



Spend Matters™

TECHNOLOGY REVIEW

LOGICSOURCE

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BACKGROUND

The convergence of technology and services is a trend that's hard to ignore in the procurement solutions market. Rare is the successful implementation story these days where a vendor deploys its software, trains the user and disappears until contract renewal. Rather, supporting services, including not only implementation and user training but also value-add activities like process outsourcing or digital transformation consulting, are becoming integral to creating satisfied customers. In fact, that's why our highly technical SolutionMap evaluation includes both feature/function assessments of platform capabilities and requirements for services capabilities/customer feedback.

Perhaps ahead of this curve was LogicSource, a tech-enabled procurement business process outsourcing firm out of Norwalk, Connecticut, that offers services for sourcing and contract management alongside specialized tools for spend analytics, spend/savings tracking and P2P management.

Founded in 2009, LogicSource has its roots in the retail world, where the provider first focused on enabling direct mail and commercial print procurement. Today it has expanded its coverage to a slew of indirect spend categories, picking up BPO and tech-first clients like Rite Aid, GlaxoSmithKline, The Hartford, lululemon and Dish along the way.

This Spend Matters PRO Vendor Analysis offers an overview of LogicSource, including quick facts about the provider. The brief also includes an introduction to LogicSource's OneMarket solutions for spend analysis, savings tracking and P2P; an overall SWOT analysis comparing it to other procurement services providers; and a selection checklist for companies that may consider the provider.

Let's take a look at LogicSource.



Strengths

- Ability to scope out savings targets and realization on a month-by-month basis
- Granular communication of savings project status and overall program performance via executive dashboards
- Complex pricing engine in P2P supports services examples
- Detailed e-RFQ support for sourcing engine within e-procurement
- Hands-off approach to delivering spend cleansing and categorization

LOGICSOURCE: AN INTRODUCTION

LogicSource is a tech-enabled procurement services firm. The firm combines a center of excellence-led model for managing indirect spend categories with a suite of tools for spend analysis, savings tracking and procure-to-pay process management. Through internal use of SAP Ariba, LogicSource also enables sourcing events and contract management services on behalf of clients. The key differentiator for LogicSource is a focus on driving better management of indirect spend categories, particularly those related to retail operations.

When the firm got its start in 2009, the primary use case was applying e-procurement and sourcing tools to the complexities of Marketing and Packaging categories, a use case that fellow Spend Matters analyst Michael Lamoureux previously detailed on Sourcing Innovation. Since then LogicSource has branched out into other indirect categories, expanding from Marketing and Packaging into Facilities, IT, Corporate Services, Distribution & Logistics, as well as related Tail Spend and sourcing execution services.

While many of its clients are in the retail industry, LogicSource has diversified into other consumer-facing businesses – The Hartford and GSK are two notable examples – though strong-fit customers do share a few common traits. Often the CFO or controller has identified a need for cost reduction outside of core direct spend areas, which may be the only aspect of company spending that is formally managed. In many cases, a formal procurement department may not yet exist, or if one does, it is severely under-resourced compared with the number of indirect spend categories. Prior technology investments are typically minimal or not effectively adopted.

In working with prospective clients to define its potential role in partnering with an organization, LogicSource will perform what it calls a Mutual Value Assessment (MVA). This exercise, conducted at no expense to the prospect, examines the company's current sourcing and procurement environment, strategy and financial objectives to develop a business case. The MVA typically details a multi-year solution that covers current spend analysis, process workflows, plans for implementing custom technology and outsourcing approaches, and a project plan.

Shortlist Selection Checklist

Consider LogicSource in these cases:

- Large retail chain that needs help with managing their indirect spend
- Large business with minimal or no procurement function or resources to effectively manage indirect spend
- Complex print and direct mail are major categories that need to be properly sourced
- Organization has made no major tech investments or has failed adoption of other tools
- Organization has no visibility into their indirect spend by category
- Organization is not looking for or expecting an end-to-end source-to-pay solution

LOGICSOURCE ONEMARKET – SOLUTION OVERVIEW

LogicSource's OneMarket solution is a set of applications designed to enable not-for-resale (indirect) spend management. The applications include OneMarket Insights, a classic spend analysis toolkit; OneMarket SpendTrack, a spend and savings measurement and forecasting solution; and OneMarket Procure-2-Pay, which covers the essential e-procurement and invoice processing requirements of P2P solutions we track in Spend Matters SolutionMap. As part of its services, LogicSource is capable of running sourcing events and centralizing contract management.

In this overview, we consider only the applications that are available for LogicSource clients to use on a standalone basis, if desired. In practice the OneMarket technology solutions are typically deployed as part of a BPO model and are used either by internal consultants or a mixed deployment of power users and consultants. A handful of clients, however, have elected to use the tools themselves, and some more mature organizations have adopted LogicSource's technology rather than take the full outsourcing approach.

OneMarket Insights

LogicSource's OneMarket Insights solution is a tool for historical spend analysis. Insights aims primarily to get transactional spend data into the system, normalize, categorize and enrich it, providing analysis and insight into where savings and operational efficiency opportunities reside.

To start, clients provide transactional data, such as invoices and purchase orders, and card transaction data. LogicSource supports this process on a monthly basis. First is the process of normalizing supplier names to enable a clean roll-up when aggregating by supplier. Next is categorization, where each transaction is mapped to either its custom taxonomy or the client's preferred taxonomy – or as is becoming more common, mapping to both category taxonomies. Finally, LogicSource then enriches the data by adding fields that enable extended analysis and drilling from within the tool. This process, customizable by client to ensure that their individual needs are accommodated, is automated with a set of internal tools and quality-checked by sourcing analysts prior to being made available for use in Insights.

Once data is categorized, enriched and in the system, Insights supports three broad capabilities:

- Visual representations of high-level spend stats. Charts support drill-down to address specific questions and can be filtered similarly to the way slicers work. Users also can add metrics in a cross-tab format. (Note: Only power users can create dashboards; casual users typically use the dashboards provided out of the box by LogicSource.)
- Spend cubes for cross-tabular views of aggregated spend data. Selection lists allow for filtering of the larger data set to address specific questions. Users can explore their data in a flexible manner, drilling into hierarchical measures and create rankings.
- Summary reports can be created from cross-tabs or templates. LogicSource typically will build a set of reports for clients before deployment. There is technically no set of out-of-the-box reports ready to use, but there is a library of templates for cloning.

Because of the nature of LogicSource's engagements, Insights is often used internally, and then presented to clients for improved spend visibility and basic navigation. LogicSource does support a "DIY" version of the tool that some clients opt for, but generally much of the system is set up during implementation, including predefined filters, dimensions and measures, and report templates.

Some of the automated and customizable cleansing and classification features that are becoming standard in the current market are enabled by LogicSource “behind the scenes” instead of available to users – for example, the ability for end users to create new rules and mappings on the fly to their own analytical needs. Multi-dimensional analysis that considers not only transactional spend data but also contract data, market intelligence and community data can be enabled in Insights, but as a custom implementation. Data enrichment is standard in Insights, and it can be customized according to client needs.

For the core needs, Insights gets the job done. It provides a step-change improvement from Excel-based methods, and the outsource approach to data cleansing is, of course, efficient.

OneMarket SpendTrack

Originally designed as an internal project management tool, SpendTrack is a savings tracking solution that provides clients a set of leadership dashboards covering sourcing activities. The tool has evolved into an interface between clients and LogicSource to keep programs on track and communicate savings realization on a per-project and aggregate basis.

SpendTrack programs use a multi-tier structure: waves, projects and supplier spend. A wave is analogous to a statement of work, where a wave may represent sourcing of \$100 million - \$1 billion of indirect spend. Waves have many projects, which represent specific sourcing events or objectives (e.g., consolidating warehousing supplies like films and plastics into a single provider), and projects have multiple sources of spend.

Each project has a dedicated LogicSource subject matter expert assigned to execute the sourcing event. For each SME, users can view the stage of progress across the wave – strategy development, data collection, RFP released, sourcing complete, and cutover, as well as not started, on hold or canceled.

Within each wave, organizations can drill into relevant projects, target savings descriptions, and ramps, which are timelines that detail when LogicSource believes it will be able to realize the identified savings. The wave overview provides a summary of addressable spend, the savings target agreed to and specific savings opportunities that LogicSource has identified. The savings are broken down on a month-by-month basis over the course of the year so clients can learn when they can expect individual projects to pay off.

Individual projects follow their own data model that tracks not only spend category but also associated stakeholder, SME, value (high, medium, low), effort (high, medium, low), expense type and priority (number rank). SMEs can provide granular updates to the client about project status, from the sourcing strategies being employed to supplier - and event-specific status updates. Clients are also able to view an audit log of all updates and changes to the tracker.

Finally, project plans are communicated in a standardized format that induce the target savings amount, effective date of realized savings and key contract terms. Senior client managers are then asked to sign off on the plan, which the SME operationalizes, and then sign off again when the project is complete – closing the loop from opportunity analysis to savings reporting.

SpendTrack is the newest and most modern of LogicSource’s technology solutions. The granular data elements tracked for each project are a plus, and while other solutions do provide a similar approach to modeling and logging realization of savings, SpendTrack’s ability to communicate step-by-step progress to the clients, via status updates and executive dashboards, is impressive.

OneMarket Procure-2-Pay

Rounding out LogicSource's OneMarket technology suite is its procure-to-pay solution. The P2P application is perhaps the most complex of the three internally developed LogicSource tools, both for its breadth of functionality and its unique depth for managing complex indirect categories. More generally, it covers the core P2P process, from constructing a catalog to processing requisitions and orders through to invoice approval for payment, and can be applied to the e-procurement of indirect goods, like laptops and cables, in addition to its services configurations. It also includes transactional sourcing capability (i.e., support for a "three bids and a buy" format).

The catalog management capability supports the basics of what one would expect. Users can denote item categories, metadata, GL allocations and cost centers, and the like. Users also can configure specifications and pricing on individual items. Requisitioners can run basic searches on the catalog for item descriptions. Tail spend items can be requested via a free text form submission.

One of the more notable aspects of OneMarket P2P is its complex pricing engine. Using this feature, organizations can build out complex contract pricing, as in commercial print or marketing programs, using price calculators. Details of specification attributes can be broken down and computed into aggregate prices, and outputs of a calculation can be input into subsequent calculations.

Constructing an order allows granular configuration of specifications and details. Organizations can create multiple orders out of a list of items and delegate the approval workflow to users from multiple locations. Approval chains also can be based on dollar/amount thresholds. Each order contains a message center where users can collaborate on processing. Receiving acknowledgments are also supported.

Suppliers can flip an order to an invoice within the system, or they can be manually input if received from the supplier. OneMarket covers the essentials for invoice-to-pay processes, including invoice content and metadata tracking and approvals. Once an invoice is approved, the system can sync to an organization's ERP to initiate payment processing.

Project-based structures are another notable feature not always seen in other procure-to-pay solutions. Consider, for example, the task of building out a new retail store. OneMarket can organize all purchasing activities related to the build-out, such as tracking total project budget amount and consumption, as well as all orders and invoices associated with the project. Orders can be drilled into to display transaction-level details, like line-item totals, tax and shipping.

Beyond the typical P2P requirements, OneMarket also supports transactional sourcing from within the same application. OneMarket supports a definition of specifications – called an "estimate" – for specific items, multiple types of sourcing (e.g., e-RFQ, reverse auction, sealed bid), a message center for suppliers, and multi-supplier award scenario (e.g., lowest bid for each item sourced across event).

Comparatively, OneMarket P2P is the most feature-rich of the LogicSource solutions. Its roots in direct mail and print procurement still shine through, as both its catalog and sourcing features are seemingly designed around these use cases. Its overall project organization hierarchy is also a notable capability.

CONCLUSION

The convergence of technology and services is accelerating in the procurement solutions market, with activity on both sides of the equation. Technology providers are increasingly offering surrounding services that bolster the overall value prop of their software, while consultancies and BPO firms are building or buying tools that create a “thin edge of the wedge” to other services. LogicSource sits in between these two examples, offering BPO services focused on savings that are themselves enabled by its OneMarket technology solutions.

A comparison of LogicSource with the current software market is thus challenging, as it is not fighting for best-of-breed dominance in spend analytics and P2P, nor is it claiming to be a strategy consultancy or fully hands-off procurement BPO in the style of Accenture or Denali/WNS. For the use cases where it has the most experience – Retail and Consumer Packaged Goods – its tools are uniquely built to deliver a step-change performance improvement. Businesses that fit this bill and have lower indirect spend management maturity definitely match as a potential LogicSource partner. Outside of these requirements, LogicSource may still be a fit, as clients like GlaxoSmithKline and The Hartford illustrate.

ABOUT SPEND MATTERS

Spend Matters is the world’s best and largest information source for procurement and supply chain professionals, enabling CPOs, consultants and technology solution providers to make smart decisions regarding all things procurement. Spend Matters is a genuinely independent, neutral source for the latest analysis and insight into the procurement industry through unbiased reviews, research briefings and editorial content. We provide:

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