

Market Landscape: B2B Integration Managed Services Providers, 2016-2017

The state of B2B integration managed services market and competitive positioning of key vendors

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Summary

Catalyst

B2B integration managed services constitute a highly specialized market, more so in terms of cloud-based B2B integration managed services, with the laggards (in terms of innovation) slowly fading away and losing market share. This is a comprehensive evaluation to help chief information officers (CIOs), B2B integration directors, enterprise/solution/integration architects, and integration competency center (ICC) directors/managers select a B2B integration managed services provider best suited to their specific requirements.

Ovum view

Digitalization and need for greater agility has forced IT leaders to look for alternatives to legacy electronic data interchange (EDI) solutions. Many enterprises have failed to realize the expected outcomes from existing B2B integration outsourcing engagements, and IT recognizes the need for a major change to tackle B2B integration challenges driven by customers, partners, and new regulatory compliance mandates. From the perspective of the requirements of a large enterprise, B2B integration managed services represent a highly specialized market, and successful business outcomes call for a combination of a higher level of competency, in terms of expertise in core B2B integration pillars and the delivery of managed services.

There is a clear market shift, with the adoption of cloud-based B2B integration services growing at double-digit rate over the last two to three years. The value proposition of cloud-based integration services, especially from the perspective of flexible infrastructure provisions and greater predictability of IT costs, is attractive for large enterprises struggling to tackle B2B integration challenges with an in-house approach or those tied with a “laggard” integration outsourcing or managed services provider.

Several B2B integration managed services providers have expanded or are working toward expanding their offerings in areas such as deployment options, APIs exposing specific functions, trading partner onboarding, end-to-end monitoring, and operational and process analytics. Some have re-architected core B2B integration platforms to offer APIs for individual components and to support the extension of B2B integration capabilities to various on-premise and software-as-a-service (SaaS) application integration scenarios.

There is a gradual decline in the number of integration practitioners/consultants specializing in legacy EDI solutions, largely due to retirement and limited interest among the new generation of developers in pursuing EDI/B2B integration as a career option. Moreover, in-house or legacy EDI solutions offer limited flexibility and scalability, which can be a major barrier to business growth, especially as enterprises focus on meeting a range of new requirements, including rapid trading partner onboarding, support for new protocols/messaging standards, process integration, and better community management and engagement.

According to Ovum’s estimates, resource-related costs can account for up to 60% of the total cost of ownership (TCO) for a legacy EDI solution. This trend has also contributed toward enterprises deciding to outsource B2B integration, which allows internal IT teams to focus on higher priority and more-strategic initiatives.

Key findings

- Changes in customer expectations and stringent regulatory compliance mandates have forced IT leaders to evaluate the state of their B2B integration strategies and plan for major B2B integration infrastructure modernization.
- From the perspective of delivery, B2B integration managed services have significantly matured over the last three to four years and there is significant interest in cloud-based B2B integration and the extension of existing EDI capabilities via APIs.
- From the perspective of TCO, cloud-based B2B integration services under a managed services model can reduce operating costs by at least 30% to 40% compared to maintaining an in-house B2B integration team with the requisite expertise.
- Despite several vendors claiming to offer B2B integration managed services, only a few vendors have a compelling value proposition when it comes to complex, large-scale B2B integration outsourcing engagements.
- Success in this market depends on competencies across core B2B integration and managed services disciplines. B2B integration vendors that don't have substantial experience and expertise in the delivery of managed services will struggle to meet the requirements of complex B2B integration outsourcing engagements. This is also the case for managed services providers without substantial expertise in B2B integration.
- A major share of growth in this market is expected to come from modernization initiatives involving the migration and consolidation of legacy B2B integration platforms and processes onto cloud-based B2B integration services.
- Platform/component-specific APIs, tools enabling rapid trading partner onboarding and better management of trading partner community, and services/actionable insights based on operational and process analytics are some of the key areas where leading vendors are investing to expand the features and capabilities of their offerings.

B2B integration managed services provider selection

Ovum has closely tracked the B2B integration managed services provider landscape over the last four years and we have used these observations as the baseline for inclusion/exclusion in this evaluation report. The criteria for inclusion of a B2B integration managed services provider/offering in this evaluation are as follows:

Inclusion criteria

- B2B integration managed services should represent a dedicated business with substantial evidence of interest in investment in expansion of B2B integration and managed services features and capabilities. There is substantial evidence that the vendor is interested in pursuing a progressive strategy that helps ascertain viability and applicability to a range of B2B integration use case scenarios.

- The vendor should be offering a minimum set of features and capabilities across the key pillars of B2B integration managed services: core integration and associated capabilities, trading partner community management, monitoring and analytics, service delivery and management, and deployment flexibility and security capabilities.
- The vendor should be offering cloud-based B2B integration services under a managed services model as of June 30, 2016.
- Adoption of the managed services offering should not be limited to a few specific vertical industries or the vendor's strategy should not be confined to offering B2B integration managed services to a specific group of vertical industries.
- The vendor should not rely predominantly on system integrator (SI) partners or other managed services providers for the delivery of B2B integration managed services.

Exclusion criteria

A B2B integration managed services provider/offering is not included in this evaluation if:

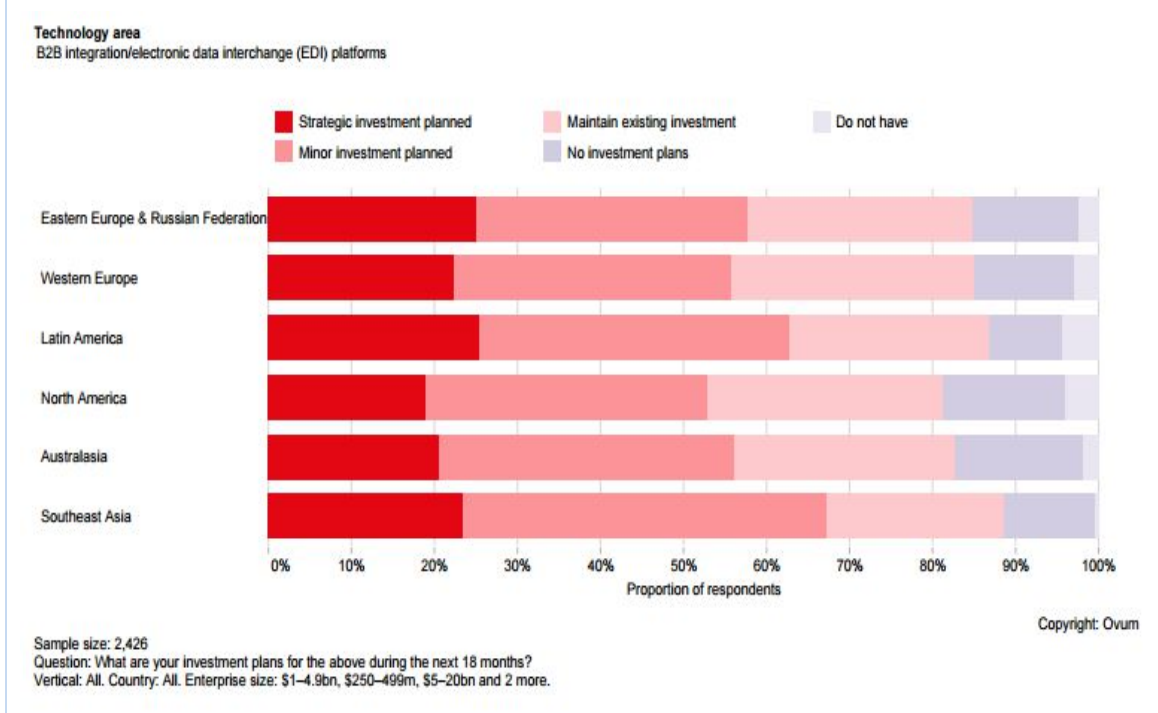
- There is no provision to deliver managed services on top of cloud-based B2B integration infrastructure.
- The existing customer base is confined to only a few specific vertical industries and/or a specific region.
- There is not enough evidence that the vendor is interested in expanding the offerings features and capabilities to cater for the requirements of emerging use cases and exploit new market trends.
- There are indications that the vendor is struggling to grow its business and has partnered with other vendors/service providers to defend its position in the market.
- There were not enough improvements in terms of offering development, geographic expansion, and marketing. This indicates a reactive/defensive/archaic business strategy for this specific business line that is not otherwise a core business/competency for the vendor.

Market analysis

Time to consider cloud-based B2B integration managed services to achieve greater agility at a lower cost of ownership

For many enterprises, the unrelenting wave of digitalization calls for a major reset and a new, holistic perspective on B2B integration infrastructure modernization aligning with a fluid landscape of partner and customer expectations and regulatory demands. According to Ovum ICT Enterprise Insights 2016 (see Figure 1) survey results, over 20% of the responding medium-to-large-sized enterprises have plans for strategic investment in B2B integration modernization over the next 18 months.

Figure 1: Medium-to large-sized enterprise investment plans for B2B integration platforms



Source: Ovum

With cloud-based B2B integration services delivered under a managed services model, enterprises can have on-demand access to B2B integration and process expertise across a range of areas, including:

- program management.
- B2B integration flow/map development.
- trading partner onboarding and community management.
- infrastructure and systems administration.
- support services.

From a broader perspective, cloud-based B2B integration services under a managed services model deliver people, processes, and technical expertise with significant cost and performance advantages over internal approaches. Enterprises can think of this approach as an outsourced B2B ICC. Cloud-based B2B integration services under a managed services model provide standardized tools and expertise to reduce trading partner onboarding times and costs.

High availability and disaster recovery are key requirements for mission-critical B2B processes. Many enterprises continue to experience issues with system outages having a high impact on customer operations, especially because legacy B2B integration platforms are frequently hosted in environments that have few single points of failure without proper disaster recovery mechanisms.

These outages and failures lead to increased downtime and pose a significant risk to customer SLA compliance. With an in-house approach, enterprises will need to undertake significant investment to realize improvements in this aspect of their B2B processes. Cloud-based B2B integration services inherently offer high availability to the tune of 99.99x% uptime. This is augmented by comprehensive

support services ensuring timely resolution of critical issues, including incident and exception management.

Ovum forecasts the global spend on cloud-based B2B integration services (including managed services) to grow at a compound annual growth rate (CAGR) of 18% between 2015 and 2020. This translates to a market size of over \$4bn by 2020. We expect a major share (over 60%) of growth in this market to come from modernization initiatives involving migration and consolidation of legacy B2B integration platforms and processes onto cloud-based B2B integration services.

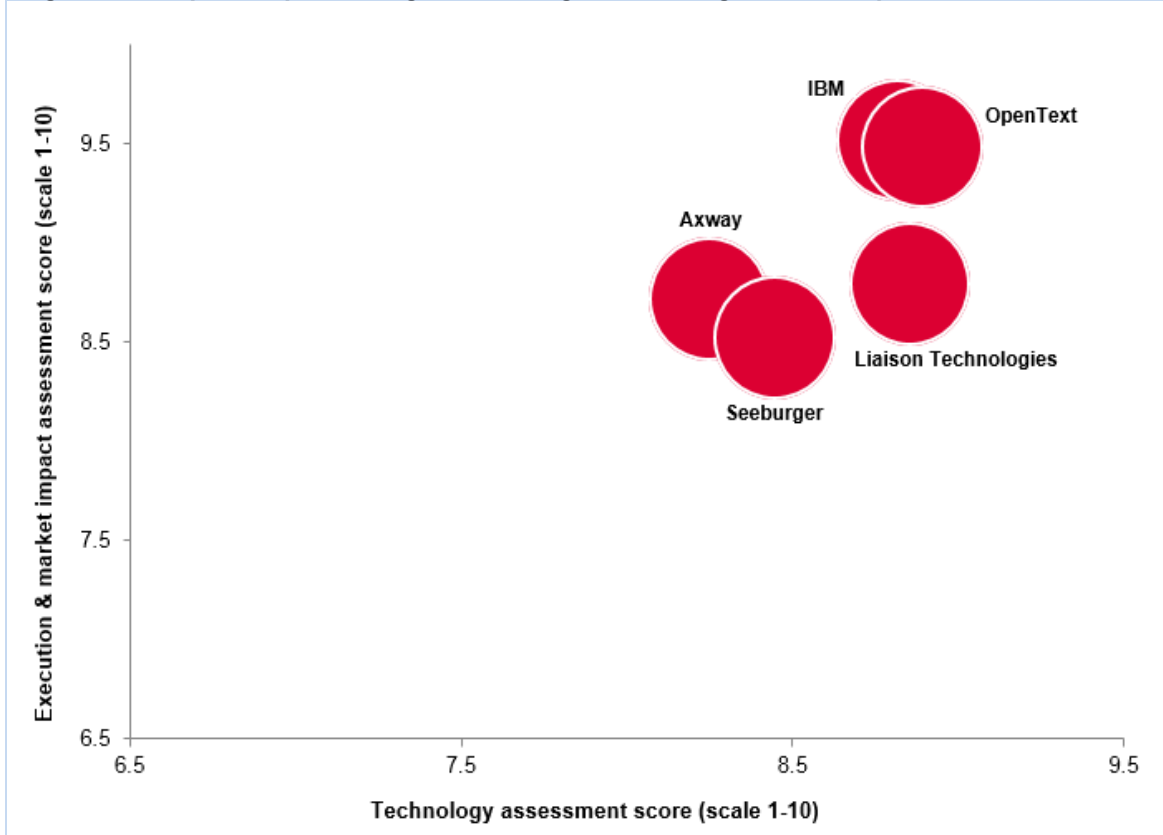
With the rapid rise of digitalization, API-led integration is gaining popularity as an effective means to extend B2B processes to external portals and applications. An “EDI+API” combination can be used to extend B2B processes to mobile channels, thereby allowing mobile applications to participate in and support specific sub-processes, such as placing, receiving, and acknowledging orders via mobile devices, and access to and monitoring of data transfer-related information. One of the key benefits of cloud-based B2B integration services is the availability of platform/component APIs exposing key functions, such as data/message transformation, system status, and monitoring and reporting capabilities.

It can be argued that this hybrid approach offers more than the sum of its parts. However, enterprises can realize greater value by implementing centralized management and visibility over an integrated set of B2B/EDI and API management solutions. In particular, this setup will simplify trading partner onboarding, community management, and end-to-end monitoring of B2B transactions.

Competitive positioning of B2B integration managed services providers

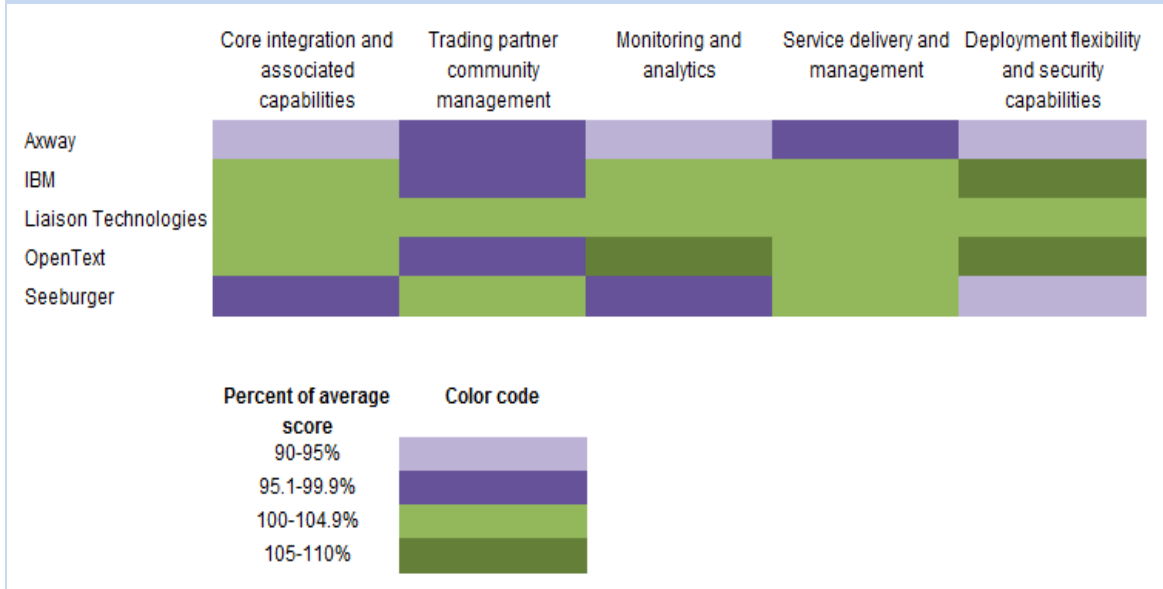
Figure 2 represents the results of a comprehensive evaluation of five key B2B integration managed services providers meeting the inclusion criteria. Figure 3 and Figure 4 provide the B2B integration managed service provider scores in terms of color codes (representing the percentage of the average score for a criteria group) for different criteria groups under the “technology” and “execution and market impact” assessment dimensions respectively. For example, if the average score for criteria group A under technology assessment dimension is “a” and vendor x scores 96% of this average score ($=0.96a$), the score would be represented by the color indicating scores in the range of 95.1-99.9%.

Figure 2: Competitive positioning of B2B integration managed services providers

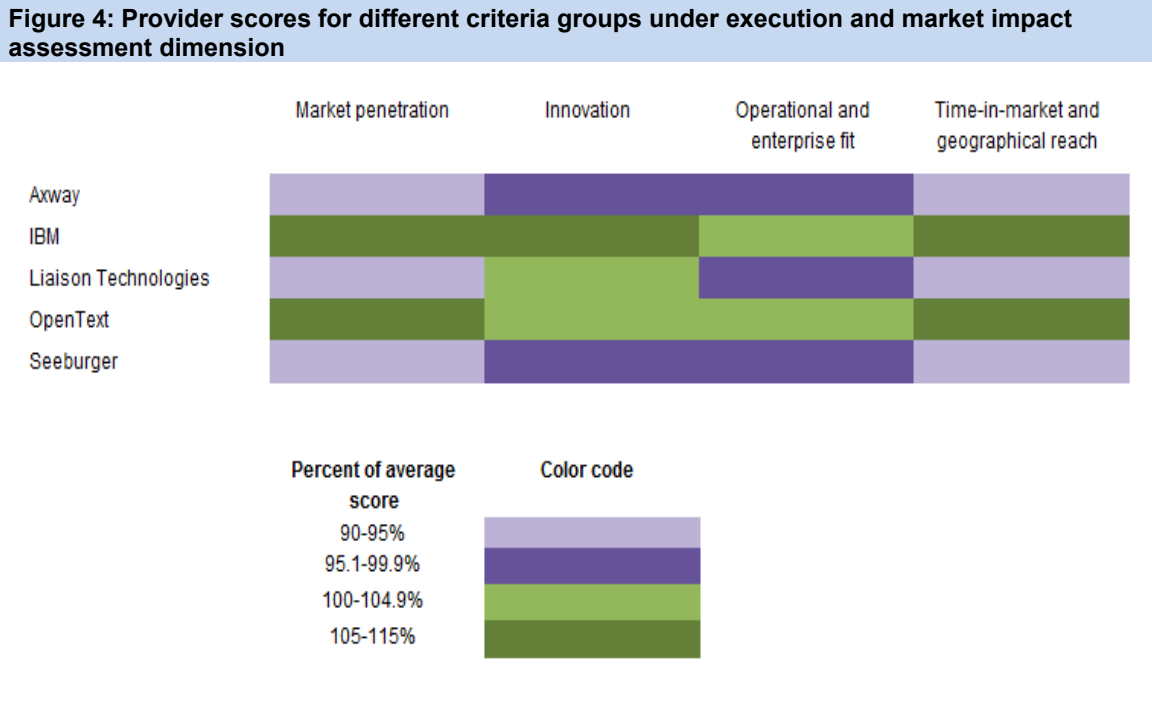


Source: Ovum

Figure 3: Provider scores for different criteria groups under technology assessment dimension



Source: Ovum



Source: Ovum

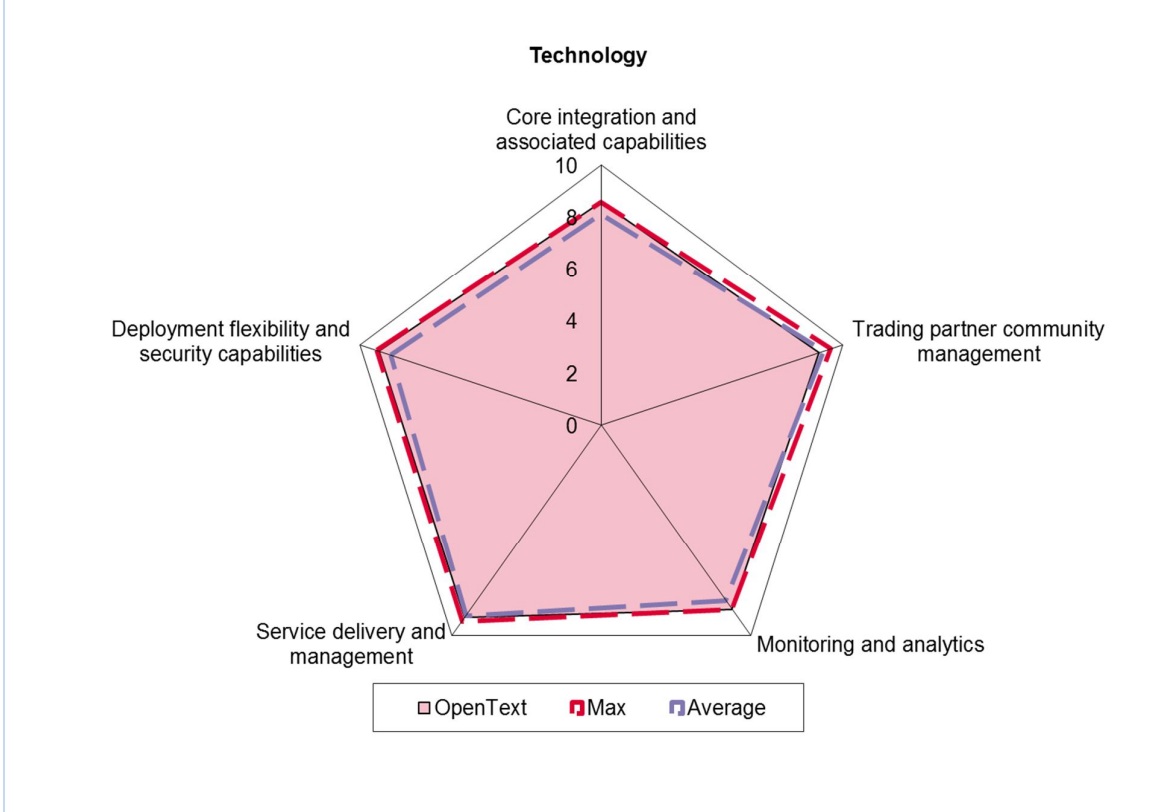
Vendor analysis

OpenText

B2B integration managed services represent a core business of OpenText and this area has grown at a good pace since its acquisition of GXS. OpenText maintains the largest network of unique trading entities and has global reach and presence. OpenText uses its Trading Grid cloud-based B2B integration platform to deliver a comprehensive portfolio of B2B integration managed services.

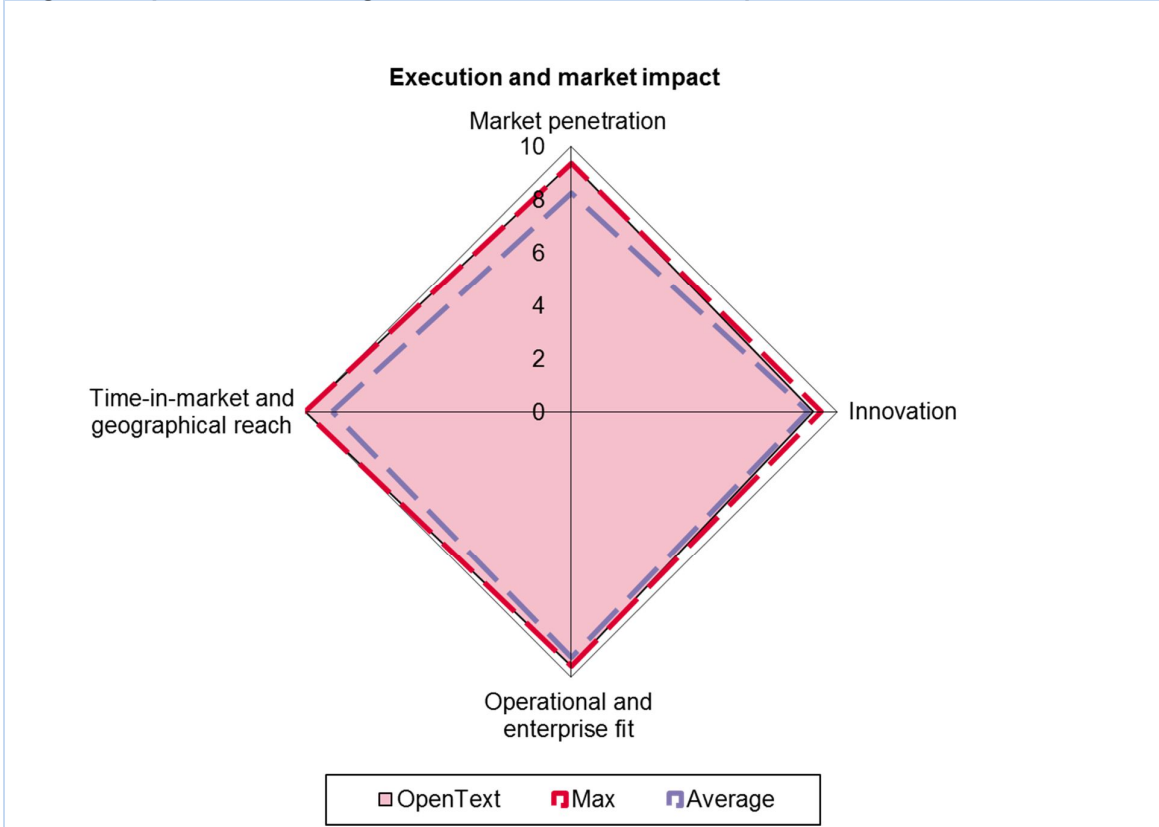
Figures 5 and 6 represent OpenText’s scores across criteria groups covered under the “technology” and “execution and market impact” assessment dimensions, and in comparison to the maximum and average scores for each criteria group.

Figure 5: OpenText radar diagram – technology assessment



Source: Ovum

Figure 6: OpenText radar diagram – execution and market impact assessment



Source: Ovum

Areas of strength

- OpenText has successfully integrated GXS into its global organization and continues to invest significantly in research and development for further growth of this business.
- OpenText has executed well against an aggressive managed services offering roadmap. It has expanded its features and capabilities in a range of areas, including trading partner self-service capabilities, web services based integrations and applications support, supply chain intelligence, and transaction lifecycle visibility.
- It is well placed to benefit from the capabilities it gained via the acquisition of Actuate, including greater efficiency in B2B processes and new services (not confined to operational intelligence) delivering actionable insights based on analytics applied to structured and unstructured data sets.
- From a business perspective, OpenText does not rely on its credentials and strengths in a few specific vertical industries. It is capable of meeting vertical industry-specific B2B integration requirements under a managed services model.
- OpenText offers comprehensive mapping and translation services, with more than 50,000 maps in production. It has a library of more than 5,000 pre-built canonicals and has 500 mapping professionals.

- As per Ovum’s conversations with enterprise IT leaders, OpenText enjoys good brand recognition across the globe and offers a compelling value proposition, both in terms of B2B integration features and capabilities and critical aspects of managed services provisions.
- OpenText achieved the highest overall score for the technology assessment dimension. Furthermore, the sum of overall scores for “technology” and “execution and market impact” assessment dimensions was highest for OpenText.

Other key observations

- OpenText achieved high scores across all criteria groups covered under the “technology” and “execution and market impact” dimensions, indicating a relatively higher maturity of managed services offering, solid offering strategy and execution, and greater market penetration.
- OpenText’s managed services offering is technically advanced and functionally rich, and the associated roadmap fits well with its target market. OpenText should be on every shortlist aimed at selecting a comprehensive B2B integration managed services provider.
- OpenText achieved the highest score for the “core integration and associated capabilities” criteria group under the technology dimension. This is a good indicator of a sound foundation and differentiators in terms of key B2B integration features and capabilities.
- OpenText achieved the highest score for the “operational and enterprise fit” criteria group under the execution and market impact dimension. This indicates strong alignment between operational aspects of managed services delivery and customer expectations.
- From an overall perspective, Ovum believes that OpenText offers “value for money” for B2B integration managed services engagements that require extensive B2B integration features and capabilities and specialized skills. OpenText’s pricing models for B2B integration managed services engagements are simpler and more transparent in comparison to its close competitors.

Appendix

Methodology

An invitation followed by the evaluation criteria spreadsheet comprising questions across two evaluation dimensions were sent to all vendors meeting the inclusion criteria. B2B integration managed services providers that did not qualify for inclusion in this evaluation or opted not to participate include:

- Comarch
- Edicom
- E2open
- HighJump Software
- HP Enterprise Services
- NeoGrid
- SAP (Ariba)

- SPS Commerce
- Tieto.

This evaluation excludes B2B integration managed services providers that have a regional footprint (or limited footprint at a global level) or can cater only to the requirements of a few specific use cases. It also excludes vendors that can cater only for the requirements of B2B integration use cases confined to a few specific vertical industries.

Ovum had thorough briefings with the final five vendors to discuss and validate their responses to the evaluation criteria and understand latest product developments, strategies, and roadmaps. This evaluation includes observations/inputs from Ovum's conversations (including those conducted based on customer references) with IT leaders, enterprise architects, B2B integration directors/managers, and B2B integration practitioners.

Technology assessment

Ovum identified features and capabilities that would differentiate between leading B2B integration managed services offerings. The criteria groups and associated percentage weightings are as follows:

- Core integration and associated capabilities (weighting assigned =35%)
- Trading partner community management (weighting assigned =12.5%)
- Monitoring and analytics (weighting assigned =12.5%)
- Service delivery and management (weighting assigned =20%)
- Deployment flexibility and security capabilities (weighting assigned =20%)

See the Ovum report, *Selecting a B2B Integration Managed Services Provider* (November 2016), for detailed information on individual evaluation criteria covered under the technology assessment dimension.

Execution and market impact assessment

In this dimension, Ovum assessed the capability of a B2B integration managed services offering across the following key areas:

Market penetration (weighting assigned =15%): identifying the maturity of offering in its current state and the extent to which it has penetrated the market for this class of integration managed services.

Innovation (weighting assigned =25%): identifying innovation in key areas, such as product strategy and roadmap, architecture, and commercial model and assessing the value delivered to enterprise users.

Operational and enterprise fit (weighting assigned =45%): assessment criteria and points of information components of managed services offering, types of SLAs and SLA compliance, support services, support dual data center topology, flexibility of managed services contracts, and alignment with mainstream IT architectures and roadmaps.

Time-in-market and geographical reach (weighting assigned =15%)

Revenue from B2B integration managed services and revenue growth figures were not considered for evaluating different providers.

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