



Magic Quadrant for B2B Gateway Providers, 2Q05

15 April 2005 - **L. Frank Kenney**

Source: Gartner

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The second-quarter 2005 Magic Quadrant for business-to-business gateways summarizes 15 vendors' vision and execution in the B2B gateway market. Use the Magic Quadrant as part of a more-detailed assessment process that weights the criteria in the context of your company's unique requirements.

What You Need to Know

The Magic Quadrant for business-to-business gateway providers gives a general indication of each vendor's market presence and its product's efficacy. Companies are advised to use this device as part of a larger, more-detailed assessment process that weights the selection criteria in the context of the particular business requirements of the companies.

Strategic Planning Assumption(s)

By 2007, 90 percent of all B2B gateways will have the necessary transformation and mapping capabilities for most EDI and XML B2B interactions (0.8 probability).

Through 2008, 60 percent of companies that are buying B2B gateways will buy stand-alone ones (0.7 probability).

Analysis

This assessment of the business-to-business (B2B) gateway market identifies vendors active in this space and characterizes their roles in the industry as of March 2005. It covers 15 software vendors that offer stand-alone B2B gateways, either as a primary offering or as a complement to other products or services. In the past, we have included, and will continue to include, B2B functionality in our evaluation of the general-purpose integration suite market (see "Magic Quadrant for Integration Backbone Software, 1H05"), but this Magic Quadrant focuses on vendors that market and sell stand-alone B2B gateways, separate from their integration suites.

About Gartner Magic Quadrants

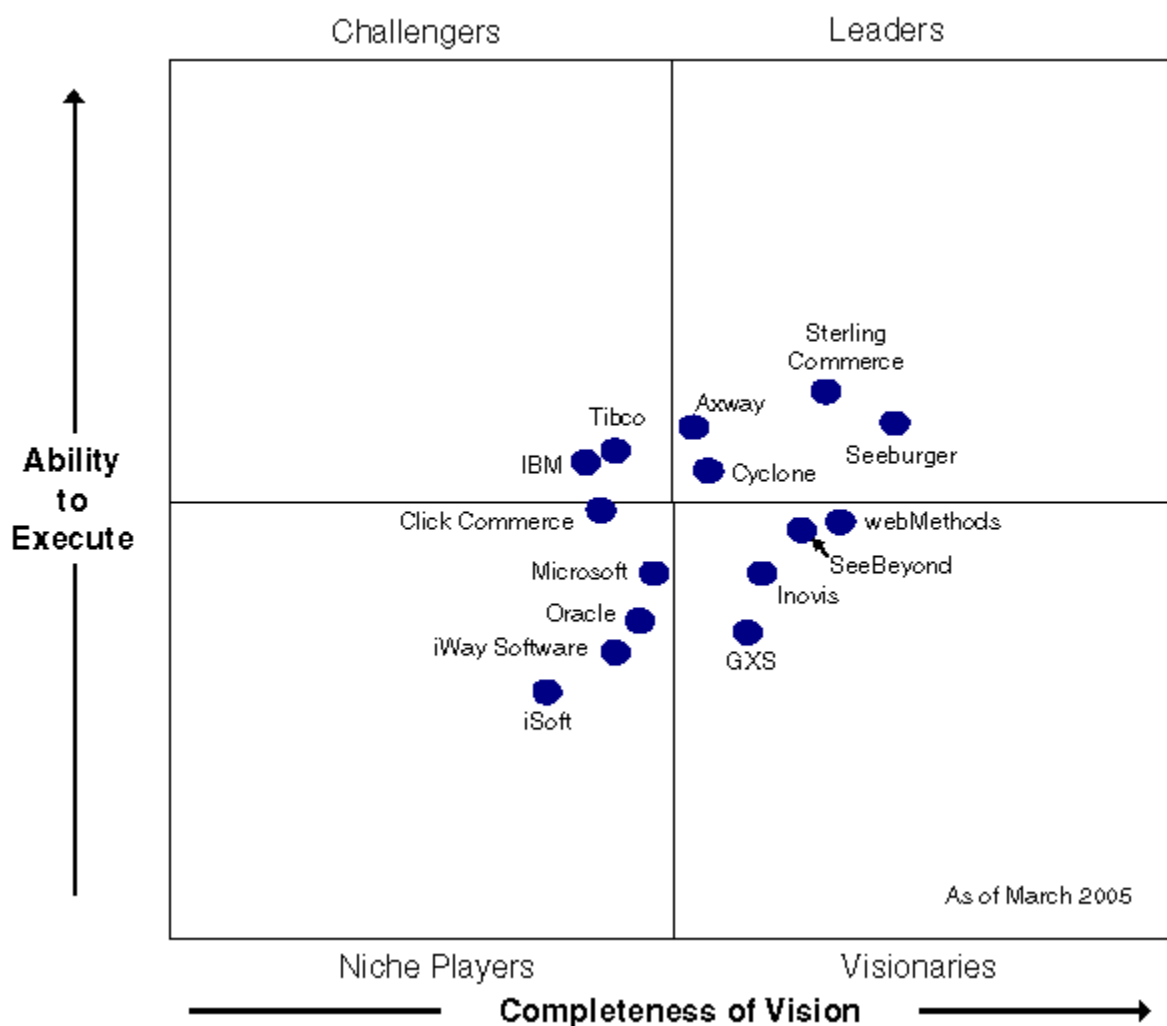
A Gartner Magic Quadrant is intended to be used as one of several references for product selection — it cannot be used in isolation, because it does not reflect the detailed factors relevant to each particular business situation. Despite the name, there is nothing "magic" about our Magic Quadrants. They are powerful analytical tools derived from our understanding of the market conditions and assessment of the vendors' abilities and vision. Just as our Magic Quadrants are the end result of hard work, the companies using these tools must not expect magic in their



vendor selection process — they also must expect to do their due diligence, which includes factoring in many aspects of analysis beyond the Magic Quadrant.

This Magic Quadrant rates vendors, not just products. This means that the placement of a vendor into a quadrant is not solely an indication of the relative value of that vendor's product. For example, it is possible for a vendor to be rated relatively highly in its Ability to Execute because of its ability and willingness to allocate a massive amount of sales and marketing resources to bring to market a rather pedestrian product. On the other hand, the vendor of a truly impressive product may have a somewhat lower ability-to-execute rating because of a more-limited sales and marketing presence. Although this analysis considers 15 companies (see Figure 1), it does not cover all of the B2B gateway vendors. Gartner is tracking other vendors with B2B gateway products, particularly industry-specific solutions (such as financial and healthcare specialists), but we have not evaluated them sufficiently to include them at this time. This should not, however, be taken as a shortcoming on the part of those vendors.

Figure 1.
Magic Quadrant for B2B Gateway Providers, 2Q05



Source: Gartner Research (March 2005)



The Inclusion Criteria

A vendor is included in the Gartner Magic Quadrant for B2B Gateway Providers if it offers the ability to:

- Be sold and deployed as a stand-alone application(s) (separate stock-keeping unit) with trading-partner management (TPM), security, management and adapters that enable users to consolidate and effectively manage all aspects of B2B interactions
- Be deployed heterogeneously in conjunction with third-party applications, middleware or operating systems
- Allow users the option of using two or more B2B protocols and security mechanisms to connect to multiple trading partners (for example, stand-alone AS2 solutions, or custom adapters that only allow connections to one application or trading partner, were not considered in this evaluation)
- Currently have at least \$10 million in annual revenue (*in some instances, vendors not meeting this particular criterion, but having a substantial impact on this market, have been included*)

Horizontal Axis (Completeness of Vision): The horizontal axis represents the vendor's completeness of vision with respect to the requirements and conditions that characterize the B2B gateway market. Our consideration of vision includes an assessment of how well each vendor's management team understands the technical and marketing issues, as well as its ability to innovate, differentiate its products and grow its business. The prospects for a vendor and its customers will be strongly affected by the strength of this vision. The criteria are:

- TPM
- Secure communications
- Workflow
- Business activity and event management
- Adaptive technologies
- Transformation (see Note 1)
- Openness and standards compliance
- Quality of service

See "Magic Quadrant Criteria for B2B Gateway Providers, 2Q05" for more detail on Gartner's criteria.

Vertical Axis (Ability to Execute): The vertical axis rates the vendors on their ability to execute that vision. This assessment takes into account the technical expertise, technology assets and product features, and financial and marketing resources the vendor allocates to the development and support of the product. Large vendors have an advantage in this dimension, but they do not always receive a high rating on their ability to execute, because *they may not dedicate sufficient resources and management focus to this specific market to ensure success*. Criteria are:

- Corporate viability
- Financial and management commitment
- Pricing
- Installations (past and recent)
- Support



- Geographic reach
- Partnerships
- Professional services

Criteria Weightings

Each vendor has been positioned in one of four quadrants: Leaders, Visionaries, Challengers or Niche Players. We have assigned heavier weights to various criteria to accurately reflect the challenges that exist in a common scenario consistent among companies, regardless of geographic location. Buyers in this scenario struggle with the challenges of provisioning and managing multiple trading partners and communicating with these partners in a secure, manageable way. In addition, buyers have generally become more concerned with vendor commitment to the B2B gateway market. Much in the same way older electronic data interchange (EDI) translation products (some as mature as 15 years) are still very much in use, companies tend to be more restrictive and conservative regarding B2B infrastructure and strategy and future migration scenarios. Therefore, we have placed a stronger emphasis on criteria such as TPM, secure communications, and financial and management commitment. For example a vendor such as Cyclone Commerce, which only sells B2B gateway technology, will generally rate higher on financial and management commitment than a vendor with multiple offerings that dedicates most of its resources to other markets.

About the Individual Quadrants

Vendors in the *Leaders* quadrant are most likely to have high revenue in this market, high market share and products that are of interest to a wide audience. Seeburger and Axway, European vendors with a combined 30-plus years of experience selling B2B software and services, continue to expand their geographic reach. Seeburger is becoming increasingly successful in the United States, partially fueled by its SAP partnership, and Axway enjoys continued success in Europe and Asia, selling software solutions and professional services to not only assist in the configuration with the deployment of their software, but to assist companies in rationalizing, implementing B2B gateway strategy and consolidating established B2B deployments. Cyclone Commerce, a pioneer in this space, has arguably the most elegant TPM functionality and has heavily invested in "business activity monitoring (BAM) for B2B" and business intelligence and analytics for B2B, by acquiring BizGenics in 2004. Cyclone continues to invest heavily in packaged integrated processes for specific industries, including automotive and pharmaceutical. Sterling Commerce, which has enjoyed success in the integration suite market, now focuses primarily on the B2B gateway market, positioning its Gentran Integration Suite product as a B2B gateway with enhanced integration capabilities for externalizing companies' internal business applications.

Visionaries understand the market and customer requirements well, but have fewer assets available or committed to the pursuit of this particular market than the leaders. webMethods and Global eXchange Services (GXS), which have recently entered a partnership (see "GXS and webMethods' Partnership Acknowledges Hybrid Business-to-Business Projects"), offer virtually the same product (GXS's Enterprise NG consists of webMethods' Fabric in addition to the Application Integrator — an EDI translator — and adapters for the GXS Trading Grid — an integration service provider). However, because this is a new offering for GXS as a complement to its primary focus on hosted and industry-specific solutions, they are rated differently. webMethods, true to its roots, maintains a viable B2B gateway, but it focuses on a larger strategy



of internal integration and service-oriented architecture enablement. Service-oriented B2B interactions are an emerging trend in B2B but have yet to find extensive adoption with most companies. Inovia continues to execute well, having fully integrated IPNet Solutions, which it acquired two years ago, but it needs to more aggressively leverage its business process management (BPM) capabilities and horizontally redeploy the business activity and event management capabilities of the currently retail-specific Reveal product it acquired with QRS. SeeBeyond has impressive software that is flexible and useful for the "hubs" of trading communities but is still considered somewhat "heavyweight" for smaller "spoke" companies needing tactical B2B gateways due to the complexity of the application.

Challengers have focused significant resources on this market, but they have a narrower understanding of the market and a less-impressive product strategy, or they have deliberately chosen to limit the scope of their product lines. Tibco Software, while having thousands of users in communities powered by Tibco BusinessConnect, continues to place more emphasis on internal application integration, which is still a successful business for this vendor. Initial analysis of the next version of BusinessConnect shows improved TPM, and an increased focus on the B2B gateway market and its users. IBM has begun to refine its B2B strategy with WBIC, which has good TPM and protocol support, but it continues to rely on the larger WebSphere suite for enhanced BPM, BAM and adaptive functionality.

Niche players are limited to a particular geographical or industry segment, or have a smaller range of features or resources that, taken together, preclude them from competing across the board in many major segments of this market. Click Commerce had re-established and regained market share for its TDNgin product. Under bTrade, which Click Commerce acquired in 2004, TDNgin had lost market share and domain expertise in this space. Today, Click Commerce continues to market TDNgin to the B2B gateway market and offers it in conjunction with its larger suite of supply chain execution applications — providing those applications secure and managed connectivity and TPM. iSoft is embarking on a new strategy of providing managed file transfer solutions, both stand-alone and as part of its B2B gateway. Once known as the "Wal-Mart" AS2 specialist, iSoft has broken out of the "AS2-only" mold and is now considered for multiprotocol support. Despite the prior lack of marketing and lack of visibility that once hampered iSoft, it maintains a substantial installed base. Although it has rebounded from some of these challenges, its new CEO and management staff will have to continue convincing the market of iSoft's long-term viability. iWay Software, the adapter vendor, continues to market and sell stand-alone B2B adapters and a full B2B gateway made up of its Adapter Manager and various B2B adapters. Robust TPM is being developed, but iWay continues to consider itself primarily an adapter company providing B2B gateway functionality. To better its functionality and its presence in this space, iWay needs to increase its B2B domain expertise, sales and marketing. Microsoft and Oracle both have viable B2B gateway solutions, have comparable TPM and protocol support, and are increasing their commitment to this market. However, they still fail to communicate that commitment, as is evident from their lack of literature, marketing and messaging.

The State of the B2B Gateway Market

When Gartner was briefed by the major integration and application platform suite (APS) vendors that also compete in this space, each one of them articulated a consistent, focused strategy of exploiting B2B gateways, used for the management of exchanged data and processes, to create recurring sales opportunities for the integration suites and APS vendors. The presence of their



B2B gateways in a company's infrastructure could presumably create vendor presence and vendor opportunity to sell larger, more-expensive technologies. In short, the B2B gateway is an opportunity for a vendor to "get its foot in the door." We estimate the current B2B gateway market to be approximately \$200 million to \$250 million, growing conservatively between 5 percent and 8 percent year over year. *Through 2008, 60 percent of companies that are buying B2B gateways will buy stand-alone ones (0.7 probability).*

Key Issues

What is the size of the market, and how are vendors positioned in it?

Note 1

Transformation

Although we have consistently viewed transformation as an optimal requirement of the B2B gateway, some buyers prefer letting the gateway provide the "any-to-any" data and semantic transformation and mapping, including EDI transformation. The mapping user interfaces should be robust but easy to use, including common pre-defined map templates and drag-and-drop functionality. *By 2007, 90 percent of all B2B gateways will have the necessary transformation and mapping capabilities for most EDI and XML B2B interactions (0.8 probability).*

Acronym Key

APS	application platform suite
B2B	business-to-business
BAM	business activity monitoring
BPM	business process management
EDI	electronic data interchange
GXS	Global eXchange Services
TPM	trading-partner management

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