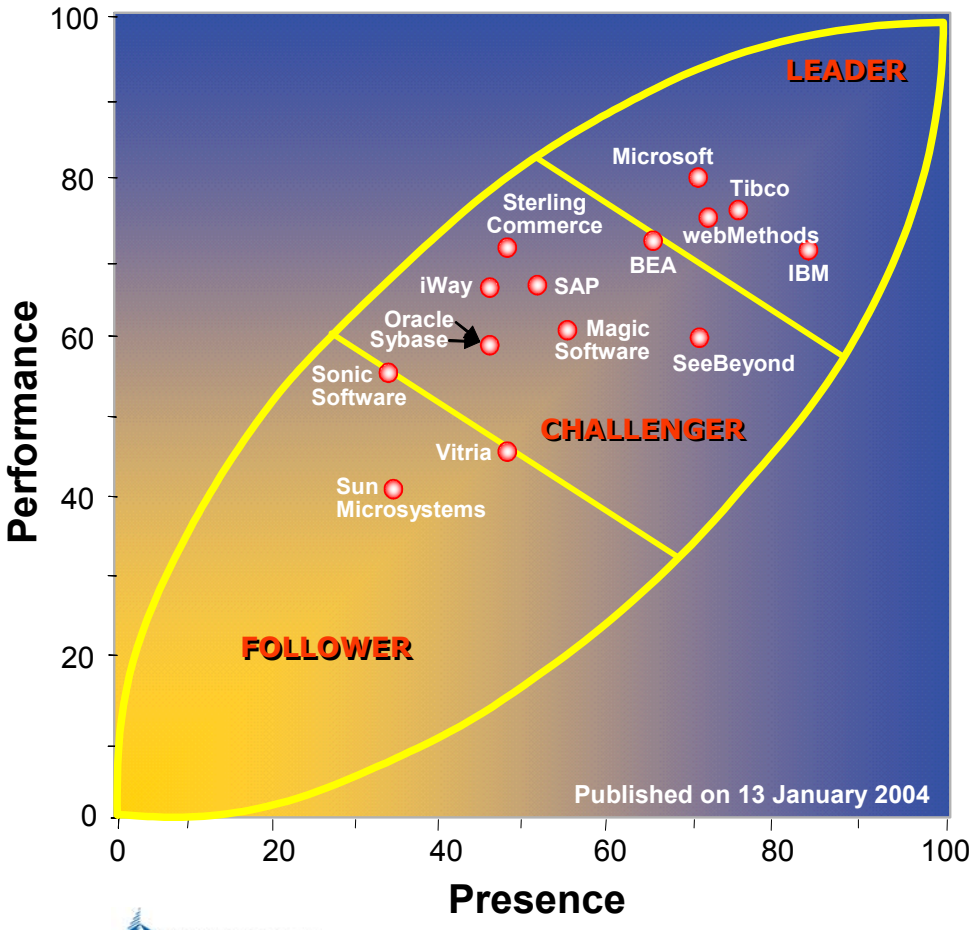
# Enterprise Application Integration

METAspectrum℠ Evaluation




METAGROUP

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**Note:** META Group's opinion as reflected by this graphic is based on publicly available data collected through September 1, 2003. In an effort to normalize the data, financial information through June 30, 2003, was used. Readers are encouraged to get current financial information from the vendors or public sources such as the EDGAR archives maintained by the Securities and Exchange Commission (www.sec.gov).

## How to Use This Report

This analysis was completed based on publicly available data about products and vendors collected through September 1, 2003, and financial information through June 30, 2003. The vendor scores, based on these data collection time frames, should be viewed as static, reflecting their market position as of these dates. All vendors have continued to update their products, refine their target market, update their strategies, and update their financial results. One example of a significant market change is the acquisition of Mercator by Ascential Software. Ascential's repositioning of the Mercator technology has led us to exclude it from this analysis, since Mercator is not competing any longer as a standalone, EAI competitor. Another significant market change is webMethods' series of technology acquisitions (Dante, The Mind Electric, and DataChannel portal technology) designed to propel it ahead of its closest competitors (i.e., Tibco, IBM, Microsoft, and BEA) into newly emerging market segments. Because this report's findings represent META Group's analysis of the data as of a fixed point in time, users are encouraged to use this information in addition to other sources, including a discussion with a META Group analyst, who can provide additional insight into how this analysis applies in a particular situation, and can represent any information updates or changes that may have occurred since the creation of this report.

The narrow qualitative scale of Poor, Fair, Good, Very Good, and Excellent tends to exaggerate small differences. These ratings are relative. Thus, a score of "Good" essentially reflects average functionality; in other words, all vendors have comparable capability in this subcriterion. Financials is the one criterion not scored on a relative basis for the enterprise application integration market.

## Market Definition

The enterprise application integration market consists of vendors providing integration servers/brokers. These products simplify the integration of applications and build an enterprisewide brokered integration infrastructure. Although called the *enterprisewide* application integration market, any application — whether within a single enterprise or spanning multiple enterprises — can be integrated using integration servers. EAI products typically include five core technologies: 1) message-oriented middleware; 2) intelligent routing (often called a "broker"); 3) application adapters; 4) transformation functions; and 5) business process management.

Business initiatives that often drive the purchase of EAI technology include mergers and acquisitions, ERP conversions, regulatory compliance projects (e.g., HIPAA, Sarbanes-Oxley), CRM efforts, modernization of B2B integration infrastructure, legacy system retirement, and data center consolidation. All these projects trigger the development of a large number of application interfaces. A well-designed EAI infrastructure can automate business processes and accelerate the flow of information across business function and application boundaries. The primary benefit of EAI tools to the IT organization (ITO) is that they reduce the amount of effort required to build and maintain many interfaces and impose a brokered architecture for application integration, versus the more typical point-to-point, spaghetti network of information transfers using batch file transfer and EDI.

This mature market has already undergone multiple waves of vendor consolidation and has a technology stack in its second generation. Whereas first-generation products were proprietary, second-generation products are XML-oriented and standards-based. Given the maturity of products, any ITO starting a major project that requires many interfaces to be created or modified should leverage the project to begin implementing a brokered application integration infrastructure and consider EAI tools as an alternative to hand-coding.

Until 2000, the application integration market had primarily been the province of specialty vendors such as webMethods, Tibco, SeeBeyond, Mercator, and Vitria. The only major infrastructure technology player with any significant market presence had been IBM with its MQSeries Integrator product. IBM continues to feature


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integration as part of its overall WebSphere infrastructure platform, and as this market has matured, other major infrastructure technology vendors have infiltrated it:

- BEA has released WebLogic Integration.
- Oracle includes its integration server in its Oracle9i Application Server Release 2 (rebranded Oracle 10g in September 2003).
- Microsoft offers BizTalk Server 2002 and its recently announced Jupiter/BizTalk 2004 as part of its .Net strategy.
- Sun revamped its integration technology story around the iPlanet integration platform and renamed it Sun ONE Integration. More recently, Sun is driving JSR-208, leading the vision of where integration is going.
- Major application suite vendors like SAP and PeopleSoft have introduced their own integration servers.

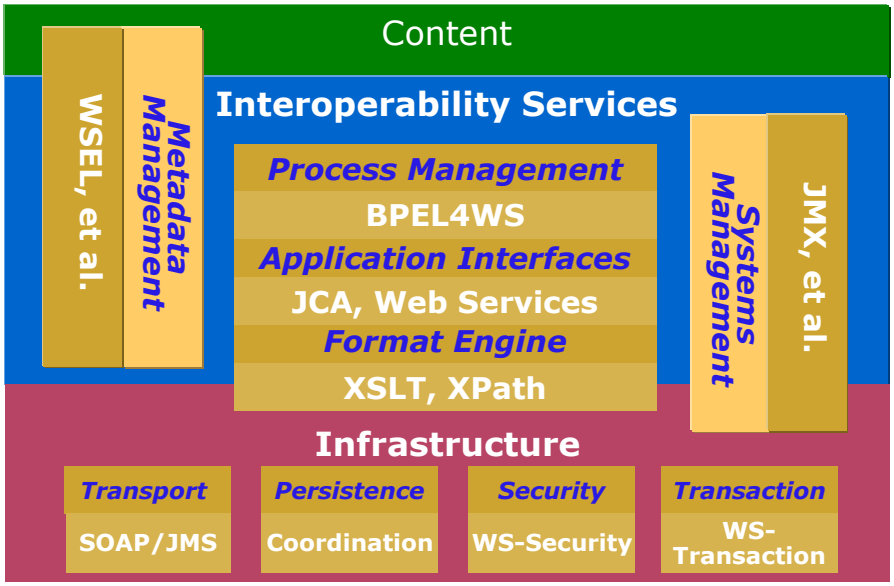
Through 2006, software infrastructure vendors will increasingly capture the majority of integration project revenues (through sales of their application infrastructure platform offerings), decreasing the revenue opportunity for other integration specialists and remaining "pure-play" vendors.

## Market Forecast

Despite EAI being consistently ranked as one of the top three spending categories, multiple trends are negatively impacting spending in this market: 1) US economic conditions and IT budget slashing; 2) the maturity of current products now entering their end-of-life stage; and 3) adoption of Web services standards and technologies, further obsolescing current integration server products. Total EAI spending has been declining since 3Q01, resulting in fierce competition and price cutting. Since 3Q01, most vendors have experienced flat or declining quarter-to-quarter revenues. As economic conditions improve and products become more standards-based, we expect spending to pick up a bit and surviving vendors to benefit.

The advent of Web services standards has rapidly begun to commoditize all the functionality layers in an integration server. The standards began at the lower-level message transport layer via SOAP, and more recently WS-R and WS-S, and have quickly moved up the stack. At this time, standards (albeit some of them competing) exist for all layers of the integration server stack and are actively being promoted through newer, next-generation products such as Tibco's BusinessWorks 2.0.5, SeeBeyond's ICAN 5, Magic Software's iBOLT 1.2, BEA's WLI 8.1, Microsoft's BizTalk 2004, Sonic Software's Business Integration Suite, and SAP's XI (see Figure 1).

**Figure 1 — Web Services and the Ongoing Standardization of Integration**





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Continuing adoption of these standards will further commoditize this market, pushing non-standards-based products into end-of-life/legacy status, driving out competitors that cannot innovate above the standards (and differentiate their product), and reducing prices. Given these dynamics, we believe that only three (at most) integration server specialist vendors will survive, compete effectively with larger vendors offering broader application infrastructure platforms (as markets get redefined), and continue growing.

Furthermore, application development paradigms are being changed by the advent and adoption of Web services and service-oriented architecture application designs. The biggest changes are a movement toward a component-assembly style of application development and a programming paradigm shift toward component reuse (finally). Thus, the distinction between application integration and application development is blurring (clear examples being BEA's and Magic Software's technology evolution). This trend of convergence has already spawned a new, emerging market: business process management (BPM) suites. This market will subsume the previously standalone markets for EAI, human workflow technology, and document management.

Lastly, acquisitions in this market are still possible. Buyers should strive to separate vendor viability from product viability. With the potential for acquisitions still present, we recommend buyers use META Group to help them assess acquisition risks and motives (e.g., buying the installed base for the maintenance revenue, taking out a competitor, buying technology for further enhancement).

Our predictions for trends impacting the EAI market, the emerging BPM suite market, and Web services adoption have included the following:

- Application server consolidation will continue, as breadth of functionality expands to include portals (2002), EAI (2002), content management (2002/03), analytic structures (2003), mobile technology (2003), data distribution (2004), and application-specific development frameworks (2004/05).
- Although integration services and application server synergy will continue to converge, proprietary EAI infrastructure will still provide the integration backbone for organizations focused on mergers/acquisitions, CRM, and supply chain integration through 2004. Although integration products based on Web services standards will fully collapse this proprietary EAI market segment into the application server market by 2005, broad user adoption of standardized integration-enabled application servers will be gated by the pace at which application packages expose Web services interfaces.
- Initially deployed in 2002/03 as little more than an Internet-based set of integration and interoperability standards (XML, WSDL, UDDI), Web services will displace component-oriented distributed computing paradigms (J2EE, CORBA, COM+) with a more network-based, service-oriented architecture by 2010. Web services will provide an XML-based, metadata-driven agile infrastructure of composable services that extend, simplify, and reunite the Web into the "xWeb," enabling the integration and unification of content, applications, and process across platforms.

These market trends create ample technology and financial risk for buyers, making it difficult to buy integration server technology. Which vendor is likely to survive this cycle of market consolidation? Should organizations adopt a newer, unproven standards-based integration/BPM product or buy "legacy" technology at a greatly reduced price? What pricing can users expect for the newer standards-based products? This METAspectrum analysis is meant to be one source of input to help users answer these questions. For additional guidance, please see SIS Practice 006 and SIS Delta 964.


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## Key Findings

This analysis was completed based on publicly available data collected through September 1, 2003, and financial information through June 30, 2003. The following vendor/product versions were analyzed for this report:

- BEA WebLogic Integration 8.1
- IBM WebSphere Business Integration 4.2
- iWay Integration 5
- Magic Software iBOLT 1.2
- Microsoft BizTalk Server 2002
- Oracle9iAS Integration 9.0.4 *(rebranded Oracle Application Server 10g in September 2003)*
- SAP XI 2
- SeeBeyond ICAN Suite 5
- Sonic Software Sonic Business Integration Suite 5.0
- Sterling Commerce Gentran Integration Suite 2.2
- Sun ONE Integration Server EAI Edition 3.0 and B2B Edition 3.6.2
- Sybase e-Biz Integrator 2.2
- Tibco ActiveEnterprise (BusinessWorks 2.0.5 and InConcert 6.1)
- Vitria BusinessWare 4
- webMethods Integration Platform 6.0.1

The volatility experienced in the EAI market since 2001, combined with the advent of Web services and overall reduced IT spending, has made buyers cautious, especially as they see integration specialist vendors continue to be unprofitable and experience declining revenues. Buyers now place equal emphasis on presence and performance criteria, because attributes within both areas impact buyer perceptions of vendor/product viability. Buyers want to avoid the risk of buying from a vendor that might get acquired, shift its strategic direction dramatically (thus reducing investment in infrastructure), enter bankruptcy, or otherwise exit the market in less than two years. They also want to avoid buying a product that will clearly become legacy technology within two years, again putting their ability to use it most effectively (i.e., strategically) at risk. Thus, along our presence axis, vision/strategy, awareness/reputation, investments, and market share are the most heavily weighted criteria. On our performance axis, financial health is the heaviest weighted criterion, above even technology features.

Consistent with our prediction in SIS Practice 006, our key finding is that the major software infrastructure vendors are increasingly taking the majority of integration project revenues at the expense of smaller integration specialists. “Good enough” technology from IBM and Microsoft, combined with their strong financials and product-line breadth from which to draw investment dollars and human resources, has contributed to large gains in market share and pushed them into leadership positions. BEA, Oracle, and SAP, despite being late entrants to this market opportunity (Oracle and SAP only really entering in 2003, and BEA releasing an updated and more credible product in 2002), have quickly moved into challenger positions.

Since our last report, two specialists — webMethods, (through aggressive marketing and sales execution) and Tibco (through superior products and strong financials) — have made it into the leader area. Newer integration specialists iWay Software, Sterling Commerce, and Magic Software have been able to leverage XML Web services standards to bring new, standards-based products to market in 2002/03 and, with the help of parent company resources, have jumped into the challenger area (Magic Software is the one vendor included in this analysis that is primarily targeting midsized enterprises and the iSeries installed base). Market-veteran SeeBeyond (a challenger) has also dramatically updated its products to be XML Web services centric. Its ICAN 5 product is the only J2EE-certified product on the market currently. BEA has significantly updated its product, moving substantially upward in our positioning since last year, bordering on the leader area. SAP and Oracle were not included in last year’s report yet are solid challengers. Sonic Software, a subsidiary of Progress Software and a significantly smaller company, has pursued a similar standards-based approach (though it is targeting SMBs to a greater extent than G2000 companies). It falls just behind the other challengers on the line. In addition, Sybase remains a challenger.

Since our previous EAI report, Iona has exited this market, WRQ has been excluded, and Mercator was acquired by Ascential (also exiting this market). Vitria has fallen to the line between challengers and followers, in large part reflecting its dramatic shift in strategy toward packaged business process solutions rather than pure infrastructure technology. Sun has dropped to a follower position as it leads the vision for JSR-208, its proposed specification for a Java business integration architecture.


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**Leaders**

In today's mature EAI market, "mainstream" and conservative buyers understand the impact of Web services on integration technology and are beginning to plan incorporation of Web services into their own application portfolios. IBM and Microsoft, as leaders in this market, offer buyers EAI technology that is "good enough" to meet an average set of internal application integration requirements, combined with strong financial and R&D resources from which to draw investment for migrating their products to Web services standards-based broader platform offerings. Buyers recognize IBM and Microsoft as leading Web services standards and are seen as safe bets both for tactical investments and as longer-term strategic suppliers of Web services-enabling technologies. Buyers are willing in essence to compromise higher-end EAI features in the short term for a safer vendor choice in the long term. In contrast, leaders Tibco and webMethods offer significantly better product capabilities, yet are often perceived by buyers to be higher-risk investments as specialist vendors with narrower product lines and, in webMethods' case, weaker financials.

**Challengers**

Vendors that rank as challengers in this market are generally smaller than leaders. These vendors offer products that provide functional advantages over those of leaders, but do not yet have the market share, product-line breadth, or financial resources of the leaders. Challengers are poised to grow in this market and are well positioned for the emerging BPM suite market. Through outstanding marketing and sales execution, technological innovation, first-to-market advantages for Web services-based integration technology, acquisitions, and other means of differentiation, these vendors can replace current leaders as software infrastructure markets get redefined. Buyers will find that current products from the challengers offer technological advantages, provide greater industry specificity, or are more standards-based than those of the leaders. However, the risks associated with these vendors and their products are generally higher than those of leaders, because either the challenger's product is newer and less proven (i.e., field tested) or the vendor is less financially secure than a leader.

**Followers**

Overall, vendors that fall into the follower category trail leaders and challengers in multiple criteria. Vitria and Sonic Software (both on the line) have very strong technology products — even better than some of the leaders' offerings — but trail the leaders and challengers in more than one other criterion, such as financial health, market/brand awareness, ability to leverage alternative sales channels and partnerships, and geographic coverage. In contrast, Sun has stronger market/brand awareness, good geographic coverage, and a lot of partners for other products that could be leveraged for its integration product; however, it has let its product fall behind those of competitors in feature/functionality richness and standards implementation.

## Bottom Line

In a declining market like EAI, with vendors and products very much in a transitional period, buyers must think strategically about their long-term requirements for integration, yet buy tactically. Users should implement vendor/product-neutral integration infrastructures, putting more emphasis on integration architecture (i.e., brokered), application architecture (i.e., service oriented), interface design (i.e., Web services based), and use of XML in intermediary document formats (for loose coupling) than on vendor selection. Buying tactically means that users should assume that their chosen product will be replaced in two years. This mentality should influence price negotiations and implementation breadth.

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**Business Impact:** A well-designed integration infrastructure will enable businesses to become more adaptive in their business processes, while reducing information latency and business cycle times. New, standards-based integration technology is driving down the cost of application integration by approximately 50%.


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