

► **Competitive Intelligence Report**

GXS Gets into the Community Spirit

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Module:
**Application
Infrastructure - U.S.**

Summary

Event Summary

March 20, 2006 -- GXS, a provider of business-to-business (B2B) e-commerce solutions, announced the launch of two new GXS Community Link service-level agreements (SLAs). GXS Community Link is the company's trading partner community enablement program, providing global trading partner ramping, technical support, and change management.

Analytical Summary

- **Current Perspective:** Positive on GXS' new Community Link program, since the firm is leveraging a key strength and differentiator to raise new revenues.
- **Vendor Importance:** Moderate to GXS, because it needed to package professional services around its Trading Grid to make it more attractive and find new independent sources of revenue.
- **Market Impact:** Moderate on the integration and Web services market, because primary EDI competitors need to match this repackaging and branding; however, other vendors may find it useful to partner with GXS for these services.

Current Perspective:

Positive

Vendor Importance:

Moderate

Market Impact:

Moderate

Target Markets

ASPs, B2B Communities, Global 2000, Large Enterprises, Small Office/Home Office, Small to Medium Enterprises, Systems Integrators, Third Party Implementers, Web Portals

Perspective

Current Perspective: **Positive**

We are taking a positive stance on EDI/hosted network vendor GXS' new Community Link program for trading partner ramp up. While GXS has been doing this a while, the new branding and SLA guarantee will help attract new clients, as will GXS' emphasis on global support, including within China, where it has a 50-person field office.

Community enablement is often the missing piece in B2B, especially for middleware/ERP and other vendors that have newly-minted B2B capabilities. Technology and software alone is not sufficient. The fact is the task of getting everyone up and running on a hub, especially "small/occasional" partners, is like herding cats. Even ominous sounding mandates fail to get everyone on the network on time. The cost of dealing manually with even 10 to 20% of partners tends to negate the whole benefit of the hub. EDI vendors have had over 20 years experience in this process, and they have well-established community enablement programs.

GXS, the leading EDI vendor, is now getting smart about recognizing this differentiator and

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Current Perspective:

Positive

Vendor Importance:

Moderate

Market Impact:

Moderate

branding it and marketing it appropriately. The new “Community Link program includes an SLA that guarantees 100% community participation over a set length of time (usually from three to 12 months). The company also seems to have branded more of the methodology involved and includes program definition, implementation, and change management. GXS’ global presence is a big differentiator. The firm is in 30 countries, with support for 20 languages, including an office in China. This capability could attract firms with contract manufacturing in China or Eastern Europe. The firm has a number of means to connect partners, including WebForms, FAX-to-EDI on the low end, lightweight clients, and more involved clients/integration software that includes some transformation. Community Link will work with EDI-INT, including software from third parties, and it will interconnect through competitors’ VANs. This gives the firm the opportunity to expand outside its traditional GXS EDI base and get Community Link business where the hub network or software is from a third-party vendor.

GXS has a big opportunity to partner more with newer players that may not have any community enablement. However, the firm did not announce any partnerships immediately. GXS should consider such alliances, as the firm’s expertise and global capabilities could be attractive. Community Link does not yet include new software for visibility into connections and/or transactions. The firm should hasten to roll this out, as it could be the perfect up-sell. GXS could also package it as a hosted service or licensed software. The company should continue to brand various outsourcing and managed service offerings to bolster revenue.

GXS’ moves will likely cause competitors to improve the marketing in regards to their community enablement and embark on more partnerships in Asia/Eastern Europe. In addition, these moves will cause middleware/integration players to consider partnering with GXS on an ad hoc or formal basis to provide these services to hub customers.

■ Positives and Concerns

Competitive Positives

- GXS is building on its expertise in community enablement by bundling up its services in a branded offering, dubbed “Community Link,” and offering SLAs around it. The firm, which also has a differentiator in global capabilities through its EDI network, is now in a position to cull more revenue from these services with customers that are building out global or domestic B2B networks, whether it is for transaction, data synchronization, or commerce activities. This could be an independent source of revenue, but it could also lead to increased use of GXS services and/or software, particularly visibility software, in the future.
- With its SLA concerning Community Link, the company guarantees 100% community participation over a set length of time (usually from three to 12 months), with a number of caveats around providing clean partner lists and so forth. This will attract new clients to the services. The company also seems to have branded more of the methodology involved and includes program definition, implementation, and change management as some of the steps. This gives customers confidence in GXS’ expertise in the community enablement process.
- GXS’ global presence is a big differentiator. The firm is in 30 countries, with support for 20 languages, including an office in China. This capability could attract firms with contract manufacturing in China or Eastern Europe.
- The firm has over 20 means to connect partners and a well-established methodology. Included are WebForms, FAX-to-EDI on the low end, lightweight clients, and more involved clients/integration software that includes some transformation. Additionally, the firm will work with

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other EDI providers, if a client does not want to change (through interconnects), and third-party client software. This gives the firm the possibility of expanding outside its traditional GXS EDI base and getting Community Link business where the hub network or software is from a third-party vendor.

Current Perspective:

Positive

Vendor Importance:

Moderate

Market Impact:

Moderate

• The company is improving the program through a co-marketing/branding campaign with the hub vendor. The service includes 24/7 technical support.

Competitive Concerns

• None of these services is new for GXS, and the repackaging/rebranding will likely result in incremental new revenues. In addition, as a professional service, revenue generated will have lower margins than software and/or hosted services.

• The service could be an accompaniment to third-party B2B software, especially for middleware/ERP vendors that are either new to the B2B space or do not have the capabilities to get a community of hundreds of partners up and running, including hand-holding of clients, testing of connections, and problem resolution. However, the company has not announced any such partners.

• Community Link does not yet include new software for visibility into connections and/or transactions. This could be the perfect up-sell. It could also be packaged as a hosted service or licensed software.

• Both Sterling and Inovis have had community enablement programs for years, although not necessarily an SLA.

Recommended Actions

Recommended Vendor Actions

• The firm should embark on partnerships with middleware and ERP players, as well as possibly integration players (i.e., Oracle, SAP, TIBCO, BEA, etc.), for Community Link to be used in conjunction with the partners' software. GXS' expertise and global presence, particularly in China, could prove useful. This could help Community Link become an independent revenue source, and it could lead to some up-selling opportunities.

• The company should work on more visibility options for hub vendors as a complement to community enablement. This should range from simple visibility into partner connections to more detailed software that analyzes transactions, helps diagnose problems, and provides information on SLAs set out by the hub vendor.

• The company should continue to brand various outsourcing and managed service offerings.

Recommended Competitor Actions

• Competitors in the EDI/hosted network space, including Inovis, Sterling, and others, should consider better branding of their community enablement programs as well as partnerships with new players in the B2B space that might partially be competitors (e.g., middleware, ERP vendors, etc.).

• These players should consider better partnerships to provide support overseas.

• In general, these competitors should look to new visibility and exception handling applications

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as one way to spur growth and enhance the overall appeal of their hosted networks.

- Non-hosted B2B software vendors, including those in the middleware or ERP spaces (i.e., Oracle, SAP, BEA, etc.), should consider partnering with GXS for community enablement, especially global community enablement, due to its expertise, methodology, and hosted options for small clients. These vendors should keep in mind that Community Link does not necessarily have to be employed for EDI/VAN transactions.

Current Perspective:

Positive

Vendor Importance:

Moderate

Market Impact:

Moderate

Recommended End User / Customer Actions

- End users that are setting up global B2B networks based on EDI, or EDI-INT, should consider GXS' Community Link. While it is most suited for connection to GXS Trading Grid, Internet-based networks are also supported, as are individual client interconnections through another VAN.
- In general, users that are setting up hubs should require 100% participation, even if it is through WebForms or FAX-to-EDI services, as the cost of dealing with even a small percentage of manual transactions negates some benefits of the network.

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