MarketScope: The TDN Software Market Will Disappear

Transaction delivery network software meets the growing enterprise need to bring in-house more business-to-business integration. It generates enough revenue to get the integration broker suite vendors’ full attention.

In mid-2002, Wal-Mart mandated that all of its suppliers connect directly to its data center using the Applicability Statement 2 (AS2) standard to secure the transactions. This mandate, from the largest retail chain in the world, brought visibility to transaction delivery networks (TDNs) — a middleware market segment — and to the vendors and technology, which enable trading-partner/community management solutions and network connectivity. TDNs are services that provide a secure and reliable infrastructure, sometimes using specialized business-to-business (B2B) standards and protocols — such as AS2 and ebXML Messaging Services (ebMS) 2.0 — to manage the flow of data and transactions between the applications of trading partners. (TDN software is a licensed, deployable tool that specifically provides the same functionality.)

Some TDN service providers (for example, Hubspan) offer a service-based, low-cost Internet alternative to value-added networks, coupling trading-partner management solutions and integration middleware in the TDN data center (see "EDI to Web Services Networks: Contrasts in Convergence"). Other software vendors (such as bTrade, Cleo Communications and Cyclone Commerce) licensed and sold TDN software to enterprises, allowing them to create and manage their own communities. This software has enabled thousands of enterprises to quickly provision hundreds of thousands of trading partners and communities, securely connect to those entities, and, most importantly, meet internal and external B2B initiatives and requirements.

By supporting older protocols (HTTP, FTP, SMTP), newer B2B standards (AS1, AS2, ebMS) and technology that manages trading partners and communities (that is, "on boarding"/provisioning, configuration and change management), these vendors created a market for independent (that is, it can be...
used alone or in conjunction with other middleware) TDN software. Few integration broker suite (IBS) vendors understood the demand for this technology (TIBCO Software and webMethods continually developed and marketed TDN software add-ons and modules), while others underestimated the market demand for trading-community/partner management solutions that could adequately scale from a handful of partners to thousands. Meanwhile, reacting to market demands, the independent "pure-play" vendors of TDN software suites have generated a combined $75 million to $100 million in annual revenue.

Today, the IBS vendors sell solutions with TDN software capability (Sterling Commerce's AS2 Edition, Microsoft's BizTalk Server EDI Accelerator, IBM's WBIC 4.2) that rivals that of the pure-plays, and, with their large installed bases of IBS users, they will be able to commoditize this technology and offer it as a low-cost addition to their IBSs, providing new incremental revenue and expanding account control. Our clients tell us that, when making a TDN software purchase decision, they first evaluate software from their preferred IBS vendors.

The TDN software vendors are combating this convergence by offering new and distinctive functionality, including:

- bTrade, IPNet Solutions and TrailBlazer Systems offer full UCCnet product suites developed to address the secure transport of UCCnet messages, and internal data staging, propagation and synchronization.

- Cyclone Commerce offers UCCnet transport as well as solutions that manage and centralize all aspects of B2B integration. Cyclone Commerce also integrates with enterprises' network and systems management infrastructures, enabling trading partners to interface with help desks and system administrators.

- Cleo Communications and iSoft continue to offer easily deployed, efficient and low-cost solutions for connecting suppliers to Wal-Mart and other large buyers mandating the use of AS2.

**Market/Market Segment Description:** TDN software enables enterprises to securely connect to their trading communities and partners, sometimes using specialized B2B standards and protocols, providing enterprise quality of service not available with basic transport mechanisms, such as HTTP and SMTP. TDN software also allows enterprises to monitor and manage the transactions between two entities, manages the relationship between the entities, and is designed to be used alone or in conjunction with established integration middleware or business.
applications (see "Business Strategy Drives B2B Connectivity Choices").

**Rating for Overall Market/Market Segment:** The larger IBS vendors (IBM, Microsoft, webMethods, SeeBeyond Technology, Sterling Commerce, TIBCO and Vitria Technology) are developing or have developed (or acquired) TDN software technology that will soon be embedded within, or offered as an add-on/module to, their IBS offerings. These vendors can better market their software to a larger audience, leverage their current 5,000 or more clients, and commoditize this technology. As a result, Gartner anticipates only one or two vendors will still remain independent software vendors. In the next five years, the rest will be acquired, leave the market or cease operations. Thus, although a few vendors today are promising, our outlook for the TDN software market is "caution." By 2007, 85 percent of the TDN software market will be consumed by the IBS market (0.8 probability).

The TDN software ratings shown in Figure 1 were based on the following five criteria:

1. Financial commitment and market commitment — the ability of the vendor to generate sustainable revenue and profit, and demonstrate commitment and investment (R&D, marketing, sales) to be successful in this market.

2. Market momentum (partnerships, distribution channels and sales effectiveness).

3. Breadth and depth of technology:
   - Trading-partner and trading-community management includes functionality that allows enterprises to provision and store partner profiles. This functionality also enables enterprises to track and manage changes to partner and community profiles.
   - Popular B2B connectivity technology, including virtual private networking and digital certificates, is available and supported.
   - Popular B2B standards, including AS1, AS2, ebMS, RosettaNet and UCCnet, are available and supported.
   - Popular transport protocols, including SSL, FTP, S/HTTP, HTTP, SMTP, MQSeries and SNA, are available and supported.

4. Pricing (license and maintenance costs for large, midtier and small trading partners)

5. Support (customer support, including technical support, interoperability testing support and services)
bTrade

bTrade has a "caution" rating because, for the past eight quarters, bTrade has struggled with a continued lack of product marketing and promotion, which has diminished opportunities to leverage company maturity. (bTrade is at least 10 years older than any of its competitors.) These challenges have limited bTrade's competitive effectiveness in this market segment, even though it possesses powerful, mature TDN software and compression software. bTrade is now aggressively marketing its new Item Sync software, which addresses UCCnet data synchronization requirements. Whether this new energy reflects a long-term change and will eventually expose potential data synchronization customers to bTrade's TDN software offerings remains to be seen, and Gartner will re-evaluate bTrade in the next six to nine months.

Cleo Communications

Cleo continues to target enterprises that have been mandated by larger suppliers to direct-connect. It develops and sells specialized, low-cost solutions that target different transport mechanisms. This methodology is effective with enterprises that need a singular AS2 solution or a leased-line (for example, TCP/IP, SNA or another protocol) solution connecting to very few trading partners. However, lack of visibility for large trading hubs looking for community management functionality limits Cleo's opportunities to penetrate the more lucrative midtier and large-supplier segment. There will always be a need for client software that simply offers an endpoint, and IBS vendors will probably choose not to compete at this level, so Cleo's rating is "promising."

Cyclone Commerce

Cyclone markets and sells TDN software to trading hubs. The software enables them to create and manage trading

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**Figure 1**
**MarketScope: TDN Software**

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Source: Gartner Research (November 2003)
communities. Cyclone has been successful in marketing and selling its solutions to larger enterprises and communities. Early partnerships with multiple IBS vendors — IBM, BEA Systems, Oracle, Axway, Global eXchange Services (GXS) and Sterling Commerce — have established brand recognition in the integration market, and Cyclone’s embedded digital certificate authority allows enterprises to generate and issue their own certificates or reuse existing ones by integrating third-party providers. Although large trading partners will eventually look to IBS vendors to supply community/hub management capability, potentially thinning Cyclone’s revenue stream, Cyclone’s ambitious move to offer a management platform shows vision and may generate revenue, further distinguishing it from its competitors. Cyclone’s rating is "positive."

IPNet Solutions (Inovis)

Inovis’ IPNet Solutions has successfully targeted the retail vertical industry, and it is currently marketing a robust UCCnet solution, which will enable it to leverage its client base and further tap into the expansive retail revenue stream. After the recent purchase of IPNet by Inovis (see "Inovis Should Quickly Integrate Newly Acquired IPNet Solutions"), Inovis’ strategy is to market the products as the Inovis IPNet suite of solutions. Challenges include Inovis’ unclear integration strategy, which should cause users of this solution to be cautious. Despite this challenge, the technology remains strong, warranting a "promising" rating.

iSoft

When Wal-Mart announced that it would mandate that all its suppliers connect directly to its hub using AS2, iSoft marketed a peer-to-peer TDN software solution to Wal-Mart’s suppliers for a $300 license fee. This move brought visibility to this young vendor, with many of Wal-Mart’s suppliers purchasing this solution. In addition, iSoft developed solutions aimed at larger trading hubs and buyers, and it strategically partnered with IBM, while sustaining itself with venture capital and revenue from its low-end solution. iSoft’s challenges include dispelling the market perception that it is "just a Wal-Mart specialist," with few if any other large non-Wal-Mart customers. Recent sales wins for its community/hub management solution, as well as the addition of its automated tool for configuring TDN software to work with firewalls, demonstrate good technology and good vision. iSoft’s rating is "positive."
TrailBlazer Systems

TrailBlazer develops software for a variety of platforms, and it specializes in TDN software for AS/400 enterprises. Its strategy of picking an area of expertise, and concentrating on it, serves to preserve and continually drive TrailBlazer's revenue. These strengths are also, ironically, TrailBlazer's challenges. Offering specialized AS/400 software is a powerful distinction within the TDN software market, but this focus also tends to exclude TrailBlazer from other non-AS/400 sales opportunities. Lack of marketing means that many enterprises are oblivious to TrailBlazer's Unix and Windows NT solutions — essentially never considering TrailBlazer for non-AS/400 deployments. Early-to-market solutions targeted at enterprises embarking on UCCnet initiatives, on AS/400 and NT platforms, are starting to provide TrailBlazer with much-needed visibility. Its rating is "promising" because the AS/400 B2B integration specialty can continually sustain this vendor and its technology, and Unix/NT solutions will broaden the prospective target market.

**Bottom Line:** The current specialist transaction delivery network software vendors are quickly obtaining, through development, partnership or acquisition, integration broker suite functionality. This will make them competitors in the larger, more competitive IBS market. Enterprises using TDN software from independent vendors should continue to use that software but reassess vendor viability and new IBS functionality as new projects emerge. Enterprises currently using IBSs should consider their IBS vendors for TDN capabilities.

**Acronym Key**

- **AS2**: Applicability Statement 2
- **B2B**: business-to-business
- **ebMS**: ebXML Messaging Services
- **ebXML**: Electronic Business XML
- **GXS**: Global eXchange Services
- **IBS**: integration broker suite
- **TDN**: transaction delivery network