annual Licence.

Lastly Vince knew that support was the key area to focus upon. By analyzing the process and design they managed to create an environment which only yielded about 20 queries over 300 sourcing events. This is the key to profitability and gaining the customers' confidence. The key word which was emphasised again and again was accessibility and this is now a key driver for any new developments. There have been many successes with the design of the software. In one instance, a company ran their first auction for over one million pounds of telecommunication equipment with no training for the suppliers or the buyers. In another case, a company signed up, created an event as far as they could with the free log-in then just requested a month to run an event. This is the key to being able to scale quickly.

Unfortunately the plans for the consumer market had to be put on hold due to resource constraints. However, with Vince's help, the Triton team did manage to secure some funds for developing the basic capability to tackle public sector requirements. This covered the ability to create questionnaires within the software and move forward to a weighted event. A weighted event is simply an activity (RFQ or Auction) where the scoring is broken down into the pricing and non-pricing elements. For example, 50% of the score can be based on price, and the other 50% can be based on quality and delivery. These developments would take around six months but have the capability of opening up a huge new market.

The biggest new challenge though was the current reaction of the main player in the industry; Ariba. Ariba has been the first to move and created a dilemma that the Triton team must understand. Ariba started out by creating an on-demand solution which evolved over the years. The basic solution started out at a relatively similar price to Triton, although the many necessary add-ons drove the final price much higher. This then changed further to offer initial discounts until they finally offered a completely free solution for two users (Spend Matters 2011b).

Vince discovered that it is not a straightforward offering. He saw that there are a few things that are worth knowing about the 'free' Ariba tool and that is that it is limited to two users, that you have to run at least one sourcing event a month and that between the two users you cannot run more than 4 sourcing events a month. Also all your suppliers get placed on the Ariba Discovery network, for which there are subscription costs, meaning suppliers will seek to recoup their costs in their pricing to the buyer. This can get expensive to the buyer for multi-year contracts, where the supplier can recoup their costs several times over. It also means the suppliers can be bombarded by requests from any other Ariba user. Crucially, the only support offered is via e-mail and their web-forum.

- How will this affect the Triton philosophy?
- Should they change their positioning or pricing?
- Do supplier pay models work?
- How will they maintain and evolve their competitive advantage?

However, it is clear that the market is reacting to the new environment that companies find themselves in. Vince needs to consider all that has happened, the success that Triton has had, and decide how their strategy should evolve.

6.1 Round 3: 2013 – [Case study – Imagine you are Vince Baker in this year]

Vince was brought back for the third time. 2012 was a decisive year seeing Triton carve a path in the e-Sourcing market. By focusing on what they know and through careful marketing, they have firmed up a secure reputation. Basically Vince's 2012 strategy which won out was to focus on making Triton the best e-Sourcing application out there and beat competition like Ariba through their dynamic support and innovative, user-friendly product.

By the end of 2012, significant milestones were achieved:

- o Their first Fortune 500 customer and first multi-licence customer with 20 users. This represented a significant milestone beating major players in the process. It has also led to the development of a User Hierarchy in the product to give large customers the control they desire.

- o A major release following the first grant enabling Triton to tackle the Public Sector, especially for Sub-OJEU (OJEU 2003) tenders and mini-competitions.

- o The award of a second grant from the Technology Strategy Board to build Category Triton. Category Triton is a new web-based tool to help procurement teams identify, prioritise and manage cost reduction activities, acting effectively as the missing link between spend analysis and e-sourcing.

It was also a year which saw some serious changes to the market.

- o Ariba, who was feared as a company to dominate the space, was purchased by SAP for $4.3B (Spend Matters 2012a). Their potential of devouring the Commoditised Software Vendors space with their 'Start Sourcing' solution was never realised. This was due to a number of reasons although principally due to their corporate ethos (Spend Matters 2012b) and the ease, through the facilitation of SaaS products, for companies to pick best of breed solutions (Spend Matters 2012c).

- o Emptoris, another large multinational, was purchased by IBM (Spend Matters 2011a).

- o Trading Partners, the original boutique consultancy, collapsed (Spend Matters 2012d). Without evolving with the market into the gap which was seen by Triton, the writing was on the wall.

- o Enhanced competition. It seems that the market has awoken to the potential for new providers in the sourcing space. Several years ago it was the growth of the ERP and P2P arena followed by the consolidation and mergers. Now there is much focus on the e-Sourcing space. What is being seen is a rapid increase in the number of sourcing companies with a similar view to Triton and the ambition of being bought up when the consolidation ultimately takes place.

Triton has taken the path of becoming a Best of Breed sourcing application.

Through this model they can be offered to any company looking to streamline their procurement process and save money through auctions. Their solution can be bolted onto existing ERP solutions, which by their very nature and structure could not offer the same type of solution as Triton. e-Auctions are a great entry point to companies. They offer a negotiation technique which procurement professionals can't do by themselves. However they are just a part of the whole sourcing solution which is needed to offer the stickiness of their product for real recurring revenues.

7.   Uncertainties of the near future

This brings Vince onto the current set of questions:

- How can Triton stay on pole position to grow rapidly and carve their share of the market?

- As a micro company, their dynamism and customer focus has helped secure a loyal customer base, although without rapid expansion, is this enough to avoid being hidden next to all the other solutions?

- Resource is limited with many developments on the go, although any disadvantage is partially curtailed through customers paying for these innovative features.

- Vince needs to understand how the technological landscape is changing and whether Triton are pioneers in this changing environment or will they just become a 'me too'.

- What are the other directions that Triton could move into without breaking out of the directive of e-Sourcing?

- Could this expansion be achieved through automating the final parts of the sales process to move to a zero touch model with viral marketing or would Triton need to seek investment?

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a.   Ariba - http://www.ariba.com/

b.   TradingPartners - http://www.tradingpartners.com/

c.   BravoSolution - https://www.bravosolution.com/cms/uk

d.   CPOConnect - http://www.cpoconnect.com/