The Business Case for B2B Integration Modernization

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Catalyst

Gone are the days when enterprises could maintain competitive positioning and meet trading partner and customer expectations with a "good enough" approach to B2B integration. Digitalization and the need for greater agility at a lower cost of ownership call for an agile and holistic approach to B2B integration, mitigating infrastructure, security, and governance silos that reduce adaptability to new business models and increase exposure to security and compliance risk.

In a digital-driven business environment, enterprises will need centralized data flow governance, with cloud and mobile platforms enabling critical B2B collaboration capabilities. Needless to say, data security and compliance to regulatory mandates will continue to be critical factors in reducing business risk. For many enterprises, this unrelenting wave of digitalization calls for a major reset and a new, holistic perspective on B2B integration infrastructure modernization that aligns with a perpetually fluid landscape of partner and customer expectations and regulatory demands. Then there are the key business imperatives of expansion into new markets and revenue growth. It is time enterprises devised a holistic strategy to meet these complex, diverse requirements to survive and ultimately thrive in an increasingly digital business environment.

This white paper draws exclusively from an extensive B2B integration primary research survey conducted by Ovum in the second half of 2015. The B2B integration survey offers a global view of enterprises' priorities and adoption trends for B2B integration, with 450 respondent enterprises spread across the North America, Latin America, Europe, and Asia-Pacific regions.

Time to challenge the status quo: factors driving changes in B2B integration requirements

B2B integrations have become more complex. Trading partners and customers are using different communications and messaging standards, data formats, and security and governance frameworks as part of usual B2B e-commerce collaboration. The digital business universe is in a constant state of flux; however, many enterprises have yet to realize the gravity of changes required to keep pace with the rise of digitalization.

For example, many enterprises are sticking with electronic data interchange (EDI), even though EDI solutions, in isolation, are not "good enough" for meeting increasingly complex B2B integration needs. Cloud-based B2B integration services have matured to a great extent over the last three to five years. However, several enterprises have an unclear view of the strategic benefits of cloud economics and infrastructure flexibility.

Enterprises struggling to maintain legacy EDI solutions and associated internal resources can benefit from the overall value proposition of cloud-based B2B integration services under a managed services model. It is an approach that will allow enterprise developers and integration practitioners to focus on more strategic and higher-value initiatives. This is an area where enterprises will benefit from asking the right questions on how cloud-based B2B integration managed services fit the bill for current and imminent business requirements.

A lot has changed over the last couple of years, and surprisingly, technical connotations no longer remain the predominant theme for discussions about APIs. There is a growing realization that APIs can serve as simple and flexible interfaces for digital services and drive the development of new digital business and revenue models. Nevertheless, several enterprises have limited understanding of...
the value proposition of APIs in extending B2B processes to mobile channels and external applications to support new styles of B2B collaboration.

Enterprises certainly have their wish lists (see Figure 1) and some have a decent idea of where they stand in terms of digital evolution. It is not surprising to see a correlation between potential solutions to these challenges and the ever-increasing need for digital transformation. Interestingly, improvements in B2B integration capabilities will have a direct impact on key business and IT metrics, which determine an enterprise's maturity level with regards to transformation to a "digital business."

**Figure 1: Main business challenges in the current operating environment**

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<thead>
<tr>
<th>Challenge</th>
<th>Top priority</th>
<th>Second priority</th>
<th>Third priority</th>
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<td>Increasing revenue/ budget growth</td>
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<td>Increasing operating efficiency</td>
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<td>Reducing operating expenditure</td>
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<td>Improving customer/citizen experience</td>
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<td>Meeting regulatory demands</td>
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<td>Improving operational resilience</td>
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<td>Transforming business capabilities</td>
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Source: Ovum ICT Enterprise Insights, 2015–16

**Identifying the factors that indicate a need for B2B integration modernization**

For many enterprises, the strategic value of B2B integration is not recognized unless gaps in existing B2B integration capabilities become a major barrier to business growth, improvements in trading partner and customer relationships, and realization of efficient, mission-critical B2B processes. Having greater agility to effectively meet trading partner and customer expectations and regulatory compliance mandates is a driving force for adoption of a new B2B solution in many enterprises. This, of course, also relates to the need for reducing cost of ownership for B2B integration infrastructure.

Enterprises are also motivated to modernize their approach to B2B integration due to other factors. Legacy EDI solutions, for example, offer limited flexibility and are inadequate for meeting increasingly critical business requirements, such as rapid trading partner onboarding, end-to-end visibility and monitoring, and API-led extension of B2B integration capabilities. With IT under pressure to deliver new capabilities under strict budget and time constraints to support digital business initiatives, the proposition of maintaining legacy EDI infrastructure is difficult to sustain.

These factors and requirements call for an agile approach to B2B integration that offers the requisite flexibility, scalability, security, and visibility, while mitigating infrastructure, security, and governance silos. After all, the ease and speed with which an enterprise is able to support new requirements,
including those driven by trading partner and customer expectations and regulatory mandates, will
determine its competitive positioning in an increasingly digital business environment.

Enterprises must overcome inertia to change and refrain from adopting makeshift solutions to critical
business and IT issues. While B2B integration infrastructure modernization involves significant cost
and effort, it is highly unlikely that any other approach will deliver the desired outcomes. Delays can
result in lost business opportunities, customer churn, and noncompliance to customer service-level
agreements (SLAs) and regulatory mandates. To get buy-in on all levels, it is important to focus on
developing a solid business case based on indicators directly related to the potential business value
that could be realized with B2B integration infrastructure modernization.

The ground reality: concerns driving B2B integration
modernization

It is important to analyze the above factors in conjunction with enterprises’ main concerns with the
features and capabilities of existing B2B integration solutions (see Figure 2). It then becomes clear
that a majority of enterprises continue to struggle to meet critical business requirements with existing
B2B integration solutions. These are serious issues that cannot be swept under the rug.

![Figure 2: Main concerns with features and capabilities of existing B2B integration solution(s)](source: Ovum)

Enterprises have suffered from inertia to change, and the habitual reactive way of responding to new
integration requirements often leads to a plethora of integration infrastructure that serves little
business purpose. However, given the rate at which digitalization is driving changes in business
processes and customer engagement models, IT cannot afford to follow archaic approaches for
resolving new B2B integration issues.

As per the survey results shown in Figure 3, a significant number of respondent enterprises have
considered replacing an existing B2B integration solution due to high cost of ownership and inability to
respond quickly to production issues, and for supporting business growth and/or entering new
markets. When seen in totality, these are clear indicators of an urgent need for an agile approach to
B2B integration to increase responsiveness to new business requirements.
Interestingly, as shown in Figure 4, a majority of respondent enterprises are aware of the potential business impact of B2B transaction failures. Moreover, over three-fourths of survey respondents selected customer/partner SLA violation as a major (and highly likely) business impact of B2B transaction failures. This argument can be extended to the inability of legacy EDI solutions to provide requisite visibility into and end-to-end monitoring of B2B processes. Without these critical capabilities, enterprises will struggle to identify the specific characteristics and causes of B2B transaction failures. This limits their ability to implement corrective measures. It is also important to note the enduring nature of the negative impact of B2B transaction failures, which cannot be discounted as one-off failures.
In order to meet the diverse requirements of trading partners, customers, and data security and regulatory compliance, enterprises should focus on a shift to a comprehensive B2B solution. This will be a far better option than maintaining and managing several “islands” of B2B integration infrastructure, which in turn will create security and governance silos. The data security and compliance-related implications of gaps in B2B integration capabilities are often downplayed unless enterprises suffer from a high customer attrition rate, loss to brand image, litigation and fines, or any other negative business impacts. It is clear that enterprises need a composite solution to a range of complex B2B integration issues.

Cloud-based B2B integration services enable greater agility at a lower cost of ownership

Cloud-based B2B integration services provide the flexibility to increase or decrease infrastructure capacity to meet the requirements of greater or lesser IT workloads in an efficient manner. This is a major advantage over traditional B2B integration solutions, where large up-front capex is needed for supporting base workload, and additional infrastructure capacity is achieved by further investments to support a greater IT workload.

The value proposition of cloud-based B2B integration services is especially attractive for enterprises struggling to support heavy transaction loads with existing B2B-EDI platforms. Likewise, cloud-based B2B integration services are a good option for enterprises that need to support varying transaction loads with major peaks for a significant period.

Survey results reveal that about 10% of respondent enterprises are already using cloud-based B2B integration services. Moreover, potential cost savings and greater agility in responding to new requirements are key perceived benefits of cloud-based B2B integration services. Cloud-based B2B integration services under a managed services model add the benefits of cloud economics and infrastructure flexibility to traditional integration outsourcing arrangements to offer a compelling value.
Indeed, over 18% of respondent enterprises showed an inclination to adopt cloud-based B2B integration services under a managed services model. 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 managed services deliver people, process, and technical expertise with significant cost and performance advantages over internal approaches. Enterprises can think of this approach as an outsourced B2B integration competency center.

### Exploit operational intelligence to realize strategic benefits and reduce business risk

Enterprises should focus on exploiting operational intelligence to realize superior performance and greater value from investments in B2B integration infrastructure. In simpler terms, operational intelligence offers actionable insights based on comprehensive analytics applied to achieve end-to-end visibility into B2B transactions. This will offer significantly greater value to IT and line-of-business (LOB) users interested in monitoring operational parameters, including technical- and business-relevant key performance indicators (KPIs) related to B2B processes and transactions.

Operational intelligence tools offer modular and customizable dashboards presenting real-time insights into key parameters related to B2B transactions. With operational intelligence, enterprises can identify specific instances and patterns indicating degraded performance and unusual activities responsible for suboptimal processing of B2B transactions.

**Beyond simple monitoring of B2B integration infrastructure, operational intelligence will reduce business risk for mission-critical B2B processes and support proactive identification and resolution of operation issues.**

Some of the key operational parameters that can be monitored using operational intelligence include transfer performance/transition time, failure/error rate, B2B protocol profiles by volume, sent/received volume trends, and sender/receiver activity profiles. For example, enterprises can notify relevant trading partners as soon as a deviation in inbound/outbound data flow trends is detected, thereby minimizing the business impact of operational issues.

In particular, operational intelligence shifts the focus from "reactive" action to operational issues with B2B integration infrastructure to support proactive identification and resolution. While it is difficult to quantify benefits of operational intelligence in a B2B integration context, enterprises should consider embeddable, end-to-end visibility and actionable intelligence to improve trading partner relationships and business prospects, and the efficiency of underlying multi-enterprise process automations.
APIs simplify extension of B2B integration capabilities for digital business initiatives

With the rapid rise of digitalization, APIs are increasingly used as flexible interfaces that enable B2B e-commerce collaboration. While EDI remains the most robust approach to B2B integration, APIs are gaining ground, thanks to their ease of implementation and mobile-friendly nature. Moreover, complex orchestration use cases involving access to B2B integration capabilities via on-premise, SaaS, and mobile applications are not so uncommon.

We see "x + API" as the new mantra for innovation in an increasingly digital world, where enterprises need to respond to new market opportunities at a pace that cannot be supported by traditional approaches. The component x in the x + API equation can range from a specific data set, service, application, or an API, to an integration flow allowing mobile enablement of existing business processes. For example, an EDI platform can expose integration, monitoring, and governance capabilities via APIs for consumption by external 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.

There are several core characteristics positioning APIs as an appropriate means to B2B integration involving digital channels. In particular, lightweight and developer-friendly representational state transfer (REST) APIs can support real-time (synchronous) B2B information exchange across a range of applications, devices, and networks. For a long time, enterprises have used B2B gateways, EDI value-added network (VAN) services, and managed file transfer (MFT) solutions for interacting and transferring structured data with trading partners. However, with digital channels increasingly becoming an integral part of multi-enterprise process automations, enterprises need a more agile approach enabling real-time data transfer, as well as simplifying onboarding and implementation processes. APIs fill this gap and complement EDI as an approach to agile B2B integration. However, APIs are by no means a "silver bullet" to complex B2B integration issues.

It is time to adopt an agile and holistic approach to B2B integration

Agile B2B integration calls for a combination of EDI- and API-led approaches to mitigating infrastructure, security, and governance silos. At face value, it is clear that the implementation of these two approaches in isolation will increase operational overhead and cost of ownership for B2B integration infrastructure. Moreover, such a fragmented approach will create separate infrastructure, security, and governance silos. This increases exposure to security and compliance risk, and reduces adaptability to new business and operating models.

What enterprises need is a holistic approach to agile B2B integration, which provides a stable and secure means for data transfer, as well as offering the flexibility to extend B2B processes to mobile applications and customer portals via APIs.

A good option is to enforce centralized management over a suitable combination of B2B/EDI and API management solutions. With this combination, enterprises can exploit distinct capabilities of both approaches, without compromising on data security and privacy. A homogenous middleware stack comprising a suitable combination of B2B/EDI and API management solutions will reduce
infrastructure management effort and costs, as well as deliver uniform user experience. This will be a far better option than the proposition of using a combination of B2B/EDI and API management solutions offered by different vendors.

How to develop a business case for B2B integration modernization

As is the case with any strategic IT initiative, securing funding for B2B integration infrastructure modernization is no easy task. In particular, IT will need to develop a strong business case as to how this initiative would add business value. There will always be some inertia involved in any initiative intending to change processes and IT tools used for realizing specific outcomes, more so from the perspective of organizational change management – the case of B2B integration is no different.

Therefore, it is important that IT demonstrates, ideally via a proof-of-concept (PoC), how B2B integration infrastructure rationalization and modernization will help in meeting trading partner and customer expectations, as well as supporting digital business initiatives and mitigating the risk posed by security and governance silos. The business case should focus on factors/indicators directly related to the potential business value that could be realized with a shift to a comprehensive B2B integration solution (on-premise or cloud-based). Indicators include:

- comparison between total cost of ownership (TCO) for the existing B2B integration solution and the new solution under consideration
- reduction in development and maintenance costs
- tangible benefits of compliance to customer SLAs
- benefits of improved trading partner and customer relations and retention
- tangible benefits of rapid trading partner and customer onboarding
- business risk associated with noncompliance to regulatory mandates
- ability to support a range of B2B e-commerce transactions, while ensuring guaranteed delivery and end-to-end transaction monitoring
- long-term viability of a new B2B integration solution and its strategic fit to enterprise integration strategy
- business benefits of greater agility in meeting new requirements
- better support for digital business initiatives involving the use of APIs
- better business-IT alignment for B2B e-commerce initiatives.

IT leaders understand the critical need for upgrading and transforming B2B integration capabilities to better support changing business requirements and partner and customer expectations. While some will opt for cloud-based B2B integration services, others might start with a shift to a comprehensive on-premise B2B integration solution offering greater flexibility and end-to-end visibility and governance at a reasonable cost of ownership. In the end, it is all about how fast, and at what cost, IT can deliver the desired integration capabilities.
Appendix

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We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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