

## **SPS Commerce Consolidates SMB-Focused Hosted Integration**

**Benoit J. Lheureux**

With its purchase of Owens Direct, SPS Commerce moves to make itself a bigger player in supply chain automation outsourcing for small and midsize businesses (SMBs).

## NEWS ANALYSIS

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### Event

On 28 February 2006, electronic data interchange (EDI) vendor SPS Commerce announced that it has acquired Owens Direct, a privately held EDI service vendor based in Lexington, Kentucky.

### Analysis

This is a small acquisition — Owens Direct has only 15 employees — but a synergistic one, because both companies have their roots primarily in supporting small and midsize suppliers to retailers and grocers. Both companies have embedded a lightweight hosted integration service within a supply chain automation outsourcing practice, usually delivered via WebForms, though they also do fully automated connections using a file interface. Although both companies generate most of their income from suppliers, both leverage their relationships with retailers and other hubs to generate leads and at times to help them manage specific business-to-business (B2B) mandates or a whole B2B project. The new company claims to aggregate about 12,000 suppliers and their retailers.

This is another integration service provider market segment consolidation move, following IBM's recent acquisition of Viacor. The combined company is larger (in terms of employees, customers and revenue) than other midsize integration service providers with supply chain automation outsourcing practices, such as Advanced Data Exchange and Hubspan — although SPS competes more directly with Advanced Data Exchange, which targets suppliers, than with Hubspan, which sells primarily to hubs. Gartner expects that, within a year, SPS' and Owens' customers will be migrated to a common hosted integration services platform. This platform will allow users doing business with either company to connect to the combined company using only one version of WebForms or one connectivity solution.

### Recommendations

- SPS Commerce and Owens Direct customers can view the acquisition as a net positive, because the service offerings and customer base can produce many synergies. However, they should ask for a detailed road map, and about the potential impact of the consolidation of the hosted integration services onto one platform and data center.
- Customers of small and midsize supply chain automation outsourcing that wish to outsource their EDI should add SPS Commerce to their shortlists, particularly if they are suppliers connecting to only a few retailers.

**Analytical Source:** Benoit Lheureux, Gartner Research

### Recommended Reading and Related Research

- "Questions to Ask Your Integration Service Provider" — Many users miss the opportunity to ask questions about pricing, service-level agreements, disaster recovery, intellectual property and staffing skill levels. **By Benoit Lheureux**
- "Magic Quadrant for Integration Service Providers, 1Q06" — Changing user requirements and innovation have forced EDI vendors to evolve into integration service providers. **By Benoit Lheureux and Paolo Malinverno**

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