

► Competitive Intelligence Brief

# GXS Revamps Its Integration Product with Help from Friends

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

► **Summary**

### Event Summary

September 12, 2005 — GXS, a provider of business-to-business (B2B) e-commerce solutions, announced the launch of its new B2B Gateway software solutions specifically designed to provide large and medium-sized enterprises with a unified platform to streamline global trading partner integration. GXS Enterprise Gateway and GXS Partner Gateway blend software and services from GXS with software from webMethods (NASDAQ: WEBM) and represent an important upgrade for GXS customers using GXS Enterprise System – GXS’ former integration broker solution. Building upon the companies’ strategic partnership announced in November 2004, GXS B2B Gateway solutions provide customers a global business integration solution to automate and manage global trading communities.

**Current Perspective**

**Positive**

**Vendor Importance**

**Moderate**

**Market Impact**

**Moderate/Low**

### Analytical Summary

- Current Perspective: Positive on GXS’ new B2B Integration/EAI products as the webMethods technology will help it retain customers as they move off the VAN.
- Vendor Importance: Moderate to GXS as it needed to offer a top notch integration product as a foundation for its value-added process-driven applications (both hosted and non-hosted) that it will soon offer.
- Market Impact: Low to moderate on the market as competitors already have taken this partnership into account, since it was announced 10 months ago.

► **Perspective**

### Current Perspective: **Positive**

We are taking a positive stance on GXS’ release of its new B2B Integration/EAI products. The products, Enterprise Gateway and Partner Gateway, are derived from webMethods technology and link into the webMethods Fabric SOA integration environment. This is first rate B2B technology and could attract GXS customers who are transitioning to Internet B2B technology for various reasons. Enterprise Gateway includes webMethods connection management, and partner profile management, with links to its back end broker, adapters, and SOA architecture in Fabric. Additionally, the product includes GXS’ Application Integration transformation software, which excels at EDI transformations and a pre-packaged connection to the GXS Trading Grid for EDI transactions. GXS also will market a “Partner Gateway” product, aimed at the mid-market, priced at \$50K to \$75K, with a limit of five partner connections. Partner Gateway also includes an ERP adapter. While this will likely attract the higher end portion of the mid-market, GXS is covered on the low end with various hosted options. GXS has a plan to migrate its current Enterprise System customers to the new solution set, including an adapter that links Enterprise System with Enterprise Gateway and upgrade offers.

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The shipment of this product, however, has taken quite a while as the partnership was originally announced in early November 2004 (see “GXS and WebMethods Ink Real Deal,” November 8, 2004), and GXS should hasten delivery of future products. Also, the products may be too expensive and too feature rich for customers who simply need AS2 connectivity to fulfill mandates. Even the Partner Gateway is expensive considering that stripped down AS2 products are under \$1000. GXS is charging extra for AS2 or RosettaNet suites. The firm should consider including AS2 in the products. It shouldn't get into the trenches with the commodity AS2 vendors, but instead push its hosted AS2 service for SMBs at this point. Also, it is unclear how GXS will attack other verticals outside of RosettaNet. The firm should take advantage of its webMethods partnership and resell webMethods vertical suites in several areas (financial, healthcare, etc.) where it doesn't have a presence. It should maintain development of core retail supply chain applications, but port them to the Enterprise System/Fabric foundation, including the webMethods process tool.

## ► Positives and Concerns

### Competitive Positives

- GXS releases its B2B products derived from its partnership with WebMethods (see “GXS and WebMethods Ink Real Deal,” November 8, 2004). Although this was a long time in coming, it allows GXS to offer a best of breed B2B solution that includes connections to its hosted “Trading Grid” network. The move will help GXS retain current customers who are moving to Internet-based networks, and are considering other vendors to achieve this. It could also attract new customers in need of a “hybrid” B2B technology that includes EDI connections and Internet-based connections.
- In particular, GXS releases Enterprise Gateway, which includes webMethods' first rate connection management, and partner profile management, with links to its back end broker, adapters, and SOA architecture in Fabric. webMethods' long history in this space and its numerous features for larger enterprises as well as small/occasional partners will attract GXS and new customers. Additionally, the product includes GXS' Application Integration transformation software, which excels at EDI transformations and a pre-packaged connection to the GXS Trading Grid for EDI transactions. This helps GXS retain customers who are participating in or spearheading Internet B2B initiatives. It also helps webMethods upsell its Fabric product.
- GXS also will market a “Partner Gateway” product, aimed at the mid-market. This has essentially the same technology, with a limited five-partner license and a lower price point (\$50K to \$75K versus \$200K to \$300K for Enterprise Gateway). It also includes a pre-built connection to the GXS Trading Grid and Application Integrator for transformation. The company is hoping to attract the mid-market customers with no EAI infrastructure with an ERP adapter that can be used to integrate with back end systems popular in the high end of the mid-market (SAP, Oracle, etc.). The company retains options for SMBs who want to connect to its trading network with packages as low as \$50 a month.
- GXS has a plan to migrate its current Enterprise System customers to the new solution set. It will provide an adapter that links the Enterprise System broker and/or adapters into the new Enterprise Gateway product and will market the webMethods Fabric EAI technology instead of GXS technology for internal integration. The firm will continue to support Enterprise System, however.

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- Customers can additionally buy AS2 or RosettaNet suites or the PIM for specialized vertical functionality on top of Enterprise Gateway.

### Competitive Concerns

- The shipment of this product has taken a long time. WebMethods and GXS first announced their agreement in early November 2004.

- The products may be too expensive and too feature rich for customers who simply need AS2 connectivity to fulfill mandates. Even the Partner Gateway is expensive considering that stripped down AS2 products are under \$1000.

- It is unclear how verticals outside of RosettaNet will be tackled (if at all) by GXS and what webMethods technology will be used in these other verticals. webMethods has its own vertical suites in several areas (financial, healthcare, etc.), while GXS of course, has order management types of applications and processes geared toward the retail supply chain, which are not necessarily based on the new Enterprise System product.

- GXS runs the risk of alienating some Enterprise System customers. Some will not want to go through the hassle of migrating and others will take the opportunity to evaluate other vendors.

### ► Recommended Actions

#### Recommended Vendor Actions

- GXS should speed up delivery of new products and services to help retain customer confidence in its execution capabilities.

- Instead of competing in the commodity AS2 connectivity market, GXS should emphasize its hosted AS2 service, and should advertise little or no set up by firms. For larger firms fulfilling AS2 mandates, it should market Partner Gateway and emphasize that they will need a product that can handle other connections in the future. It should include AS2 Connectivity in the Partner Gateway product at little or no extra cost.

- The firm should tap webMethods to provide vertical B2B solutions in verticals where it doesn't have a big presence right now (e.g., financial services/SWIFT, healthcare, etc.). For retail supply chain, GXS should build its own solutions but ensure that they run seamlessly with Gateway (this likely means using the webMethods BPM tool).

#### Recommended Competitor Actions

- Competitors in the integration market should continue to improve their EDI capabilities, including support for more EDI formats, and pre-built connections to a variety of VANs, including those from GXS, Inovis, and Sterling. These competitors should emphasize their ability to connect to more than one VAN as they are "neutral" in this regard.

- Competitors in the hosted network integration market (Sterling, Inovis, etc.) should continue to improve their B2B and EAI capabilities through more graphical features, and support for standards-based SOA technologies such as Web Services, JMS, and XML.

- Competitors in the hosted network integration space should consider process-based vertical applications that can be hosted or not hosted (or a hybrid of the two).

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## Recommended End User/Customer Actions

- Current Enterprise System customers should consider the new Enterprise Gateway as a strong upgrade option, but should ask for discounts and professional services help in performing the upgrade. They should ensure that webMethods has the same back end adapters.
- Current Enterprise Systems customers should not just fulfill mandates with a low end AS2 connection, but should take the opportunity to put a full featured B2B Integration product in place.
- New customers should consider Enterprise Gateway, especially if they will have need for a “hybrid” B2B network that combines EDI VANs (specifically GXS’ Trading Grid) with Internet-based B2B networks.
- New customers should consider hosted, managed processes as a way to wring more efficiency out of the supply chain.