

## Determine: Vendor Snapshot

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### Introduction

Something odd happened during Selectica's roll-up strategy. Usually when a technology vendor acquires a number of providers at relatively low valuations, its focus tends to be on financially engineering the various SaaS, maintenance, upsell and other income schemes from the assets. But in Selectica's case, the acquired became the basis of the company, in a manner in which the sum of the assets became an entirely different equation that it likely even bargained for before getting into the activity in the first place. But sometimes the uncertainty of post-merger integrations can lead to an outcome that benefits all parties involved (including customers) in ways that would be difficult to have imagined going into the process.

This Spend Matters PRO research brief traces the history of Determine and its solutions, including the recent re-platforming of the b-pack technology architecture. It also offers an introductory overview (necessary for those that even knew it in the past!) of the provider's strengths and weaknesses and provides customer and partner recommendations.

### Background

There's starting over and then there's starting over. You might think that Determine is a relatively new company in that there are no news stories before October 2015. In many respects you would be right. Even though Determine is the new name for Selectica, which was founded 20 years ago, in 1996, the offering that Determine provides is not the offering that Selectica was offering until that time.

A little bit of history is in order here, not just focused on the provider, but the philosophy behind what led to the combination of Selectica assets today. Let's begin:

- Two years ago, Selectica, a leading provider of complex [contract lifecycle management](#) (CLM) solutions (which has been public since 2000), realized that while CLM is a great starting point and nexus for procurement as well as sales, CLM doesn't really capture the complex procurement lifecycle. For example, CLM must "pick up" after an award decision is made, and on a standalone basis, does not capture supplier management performance metrics and processes that are not associated with a specific contract – two capabilities its customers realized they sorely needed after they got a grip on their contracts and realized just how much they were spending with suppliers.

- Once an organization saw what it was spending, how much was evergreen, and how much of that was at above market rates, it realized that it needed to engage more strategically on the sourcing and category management areas, and in the cases where spend was out of control (but could not be shifted to another supplier), it also needed to invest in supplier relationship management to make sure that each supplier was performing at the top of its game, and identifying cost savings opportunities wherever it could.
- This is where the rebrand (and indeed rebirth of Selectica) comes into play. Wanting to continue to service its customers and play an important role as a suite provider in the procurement sector, it realized it had two options: either build its own source-to-pay (S2P) platform around its CLM platform or acquire best of breed sourcing, SRM and procurement platforms to create something new.
- This later option would turn its CLM efforts into something much broader, a set of offerings that, if successful, would encapsulate the best of the S2P and CLM worlds. So it began the search, and in 2014 acquired lasta, a provider with a long history (going back to the FreeMarkets and Procuri days) in the e-sourcing arena. But the best contract in the world is useless if it's not executed against. That's why, in 2015, it acquired b-Pack, a P2P player from the other side of the pond that was beginning to [take root in their brave new world](#) with a unique workflow-driven business process oriented procurement platform with unique capabilities (like full-fledged budget management, inventory management, and asset management) not found in their competition.
- This combination would ultimately prove prescient – together. lasta had come up short on re-platforming its original strategic sourcing capability on a new architecture that would combine its historical (strong) features and usability with a modern technology stack and supplier management capability. But Selectica did not bring the right platform on which to rebuild lasta.

### **Frankenstein's Suite Monster: No Thank You!**

A hodgepodge of different solutions does not a platform make. While there is value in each separate solution, when a user has to manually enter data from one application into another when he comes to the end of a process step, switch back and forth between applications to get the relevant information and try to determine which supplier record is the most up to date when the records in different solutions don't conflict, the value is not what it could be.

That's why Determine's first project was to figure out how to integrate the platforms in one seamless whole, and unlike many providers that have tried, and failed, to integrate disparate offerings in one cohesive whole, it has actually succeeded. By using the b-pack platform as its core, it has been able to achieve, in less than a year, a successful integration of the lasta and b-pack platforms as well as a re-implementation of the key features of the Selectica solution on the b-pack platform. (In addition, it has also ported many of lasta's original capabilities as well, and this transition will be complete in the coming quarters.)

In fact, by the end of 2016, Determine will have rebuilt over 90% of the Selectica platform on the b-Pack platform (leaving out only unused or overly complicated features) and rebuilt the majority of the lasta core on the b-Pack platform as well. At their current rate of development, by the end of second quarter 2017, there should be no need for the lasta or Selectica platforms, even in the most extreme of cases. This pace of development is rapid to say the least, and it speaks to the architecture and capability that b-pack brought to the new Selectica.

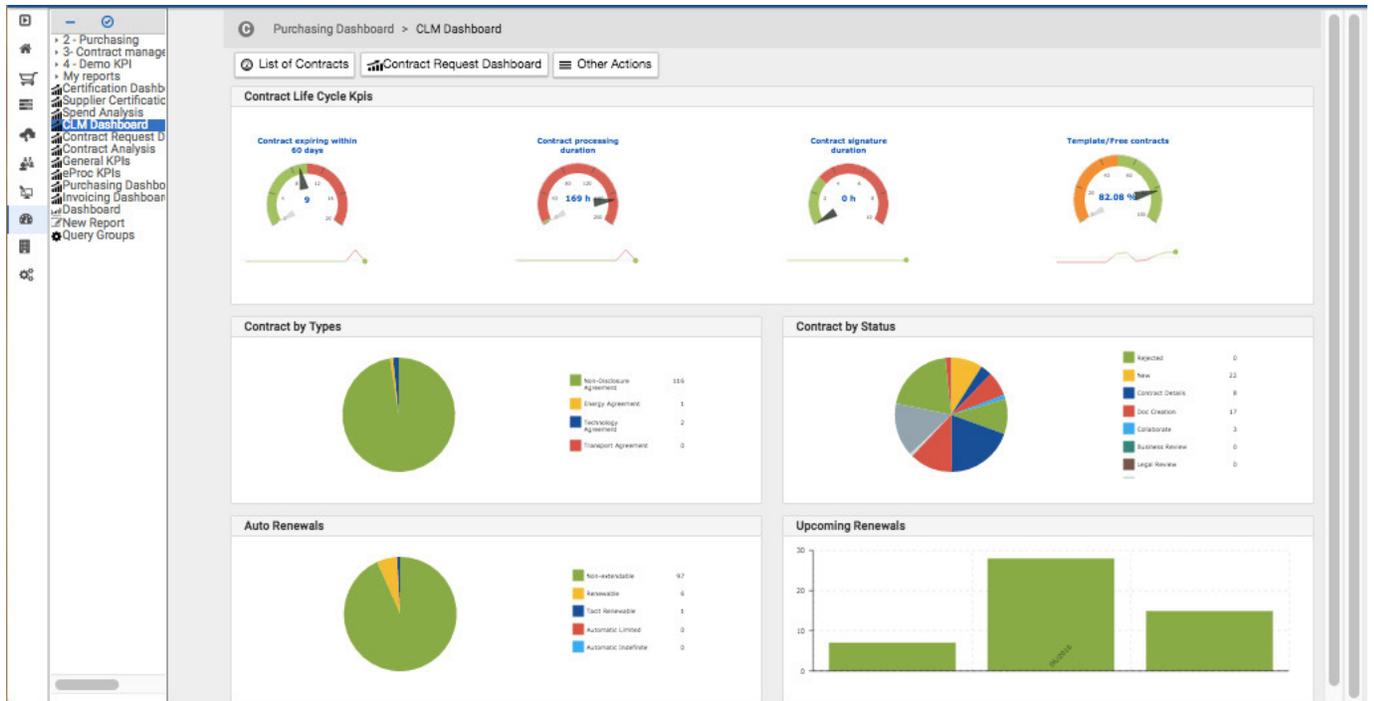
### The Solution Today

The new Determine procurement suite solution is built on the highly flexible, workflow-driven and business process-oriented b-pack technology stack. It represents a full S2P platform, with extensive internal and punch-out catalog management capability, and a brand new UI that we believe will be competitive with providers in the market. (Note: The P2P user experience is not something that any potential customer should take lightly – it can matter more than the underlying functional capability in driving adoption.)



And while Determine's new "sourcing" module is currently limited to RFX, the lasta platform has been rebuilt as an app that runs on the core b-pack platform and uses the b-pack platform as the primary data store, so that all data collected from auction and optimization events in the lasta platform is available in the b-pack platform for contract creation and management, procure-to-pay and supplier management and, similarly, all relevant supplier and sourcing project related data can be pulled from the b-pack platform into the lasta app.

A screenshot of a procurement software dashboard. The interface is divided into several sections. On the left is a sidebar menu with options like Home, Cart, To Do, Summary, Suppliers, Contracts, Reports, Settings, and Maintenance. The main content area is titled 'Cart &amp; Catalog' and includes a search bar, a 'Catalogs' section, and a 'Shortcuts' section with buttons for 'To approve', 'To Purchase', 'To Receive', and 'Invoice Entering'. Below this is a 'To do' section with four colored boxes: '1 Requisitions to send', '1 POs ready to be sent to the supplier', '0 Contract Requests to Fill', and '5 Contract Requests to Process'. The 'In Progress' section shows '1 Your Requisitions in progress', '29 Contracts expiring within 30 days', '41 Contracts expiring within 60 days', and '44 Contracts expiring within 90 days'. At the bottom is a 'Your KPIs' section with four boxes: '0% Yearly (&gt; 15%) Rejection', '950 PO Yearly Avg PO Value', '50.5% Yearly Catalog vs Out of Catalog', and '50% Yearly -34% Monthly Contract vs Out of Contract'. On the right side, there is a 'Global Search' bar and a 'Your documents' list with various items like 'INV6349834' and 'General KPIs'. Below that is a 'Last Viewed' list and a 'Constantine Limberakis' profile section with search filters.



In addition, the core features of the Selectica CLM platform have been rebuilt on the b-pack platform (with really the only key features missing at this stage being in-line editing and red-lining – right now this is limited to Word integration).

By any stretch of the imagination, this was a Herculean replatforming effort done in an incredibly rapid period of time. But how does the new Determine suite stack up to the competition today? Next, we will explore the current state of the early summer 2016 release and what customers and prospects can expect.

### What to Expect from The Latest Release

Determine, the procurement suite technology vendor that is in the early stages of releasing a re-platformed solution (incorporating Selectica, b-pack and lasta) onto a single code base and stack, has done a remarkable amount to bring multiple solutions together in a unified platform in a limited development timeframe. But how does the new Determine solution compare to other source-to-pay (S2P) and procure-to-pay (P2P) vendors and what are the differentiators (including strengths and weaknesses) compared with other providers, including Coupa, Ariba/SAP, Oracle, BravoSolution, GEP, Zycus and others?

The following section's analysis provides an update on the vendor's strategy and first general availability release of the new single platform solution. This section focuses on Determine's new platform solution strengths. The final section analyzes Determine's current weaknesses and provides competitive analysis and customer recommendations.

## Determine Strengths

### *Configurable Business Process Oriented Workflow, MDM, EAI and Platform Orientation*

Most P2P platforms are built to support the P2P process feature standard workflow that begins with a requisition, which generates a PO that is flipped into an invoice, which is then approved for payment when a goods receipt comes in. In contrast, the Determine's platform (built on b-pack, the basis of Determine's new solution) is built around a business process engine that ties together necessary functionalities but provides flexibility within standard and customized requirements (e.g., by industry or geography).

Here's a summary and how it works in practice:

- **Workflow** – The new Determine suite is built on top of a generic business process-oriented workflow engine that enables the solution to incrementally build primary and secondary functionalities over time and tie them together seamlessly through a workflow. The design enables core areas such as complex budget life cycle, supplier lifecycle management and full enterprise contract lifecycle management into source to pay. It also allows organizations to turn functions on and off (and control which users have access to which modules) depending on specific requirements.
- **MDM** – The solution is also built on top of a master data management (MDM) capability that supports a range of reference data in a push/pull manner (within the system, but outside of it as well – e.g., to/from ERP).
- **Development** – The combination of these core platform capabilities provides flexibility, that one might label as PaaS. This has not only enabled Determine to take lasta's core capabilities (from Smart Source 9.x code base sourcing) and quickly rebuild them into the new platform but also to quickly add key contract management features and functions from the SmartContracts (Selectica code-base and IP repository).
- **Built-in EAI** – This has allowed Determine to integrate auction and advanced sourcing (optimization) capability from the lasta-provided SmartSource toolset as an external "app" in the initial release of the Determine Cloud Platform. This same capability also allows Determine to connect with other cloud platforms with accessible APIs to augment their platform according to a client's needs to give them a single, central platform to orchestrate their purchasing, supply management and operational requirements. For example, in addition to integrating a number of third-party data feeds and DocuSign for contract signing, Determine has also integrated Tradeshift's supplier network, a platform-based integration that allows buyers to search for new supplies and import all of the relevant data with a single click into Determine.
- **Open Platform Orientation (PaaS)** - This allows Determine to continue to offer, integrate with and build apps as needed, essentially supplementary modules that support specific functionality required by the organization to manage projects, assets and teams that begins with a procurement process as basic or advanced "apps." Today, available examples include:
  - An asset management system can manage the entire lifecycle of every asset procured (including licenses)

- Travel and expense solutions associated with workflows of approval, pre-approval and expenses categories.
- A full dynamic supplier on-boarding workflow, including questionnaires, financial review and NDA management, along with the attachment of documents and certifications managed by dates.
- E-invoicing OCR with Lexmark cloud
- Integration with Amazon e-Commerce

### **Line-Item Orientation**

In the Determine platform, the fundamental data record is the line item. Requisitions, purchase orders and invoices are all just collections of line items with associated metadata. This approach may sound simple, but it is in fact what allows the entire lifecycle of a product (or service) to be tracked and managed from cradle to grave, starting with the sourcing, contract management and procurement, continuing through to inventory and asset management and ending with sale or disposal.

It also allows for easy n-tier matching between goods receipts, invoices and purchase orders when a supplier not only splits an invoice across multiple shipments but includes line items from multiple invoices on the same delivery, or when it decides to invoice against multiple purchase orders simultaneously. Not only can users configure basic or complex matches, but they can also drill into a line item through any document and trace its lifecycle into, through and out of the organization.

### **Extended E-Invoice Management**

There are a lot of e-invoicing and network solutions out there today that have advanced capabilities including:

- N-tier matching
- Automated OCR/extraction/conversion to internal format
- Exception-based management

In short, what was unique a couple of years ago, when only a few vendors had it. Now there are half a dozen vendors with fairly advanced capabilities. But the Determine platform embeds this advanced e-invoice management capability in an integrated, cohesive manner, leveraging workflow that starts with the requisition and ends with the payment and includes the PO, goods receipt and tax accounting, with a complete audit trail end to end. It's not hard coded (an important nuance).

This is important from an enablement perspective. For example, from any invoice, a buyer can drill down to the line item, trace it back to the purchase order and even the requisition, trace it forward to the goods receipt and payment, see who made the approvals at each step and any exceptions that occurred.

And since it's an integrated workflow, a vendor can flip a PO to an invoice in a single click in an e-mail, or send an invoice generated by its accounts receivable system that will be automatically processed and matched as appropriate – or can follow another workflow as determined by buying organization.

### **Virtual Purchasing Contracts for Approved and Off-Contract Spend**

Every organization has regular payments that it does not have a procurement contract for, including rental payments, utilities and purchases from an approved supplier catalog. But these payments still need to be matched to something (ideally) to ensure that spend is properly categorized, validated and accounted for.

With a virtual purchasing contract, the organization can define a recurring payment, expected invoice dates and expected amounts and the system can automatically match invoices to the virtual purchasing contracts and process using appropriate verification rules that can verify that the invoice is unique (not duplicate), for (approximately) the expected amount and valid.

With Determine, these virtual purchasing contracts, from a metadata and rules perspective, are integrated with the real purchasing contracts (if available) and allow for everything to be three-way matched (virtual purchasing contract, invoice, receipt) for accuracy, audibility and analysis.

### **Platform Weaknesses, Competitive Analysis and Customer Recommendations**

As Determine attempts to build traction, channel and implementation relationships are becoming increasingly important for the provider, as they are for many source-to-pay (S2P) suite vendors in the e-sourcing and e-procurement area. Securing these relationships would serve as a vote of confidence and support for Determine's capabilities and overall stability. This final section provides analysis on the provider's weaknesses and offers competitive and customer recommendations.

#### **Weaknesses**

##### *Punchout to the lasta App for Auctions*

The initial release of the new Determine platform lacks auction capability directly embedded in the solution. The fact that b-pack did not have an auction platform that could be quickly augmented with lasta's IP to create a platform as strong as competitors (e.g., BravoSolution, ScanMarket, GEP, Zycus, Ariba/SAP, Scout) is a weakness of the initial release of the new platform. From a pragmatic perspective, the lack of an auction capability will delay sale of the platform to existing lasta customers, a significant majority of which are using technology that remains capable but only loosely coupled into the system (not to mention dated).

These days, a basic reverse auction tool is essentially a commodity. Just about every sourcing platform has some capability in the area, and most have a slew of standard features and additional auction formats as well. While one would expect rebuilding lasta's strategic sourcing decision optimization (SSDO) engine to take a long time – given that SSDO is among the most complex modules within supply management solutions today – Spend Matters does not believe it would take more than a few months to build an auction module that meets the vast majority of existing (and future) customer requirements on top of the new platform based on the IP already within Determine. And it will not come up soon enough (when it does).

##### *KPI Repository*

Determine's new platform has a built-in reporting capability that allows the organization to create drill-down filterable reports on any collection of records in the system (e.g., products, suppliers, payments, etc.) that can be joined on matching columns and used to create queries on any area – invoices, POs and other types of analysis.

The solution's reporting capability can also use formulas to create KPIs, which users can include in dashboards (the application comes with a number of pre-built dashboards). But the number included is not sufficient compared with suite competitors such as Coupa or direct procurement and supply chain specialists such as FusionOps.

Today, Spend Matters has tracked more than a thousand KPIs that procurement organizations can define and dozens of standard scorecards they can create in technology across standard processes (e.g., source to contract, procure to pay, cash conversion).

Yet Determine has only a few of these scorecards in its current platform release. It does, however, have the means to create a huge repository that could be used by every customer to track its end-to-end procurement and even supply chain performance – and even benchmark (potentially) their performance against others.

### *Contract Authoring*

Determine has done the basic essentials to stay competitive with other CLM providers (both CLM pure plays and S2P) from a contract authoring perspective in its initial Selectica replatforming (with the new Determine release). To this end, we can attest to the fact that the Word-authoring integration works and the solution is complete with this integration from a core CLM requirement viewpoint. (And yes, legal organizations generally prefer Word for authoring to any platform you want to thrust in front of them.)

But maximum efficiency comes when a buyer can do everything she needs to through a single platform (or single virtualized platform) with a single interface and a single integrated workflow. While this is coming, until it's here, others like Coupa (with a new collaborative authoring tool that resembles Google Docs) and Ariba/SAP (with a brand new, native Office 360 cloud integration that is also embedded directly in general application workflow, including messaging) have an initial authoring and collaboration edge.

### *Consulting and Implementation Support Ecosystem*

Even though this is not a “platform-specific” technology criticism, another Determine weakness that the firm needs to address, especially in comparison with S2P suite competitors, is building a system of consultants and systems integrators who can work with the provider on implementations (primarily P2P implementations, we suspect) with the new solution. Spend Matters does not recommend users deploy a P2P solution without the support of a third-party that can act as an intermediary and advocate for their needs. And these partners need to be experienced on supporting platforms like Determine.

### **Competitive Analysis**

Determine has come a very long way in a short period of time (relative to peers) from a re-platforming perspective. Beyond the initial release of the new platform, however, the remainder of 2016 will remain critical for Determine from a competitive perspective:

- Competitors (and potential partners) should take Determine’s efforts to build a true end-to-end S2P platform very seriously. By the end of 2016, Determine’s functional capability will rival or top that of many key competitors across the majority of functional areas. In areas such as sourcing and CLM – where other suite vendors remain comparatively weak – Determine’s suite capabilities are likely to stand out from the crowd. P2P still needs to be more user-friendly in certain areas to compete at the top level, but Determine’s ability to embrace complexity in the area still causes it to stand out from most competitors.
- Determine’s platform-as-a-service (PaaS) strategy is absolutely the correct one to pursue longer-term (both for apps it builds as well as partner and even customer-built apps). But it is not a replacement for native modules in core areas such as sourcing. Until Determine completely rebuilds the entire

lasta sourcing capability on the new platform, the vendor will be at a handicap in S2P deals where sourcing is a factor – not to mention any sourcing-specific opportunities. Competitors should follow closely the rate at which the Determine builds out core capabilities that are missing in the initial release.

- In sales cycles, Determine gets “knocked” by competitors for being a low-value microcap stock that is trending in the wrong direction – and may pose financial risk to buyers. In reality, the picture is more complicated, as the vast majority of Determine’s stock is not traded openly and the firm does appear to have secure backing as needed. However, the public quoted price still provides an open kimono picture of overall financial health and trending, one that over the past 18 months has not shown upward progression if looked at from a valuation perspective. Commercially, Determine would do well to follow SciQuest as a “take private” candidate or somehow remove its face from public financial scrutiny that could affect customer technology selections.

### Customers Recommendations

Spend Matters recommends that prospective customers:

- Understand the core configuration and PaaS capabilities of Determine relative to other vendors and whether the flexibility that the provider can enable through complex configuration can create comparative deployment advantages relative to other providers.
- Add Determine today (for U.S.- and Western Europe-based organizations) to shortlists involving suite-based P2P, supplier management and contract lifecycle management decisions.
- Understand what is “native” and “not native” today in Determine’s core platform. For example, we hope to extend the above recommendation surrounding the suite to sourcing by the end of 2016, when the core elements of lasta’s auction engine will be embedded in the new platform. Yet today, until this integration occurs, we recommend companies evaluate Determine as delivering a suite offering and a separate integrated (but standalone) sourcing toolset.
- Become comfortable with Determine’s financial position and separate out competitive posturing (by other providers) from the reality of the firm’s financial footing. Given the potential of an acquisition or take-private scenario at current valuations, we also encourage potential customers to check that change-of-control clauses are in their favor to ensure they get the support they need under an alternative ownership scenario. ■

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