Elemica

2018 North American Digital Supply Network for Process Industries Product Leadership Award
Background and Company Performance

Industry Challenges

Today’s process manufacturers, when adopting a global supply chain operating model, interact with a broad, diverse, and complex set of trading partners (direct material suppliers and logistics service providers for the products they buy, sell, and move) and end customers in the value chain due to increased outsourcing of their business processes, logistics processes, and some manufacturing. As a result, they now need a new level of visibility into every link of the supply chain, which they once fully owned and operated but no longer do. This predicament calls for a platform that connects the process manufacturer’s disparate suppliers, customers, and logistics service providers in a single network.

In addition, digital transformation is rapidly changing the business world, including process manufacturing enterprises. Today’s process manufacturers seek to transform their supply chains by digitizing manual and complex approaches and by introducing seamless business processes (automate the move, buy, and sell transactions) that can be supported by new business models and leverage merger and acquisition (M&A) activities, which is now quite frequent among chemical companies. Under such circumstances, vendors that can offer a modern supply network that will not only connect process manufacturing enterprises and their trading partners but also accelerate their digital transformation are expected to secure leadership positions in the market.

Product Family Attributes and Business Impact

Match to Needs

Understanding the industry’s growing concerns and need for digital transformation, Elemica offers process manufacturers a breakthrough, end-to-end digital supply network that connects hundreds of the largest global process manufacturers, thousands of their suppliers, hundreds of logistics service suppliers, and their end customers. This solution connects all of the process manufacturer’s trading partners into a single, large digital network; automates the business processes; helps the client use different visibility tools; and finally clears a path toward adopting new business models. The network design encompasses the entire supply chain, everything relative to what products the process manufacturers are buying, selling, and moving. In other words, Elemica helps process manufacturers connect, automate, anticipate, and digitally transform.

Connect: In terms of digital transformation, the first step the network does is connect more than 10,000 global network participants. However, the uniqueness in Elemica’s product leadership is not only in connecting the network participants but also in offering different ways to connect them based on their size. Elemica offers the traditional electronic data interchange (EDI) enterprise resource planning (ERP) to ERP integration for Tier I suppliers and customers within the manufacturer’s pool of trading partners. However, most Tier II and III suppliers and customers cannot afford ERP integration. In an effort to address this gap, Elemica offers simple portal and email approaches. The
digital supply network takes the email (i.e., orders sent through email) and translates that into an ERP order for customers or suppliers. In addition, customers can receive order confirmation, whether it is a purchase or customer order, change the quantities automatically within the email, and even change the dates. Overall, Elemica’s email approach eliminates the need to depend on integration software or other advanced technological capabilities yet still integrates customers. Frost & Sullivan appreciates Elemica’s success in offering a simple, low cost, automated, and highly effective email approach that on-boards the Tier II/III suppliers and customers into a digital world.

Automate: Next, Elemica automates the manual processes, whether an order-to-cash process on the products sold to the market or a buy-side process (procure-to-pay) that includes all procurement activities like vendor management inventory, vendor scheduling, purchase orders, shipment notifications, and invoices. Also, it manages/automates the shipment process. In essence, Elemica digitizes the aforementioned transactions between trading partners and converts them into real-time, synchronized processes.

Anticipate: After Elemica has automated the procure-to-pay or order-to-cash logistics processes, it then looks at ways to optimize them, helps the network participants anticipate any related risk, and pinpoints areas of concern. The network can also provide predictability so participants can determine whether a shipment is going to arrive on time based on past experience with a carrier or identify the risks that may be involved en route. It tracks political, weather, and even construction conditions, feeds that data into the network, correlates the information, and links up with the orders that are in process. This is where Elemica’s connections to other APIs come into play. For instance, Elemica also has connections into risk management criteria such as DHL Resilience360, which is a risk management compliance solution.

Transform: Only after the participants have connected, automated, and optimized the processes do they start looking at transforming and adopting new business models that will drive growth and revenues. Elemica has noted that a lot of projects around digital transformation in the process industry are tied to revenue growth, which results from M&A or joint ventures. In fact, for most of the chemicals industry and process industry players, the main growth has come from mergers, acquisitions, and joint ventures (Dow and DuPont, AkzoNobel, BASF) and not so much through new product introductions. Elemica’s digital supply network has been flexible enough to adapt to this dynamic business environment. In large part, Elemica contributes to the industry’s integration effort as it seamlessly enables the movement and migration of customers, suppliers, and logistics providers from one organization to another as they are already connected within its network.

Elemica was started in 2002 by 40 different global chemical and process related industry companies (e.g., Dow, BASF, DuPont, AkzoNobel, Michelin Pirelli, and Goodyear Tire & Rubber Company), almost as a consortium. Frost & Sullivan finds that what differentiates Elemica is that it has 20 years of experience focused solely on the process industry, and 90% percent of its R&D efforts have gone into this sector, making it the leading provider of a digital supply network for process industry participants. What also largely
BEST PRACTICES RESEARCH

differentiates Elemica is that it covers both procure-to-pay as well as order-to-cash and logistics while remaining truly focused on direct materials whereas its closest competitor covers only procure-to-pay and traditionally focuses only on indirect materials.

In essence, Elemica digitally transforms supply chains. Frost & Sullivan applauds Elemica for offering an end-to-end digital supply network that enables process manufacturing enterprises and their trading partners to connect efficiently and securely; automate the move, buy, and sell of transactions; anticipate demand and reduce risk of uncertainties; and finally accelerate their digital transformation journey.

**Positioning and Design**

Elemica effectively matches its capabilities to industry needs through a unique combination of solutions such as the QuickLink Network platform and SmartLink Applications. In other words, Elemica combines business process applications with a robust network platform to collect transaction data across all trading partners and translate it into actionable insights its customers can use to maximize their supply chain.

Elemica continues to make the onboarding process easier for its customers and trading partners. The QuickLink Network platform enables customers, suppliers, and logistics service providers to connect and communicate through various methods in a reliable and secure way. For instance, network participants can connect through email using QuickLink Email, through EDI connection (available for SAP, Oracle, or different ERP systems), and also to through third-party APIs. Those APIs enable getting risk management, weather conditions, road conditions, and GPS signals.

Supply chain business processes are then powered by Elemica’s suite of SmartLink Applications that run on top of its QuickLink Network platform. Elemica has 3 types of applications, applications for procure-to-pay processes (e.g., vendor-managed scheduling, purchase orders, invoices), applications for the shipment and logistics provider, and applications for the products sold to the marketplace.

One of the key differentiators is that the platform also provides analytics tools. Despite a million transactions going through its network in a day, Elemica has access to the history of suppliers, customers, and product performance as well as the performance of participants (e.g., on-time delivery, accuracy of fulfilled orders, and quality of the products) and runs predictive analytics and algorithms against those benchmarks. As such, the predictive analytics tools inherent within the algorithms are able to determine the estimated time of arrival and estimated quality. In this way, Elemica is able to warn its customers about where they are at risk. Based on that information, they are able to collaborate and communicate through the network to resolve the issue or the exposed level of risk. Frost & Sullivan believes that these unique product design attributes are set to help Elemica increase adoption of its digital supply network among process manufacturers.

**Customer Acquisition**

Elemica has 500 customers, 98% of the global chemical companies (its smallest customer brings in $5 billion in revenue), 95% of the largest global process manufacturers,
thousands of their customers, and thousands of their suppliers, all connected to each other. Half of its customers are based out of Europe and the other half out of North America (predominantly the United States). Cumulatively, Elemica customers process approximately $500 billion in commerce value annually on its network. Customers include Shell, The Dow Chemical Company, Goodyear, MICHELIN, BASF, Continental, and BP.

Frost & Sullivan recognizes that process manufacturers choose Elemica in full confidence of the company’s 20 years of industry experience, deep understanding of the process industry and its requirements, capabilities and feature set to accommodate their specific needs, and, most importantly, its digital supply network that is specifically tied to the process industry. Of course, another significant reason why process manufacturers turn to Elemica is a great need to digitize their business processes. Customers are looking for ways to automate the processes around what they are selling, how they are going to market, and what they are procuring, all the while finding new revenue streams, figuring out how to connect to new marketplaces, and learning to digitize orders with their customers. As identified earlier, Elemica’s digital supply network addresses this need by helping process manufacturers to connect, automate, anticipate, and transform.

The company’s selling model is direct, and for 2018 its go-to-market strategy is to focus on targeted global process manufacturers. It has identified the companies that it wants to penetrate using a targeted account-based marketing strategy. This means that among the targeted companies, it plans to address individuals such as head of logistics, customer service, procurement, and sales by delivering content to them at different levels.

With regards to expansion into more accounts, the company has a business development strategy in place to pursue customer segments based on tiers. For instance, with its Tier I customers, Elemica expects to broaden the footprint of their deployment by bringing in more suppliers, customers, and logistics providers; as they open new branches, offices, and divisions, Elemica wants to be part of that activity. For Tier II companies that may have only one or two of Elemica’s applications, the company plans to upsell additional applications. For Tier III companies (companies that do not know about Elemica, are new to it, or may just be starting their deployment) Elemica plans to launch a marketing awareness program around digital transformation and digital supply networks, highlighting the value that it would bring to customers’ processes.

Frost & Sullivan believes that a robust, continuously expanding customer base and a targeted account-based marketing strategy will further strengthen Elemica’s market position in the coming years.

**Growth Potential**

Elemica’s 2017 revenue was approximately $50 million, growing around 10% year-over-year. Until 2016, Elemica was managed and run by its founders. For instance, when BASF or Dow needed a new capability, Elemica built it. That changed when in mid-2016 PE firm Thoma Bravo acquired Elemica and turned Elemica into a true operating software company with a product roadmap (that is competitive with the markets), product managers that know how to launch products, and a sales organization that knows how to market and sell software to create not only brand awareness but also leads. In 2017,
Elemica introduced a whole new sales organization (in North America and Europe) in which the sales force came out of leading ERP and supply chain backgrounds with experience selling enterprise software. Most importantly, Elemica changed the marketing message to digital transformation in the supply chain.

Thoma Bravo also brought to Elemica a renewed focus on profitability where it now maintains a software-as-a-service (SaaS) 40-level target or metric for internal operations that is followed by most SaaS companies in terms of good operating behavior. To date, Elemica has succeeded in meeting the SaaS 40 metrics. Frost & Sullivan concludes that the support from Thoma Bravo will strengthen Elemica’s market positioning and enhance its team size, working capital, and customer engagement going forward.

**Conclusion**

Process manufacturers needed a solution that would accelerate their digital transformation and connect their direct material suppliers, logistics service suppliers, and end customers. Elemica’s digital supply network that enables process manufacturers to connect, automate, anticipate, and digitally transform successfully addresses this need. Leveraging its process industry expertise and technical knowledge, Elemica renders unmatched customer value by connecting more than 10,000 network participants around the world as well as improving their revenue growth by supporting new business models and M&A activities. Process manufacturing enterprises and their trading partners, by connecting efficiently and securely, benefit from a seamless and continuous flow of information that creates the opportunity to establish total control over their supply chain.

The company has secured a competitive edge by covering both procure-to-pay as well as order-to-cash and logistics as well as by truly focusing on direct material suppliers. With the supply chain digitization benefits ranging from reduced labor costs, time saved through faster process execution and automation of key business processes, optimized operations, and new ways to grow revenues Elemica has clearly enhanced the value proposition for its customers, thereby setting a high standard in the digital supply network for process industries. For its strong overall performance, Elemica has earned Frost & Sullivan’s 2018 Product Leadership Award.
Significance of Product Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company and then making the decision to return time and again. A comprehensive product line, filled with high-quality, value-driven options, is the key to building an engaged customer base. To achieve and maintain product excellence, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition.

Understanding Product Leadership

Demand forecasting, branding, and differentiating all play a critical role in finding growth opportunities for your product line. This three-fold focus, however, must be complemented by an equally rigorous focus on pursuing those opportunities to a best-in-class standard. Customer communications, customer feedback, pricing, and competitor actions must all be managed and monitored for ongoing success. If an organization can successfully parlay
product excellence into positive business impact, increased market share will inevitably follow over time.

**Key Benchmarking Criteria**

For the Product Leadership Award, Frost & Sullivan analysts independently evaluated two key factors—Product Family Attributes and Business Impact—according to the criteria identified below.

**Product Family Attributes**
- Criterion 1: Match to Needs
- Criterion 2: Reliability and Quality
- Criterion 3: Product/Service Value
- Criterion 4: Positioning
- Criterion 5: Design

**Business Impact**
- Criterion 1: Financial Performance
- Criterion 2: Customer Acquisition
- Criterion 3: Operational Efficiency
- Criterion 4: Growth Potential
- Criterion 5: Human Capital

**Best Practices Award Analysis for Elemica**

**Decision Support Scorecard**

To support its evaluation of best practices across multiple business performance categories, Frost & Sullivan employs a customized Decision Support Scorecard. This tool allows our research and consulting teams to objectively analyze performance, according to the key benchmarking criteria listed in the previous section, and to assign ratings on that basis. The tool follows a 10-point scale that allows for nuances in performance evaluation. Ratings guidelines are illustrated below.

**RATINGS GUIDELINES**

The Decision Support Scorecard is organized by Product Family Attributes and Business Impact (i.e., These are the overarching categories for all 10 benchmarking criteria; the definitions for each criterion are provided beneath the scorecard.). The research team confirms the veracity of this weighted scorecard through sensitivity analysis, which
confirms that small changes to the ratings for a specific criterion do not lead to a significant change in the overall relative rankings of the companies.

The results of this analysis are shown below. To remain unbiased and to protect the interests of all organizations reviewed, we have chosen to refer to the other key participants as Competitor 2 and Competitor 3.

<table>
<thead>
<tr>
<th>Measurement of 1–10 (1 = poor; 10 = excellent)</th>
<th>Product Leadership</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Product Attributes</td>
<td>Family Impact</td>
<td>Average Rating</td>
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<tr>
<td>Elemica</td>
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<td>9.0</td>
<td>9.0</td>
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<tr>
<td>Competitor 2</td>
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<td>8.0</td>
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</tr>
<tr>
<td>Competitor 3</td>
<td>7.0</td>
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**Product Family Attributes**

**Criterion 1: Match to Needs**
Requirement: Customer needs directly influence and inspire the design and positioning of the product family.

**Criterion 2: Reliability and Quality**
Requirement: Products consistently meet or exceed customer expectations for performance and length of service.

**Criterion 3: Product/Service Value**
Requirement: Products or services offer the best value for the price, compared to similar offerings in the market.

**Criterion 4: Positioning**
Requirement: Products or services address unique, unmet need that competitors cannot easily replicate or replace.

**Criterion 5: Design**
Requirement: The product features an innovative design, enhancing both visual appeal and ease of use.

**Business Impact**

**Criterion 1: Financial Performance**
Requirement: Overall financial performance is strong in terms of revenues, revenue growth, operating margin, and other key financial metrics.

**Criterion 2: Customer Acquisition**
Requirement: Product strength enables acquisition of new customers, even as it enhances retention of current customers.
Criterion 3: Operational Efficiency
Requirement: Staff is able to perform assigned tasks productively, quickly, and to a high quality standard.

Criterion 4: Growth Potential
Requirements: Product quality strengthens brand, reinforces customer loyalty, and enhances growth potential.

Criterion 5: Human Capital
Requirement: Company culture is characterized by a strong commitment to product quality and customer impact, which in turn enhances employee morale and retention.

Decision Support Matrix
Once all companies have been evaluated according to the Decision Support Scorecard, analysts then position the candidates on the matrix shown below, enabling them to visualize which companies are truly breakthrough and which ones are not yet operating at best-in-class levels.
# Best Practices Recognition: 10 Steps to Researching, Identifying, and Recognizing Best Practices

Frost & Sullivan analysts follow a 10-step process to evaluate Award candidates and assess their fit with select best practice criteria. The reputation and integrity of the Awards are based on close adherence to this process.

<table>
<thead>
<tr>
<th>STEP</th>
<th>OBJECTIVE</th>
<th>KEY ACTIVITIES</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Monitor, target, and screen</td>
<td>Identify Award recipient candidates from around the globe</td>
<td>Pipeline of candidates who potentially meet all best-practice criteria</td>
</tr>
</tbody>
</table>
|      |           | • Conduct in-depth industry research  
  • Identify emerging sectors  
  • Scan multiple geographies |        |
| 2    | Perform 360-degree research | Perform comprehensive, 360-degree research on all candidates in the pipeline | Matrix positioning of all candidates’ performance relative to one another |
|      |           | • Interview thought leaders and industry practitioners  
  • Assess candidates’ fit with best-practice criteria  
  • Rank all candidates |        |
| 3    | Invite thought leadership in best practices | Perform in-depth examination of all candidates | Detailed profiles of all ranked candidates |
|      |           | • Confirm best-practice criteria  
  • Examine eligibility of all candidates  
  • Identify any information gaps |        |
| 4    | Initiate research director review | Conduct an unbiased evaluation of all candidate profiles | Final prioritization of all eligible candidates and companion best-practice positioning paper |
|      |           | • Brainstorm ranking options  
  • Invite multiple perspectives on candidates’ performance  
  • Update candidate profiles |        |
| 5    | Assemble panel of industry experts | Present findings to an expert panel of industry thought leaders | Refined list of prioritized Award candidates |
|      |           | • Share findings  
  • Strengthen cases for candidate eligibility  
  • Prioritize candidates |        |
| 6    | Conduct global industry review | Build consensus on Award candidates’ eligibility | Final list of eligible Award candidates, representing success stories worldwide |
|      |           | • Hold global team meeting to review all candidates  
  • Pressure-test fit with criteria  
  • Confirm inclusion of all eligible candidates |        |
| 7    | Perform quality check | Develop official Award consideration materials | High-quality, accurate, and creative presentation of nominees’ successes |
|      |           | • Perform final performance benchmarking activities  
  • Write nominations  
  • Perform quality review |        |
| 8    | Reconnect with panel of industry experts | Finalize the selection of the best-practice Award recipient | Decision on which company performs best against all best-practice criteria |
|      |           | • Review analysis with panel  
  • Build consensus  
  • Select recipient |        |
| 9    | Communicate recognition | Inform Award recipient of Award recognition | Announcement of Award and plan for how recipient can use the Award to enhance the brand |
|      |           | • Present Award to the CEO  
  • Inspire the organization for continued success  
  • Celebrate the recipient’s performance |        |
| 10   | Take strategic action | Upon licensing, company is able to share Award news with stakeholders and customers | Widespread awareness of recipient’s Award status among investors, media personnel, and employees |
|      |           | • Coordinate media outreach  
  • Design a marketing plan  
  • Assess Award’s role in future strategic planning |        |
The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan’s 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan’s research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company’s Growth Partnership Service provides the CEO and the CEO’s Growth Team with disciplined research and best practice models to drive the generation, evaluation, and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit http://www.frost.com.