

The value proposition of IBM Supply Chain Business Network

IBM continues to execute well against an aggressive product strategy and roadmap

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Summary

Catalyst

IBM is a major vendor in terms of both on-premises B2B integration software products and cloud-based B2B integration services (included when delivered under a managed services model). This report is aimed at enterprise IT leaders, integration directors, and architects, and it analyzes the value proposition of the IBM Supply Chain Business Network (SCBN) for complex, multienterprise (B2B) process automation and integration initiatives.

Ovum view

B2B integration as a dedicated IT discipline is undergoing transformation, with digitalization of supply chains being a key business-IT imperative. While process and operational analytics have been touted as a natural solution to some of enterprises' pain points for B2B integration, such capabilities have not delivered the kind of strategic, actionable insights needed to optimize supply chains and achieve end-to-end visibility into B2B transactions and trading partner networks. In this context, the ability to identify bottlenecks in and operational issues with B2B transactions and trading partner relationships, and their proactive resolution, are must-have capabilities.

IBM's efforts toward exploiting the capabilities of its flagship cognitive platform (i.e., IBM Watson Platform) for improving the efficiency and effectiveness of multienterprise process automations are commendable. Several vendors have acquired analytics vendors or have developed some homegrown analytics capabilities, but they fall short of IBM's vision for transforming how digital business is conducted via B2B integration.

IBM has not pursued any shortcuts (e.g., acquired a "small" analytics vendor) or tried to put Band-Aids (e.g., some homegrown analytics capabilities added to a B2B integration product) to somehow meet new B2B integration requirements, but rather has invested in dedicated product development and integration of software capabilities from other business lines to develop a truly transformational product portfolio.

While these are early days and the true potential of the application of the IBM Watson Platform to recurring pain points of enterprises struggling to support new B2B integration requirements is yet to be fully appreciated, it is quite clear that IBM has leapfrogged to the next phase of the evolution of its B2B integration product portfolio and will enjoy first-mover advantage for quite some time.

The other aspect is IBM's strengths in terms of cloud-based integration services delivered under a managed services model. Ovum expects high-double-digit growth rates for this market over the next three to four years, and IBM is well-placed to exploit this market opportunity. Ovum's assessment of the IBM Supply Chain Business Network against comprehensive evaluation criteria revealed a high-order fit between IBM SCBN and enterprises' requirements for large-scale, complex B2B integration managed services engagements.

IBM should therefore be on the radar of any enterprise interested in a shift toward agile B2B integration capabilities required to succeed in an increasingly digital business environment. IBM offers a wide range of deployment options and engagement models, and it has a leading portfolio, in terms

of both B2B integration software capabilities and managed services delivered on top of robust cloud-based B2B integration infrastructure.

Key messages

- Digitalization is driving major changes in enterprises' B2B integration requirements.
- IBM Supply Chain Business Network optimizes supply chains via actionable insights into B2B transactions and partner relationships.
- IBM has a rich B2B integration managed services proposition.

Digitalization is driving major changes in enterprises' B2B integration requirements

The rapid digitalization of supply chains has forced business leaders to think of service delivery via digital channels as a must-have capability and not just a competitive differentiator. Digital laggards that have not been quick enough in responding to this change run the risk of losing market share as they become a less attractive option for customers.

The notion of customer centricity also applies to supply chains, and in this context, the ability to optimize supply chains via actionable insights to quickly respond to customer demands is a critical capability. With this background, it is not difficult to understand that improvements in B2B integration capabilities will have a direct impact on key business and IT metrics, which determine an enterprise's maturity level with regard to transformation to a digital business.

Digitalization is driving major changes in the way enterprises conduct business and engage with trading partners, and this is not confined to support for specific electronic data interchange (EDI) standards or infrastructure monitoring to ensure that B2B integration infrastructure is up and running on a 24x7 basis.

For any system, the primary and most effective means to optimization is the analysis of data related to its behavior, interaction with other systems and participants, and changes in behavior under different operating conditions. The case of B2B integration solutions is no different, and of course, once the user applying analytics to optimize the supply chain has access to a critical volume and variety of data, it is possible to predict upcoming disruptions and accordingly initiate proactive resolution.

An often-neglected aspect that frequently results in negative connotations for trading partner and customer relationships is a lack of swift action in response to a transaction failure or infrastructure degradation. Such issues can lead to negative business outcomes, including noncompliance with service-level agreements (SLAs).

The other important aspect is the use of operational intelligence to realize superior performance and greater value from investments in B2B integration infrastructure. In simpler terms, operational intelligence offers insights based on analytics applied to achieve end-to-end visibility into B2B transactions. Such capabilities offer significant 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 transactions.

At a higher level, actionable insights based on supply chain data (including that on trading partner performance and B2B transactions) can be used to improve supply chain efficiency. IBM Watson

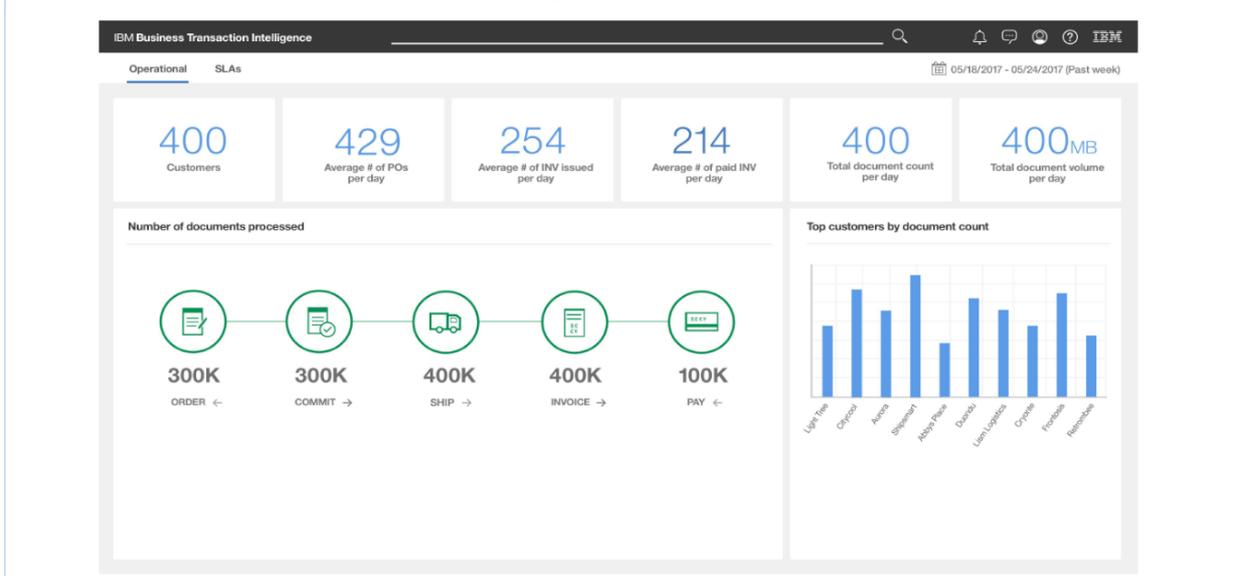
Platform, with its cognitive capabilities, is very capable of providing actionable recommendations on how to remove bottlenecks and other barriers to realize a more efficient supply chain (e.g., improvement from 92% to 96% efficiency level). This, of course, becomes an interesting exercise if a user has access to benchmarking data based on comparable attributes of other enterprises operating in a similar business environment. We expect IBM to offer an interesting proposition for benchmarking services once it has a critical volume and variety of supply chain (and in some cases, anonymized) data. Ovum has had conversations with several B2B integration vendors over the last four to five years, and no other vendor has executed its process analytics and operational intelligence product roadmap to the extent that IBM has – this is clearly a significant competitive differentiation for IBM.

IBM SCBN optimizes supply chains via actionable insights into B2B transactions and partner relationships

The IBM Supply Chain Business Network is a part of IBM Watson Supply Chain solutions and offerings. IBM has developed it as a cloud-based platform offering greater "ease of use" for integration practitioners and other users, as well as enabling collaboration and cognitive visibility into B2B transactions and trading partner relationships. It is the first B2B e-commerce collaboration platform that uses cognitive capabilities on an extensive scale to offer granular visibility into B2B transactions and performance of partners against specified SLAs. What differentiates IBM SCBN from other platforms using process analytics and operational intelligence to provide information on KPIs is the actionable nature of insights, and of course, the granularity and accuracy of such insights increases with an increase in the volume of relevant data available for analysis. The IBM Supply Chain Business Network provides users with critical actionable insights for governing and agile responses to changes in supply chain.

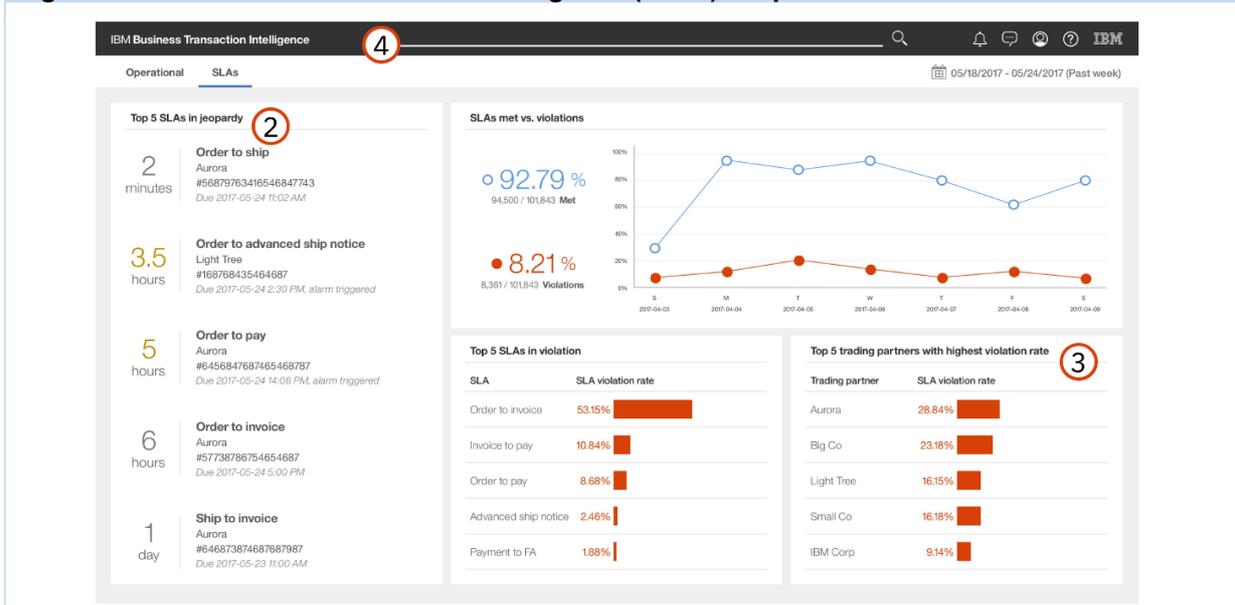
IBM SCBN offers cognitive-enabled document correlation capabilities for deep search and greater visibility into the lifecycle of B2B transactions and trading partner relationships. It can be used by both business and IT to gain granular insights into B2B transactions via natural language search. Figures 1 and 2 provide snapshots of the IBM Business Transaction Intelligence used for operational intelligence and for visibility into partner performance against specified SLAs.

Figure 1: IBM Business Transaction Intelligence (operational) snapshot



Source: IBM

Figure 2: IBM Business Transaction Intelligence (SLAs) snapshot



Source: IBM

IBM Business Transaction Intelligence exploits the IBM Watson Platform to provide users with real-time and contextual visibility into the lifecycle of B2B transactions. For example, with document correlation and visualization of document flow, users can track orders as B2B transactions. The IBM Watson Platform analyzes uploaded documents and subsequently recommends best mapping (one or more integration maps). The accuracy of such recommendations increases with time, as Watson then has more opportunities to learn the technical and functional dynamics of B2B integration.

IBM has gone a step further with cognitive-enabled insights and recommendations (i.e., IBM Supply Chain Insights) delivered based on best practices to predict and mitigate disruptions and business risks and to resolve associated issues via effective online collaboration (i.e., Resolution Rooms). With such an effective mechanism for disruption and exception management, IBM Supply Chain Insights

can dramatically reduce resolution time from several days or hours to a few minutes. This level of improvement in resolution time is worth its weight in gold for mission-critical B2B processes. This is all about a shift from reactive action to operational and transactional issues, to proactive identification and resolution.

Another major initiative from IBM is the introduction of true software-as-a-service pricing models for managed services. IBM has developed transparent and standardized pricing models available in three editions: essentials, standard, and premium. The pricing models are based on three key dimensions: platform capabilities, support service requirements, and IBM implementation services. Pricing models are well-defined and simple to understand, with only a few tiers defined under each dimension, be it for platform capabilities or IBM implementation services.

Ovum believes that the new pricing models are the result of a great attempt from IBM to move away from statement-of-work pricing for managed services toward transparent, SaaS pricing models, providing enterprises with the flexibility to mix and match individual tiers to their specific requirements. This also signifies the level of commitment IBM has for its customers using the IBM Watson Supply Chain portfolio to optimize supply chains and improve trading partner relationships.

IBM has a rich B2B integration managed services proposition

IBM consistently achieved high scores against Ovum's evaluation criteria

IBM offers a comprehensive portfolio of cloud-based B2B integration managed services. It maintains one of the largest networks of trading entities and has a well-established global presence as a B2B integration managed services provider. Over the last couple of years, IBM's B2B integration managed services business has grown at above the market average rate, and it continues to invest in expanding features and capabilities of this portfolio. IBM B2B integration managed services customers are spread across a range of vertical industries.

IBM helps mitigate data sovereignty and privacy issues with delivery via regional data centers and mechanisms to restrict data flow beyond the host region. The IBM Supply Chain Business Network fits the bill for mission-critical B2B processes and, according to IBM, offers high availability to the tune of 99.9x%.

Figure 3 provides IBM's scores across different criteria groups covered under "technology" and "execution and market impact" assessment dimensions and, in comparison, to the maximum score for each criteria group.

Figure 3: Technology and execution and market impact assessment, IBM

Technology assessment	IBM's score as percent (%) of maximum score	Maximum score (out of 10)
Core integration and associated capabilities	98.6	8.6
Trading partner community management	94.7	9.5
Monitoring and analytics	96.4	8.8
Service delivery and management	97.4	9.3
Deployment flexibility and security capabilities	100.0	9.3
Execution and market impact assessment	IBM's score as percent (%) of maximum score	Maximum score (out of 10)
Market penetration	100.0	9.4
Innovation	100.0	9.4
Operational and enterprise fit	99.1	9.6
Time in market and geographical reach	100.0	10.0

Source: Ovum

Strengths and market positioning

- IBM's offering is functionally rich in terms of core B2B integration features and capabilities. It has extensive experience in delivering B2B integration managed services to large enterprises and is focused on customer-driven product development that ensures close alignment between its product roadmap and customer requirements and expectations.
- IBM's customer engagement and relationship management model, which involves a dedicated B2B client success manager, has delivered good results, and IBM enjoys a high customer satisfaction rating (above 96%) for its B2B cloud services portfolio.
- For the last financial year, IBM registered double-digit revenue growth for cloud-based B2B integration services delivered under a managed services model. EDI value-added network consolidation and expansion of existing contracts to support higher transaction volumes were among the key drivers of revenue growth.
- Only a few vendors can compete with IBM's competence in delivering a comprehensive set of B2B managed services on top of cloud-based integration infrastructure. IBM has expanded or added features and capabilities across a range of areas, including user experience, transactional analytics, API enablement, supply chain insights, and trading partner onboarding.
- IBM achieved high scores across both the "technology" and "execution and market impact" assessment dimensions. IBM scored well above average (usually one of the top two scores) across all key criteria groups, which indicates a good balance between the B2B integration features and capabilities and the key aspects of managed services delivery.

Appendix

Methodology

The views expressed in this report are based on Ovum's ongoing research into the global middleware market and take into account observations from briefings with middleware vendors, as well as analysis of the opinions of integration practitioners, including those available on public communities and forums.

Refer to the Ovum report *Selecting a B2B Integration Managed Services Provider* (published in November 2016) for details on Ovum's criteria for evaluating B2B integration managed service providers.

Further reading

2017 Trends to Watch: API-led and Cloud-based Integration, IT0022-000839 (January 2017)

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