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In this issue

- ***** Fortune 1000 Adopt Web Services Aggressively
- ***** Novell Snares Silverstream
- ***** Web Hosting Consolidates
- ***** WebServicesWatch

***** Fortune 1000 Adopt Web Services Aggressively

By Tim Clark

Web services, that software glue being touted to cure all manner of ills in enterprise computing, are picking up momentum. A new report from The FactPoint Group and our research collaborator, Outsource Research Consulting (ORC), finds that North American companies are adopting Web services at a faster rate than anticipated.

So fast, in fact, that companies holding back on this technology risk being bypassed by more nimble competitors. Some of our less nimble rivals in research and advisory services are counseling IT departments to go slow on Web services, and that's exactly the wrong advice. The right mantra: "More deliberately into Web services, but move. Now."

Almost half of the respondents to our survey this spring are already piloting or deploying live applications based on Web services. In fact, Fortune 1000 companies are the most aggressive adopters of Web services applications, speeding ahead of smaller rivals. They clearly have the biggest integration problems (and IT budgets) but they're also convinced that Web services are a strategic technology.

This new report, “Crossing the Boundaries: Early Adoption of Web Services,” involved in-depth interviews with 50 enterprises plus 796 respondents to a Web survey in April. The research focused on capturing the “voice of the enterprise customer,” not simply vendors’ perspectives, as all too much IT research does. We actually received 2,500-plus responses to the online survey before we eliminated respondents from vendors and companies with less than \$10 million in annual revenue.

The research clearly identifies adoption patterns, phases of deployment, value propositions, applications piloted, deployed and planned, and accelerators and barriers to enterprise adoption of Web services. The report also describes which industries are quickly implementing Web services and which are lagging, what opportunities still exist for start-ups, and which platform and vendors are clearly in the lead.

As most readers know, Web services are software modules that use XML (eXtensible Markup Language) standards to share data or software capabilities over the Internet. Web services are seen as a way to integrate incompatible computer systems or to share data, applications or business processes internally or with partners.

Web services are a great example of innovation in today’s down economy. Early adopters get what they want most in 2002—cost savings—right off the bat with an ROI (return on investment) story that will sway even the most number-crunching CFO.

But with ROI securely in their hip pockets, early adopters of Web services also get new ways to integrate applications both internally and externally. Integration helps unlock the value of all their previous software installations by letting them leverage old systems as they implement new ones. Everything works better when it’s connected, and Web services provide a new, cheaper-than-EAI (enterprise application integration) tool to link applications.

We are not convinced, however, that Web services will generate a new wave of corporate IT spending. Instead, we see Web services as a replacement technology for other more expensive tools. To hold onto market share, software vendors must build Web services into their products. Early adopters are likely to stick with their original Web services tools, if they work, so both vendors and enterprises sitting on the sidelines put themselves in danger.

Security concerns remain the most intractable barrier to adoption of Web services, the report found. However, companies are not holding back to see whether security issues will be resolved quickly. Timid souls put disadvantage themselves if they stay away from Web services, but only fools rush forward without addressing security.

More information on this Web services research is available at <http://www.factpointgroup.com/webservices/>. Or send email to tclark@factpointgroup.com for additional documentation about the report, which we are actively marketing. We’ll share some additional tidbits from this report in future issues of B2Bwatch.

For those interested in the research nitty-gritty, the Web services online survey focused on mid-sized to large companies; 21% of respondents were line of business professionals, 11% were executives, and 58% were IT professionals. The 50 in-depth interviews that FactPoint conducted were primarily with line of business or C-level executives, half of them from the Fortune 1000.

ORC is a full-service marketing research firm; it can be reached ORC at 408-293-8882 or by visiting www.orconsulting.com.

****Novell Snares Silverstream

Playing catch-up in Web services, networking software firm Novell (www.novell.com) will pay \$212 million to acquire SilverStream, a Web services software vendor. The deal is expected to close next month, and Novell also will get the \$100 million SilverStream has in the bank.

In one fell swoop, Novell has gone from having absolutely no Web services story to having a Web services trimming on a suite of offerings.

Don't expect Novell to be the only mainstream software vendor to reach out and acquire a Web services property. Computer Associates, for example, has muddled Web services messages. Sun too, but it's as likely to be a seller as a buyer in the M&A sweepstakes.

For Web services start-ups, acting as acquisition bait appears to be today's most feasible exit strategy. Nobody among the big platform vendors is being caught by surprise in Web services. But large XML laggards that need quick fixes for Web services holes in their strategies are likely to go the acquisition route. So are platform vendors (Microsoft, IBM, Oracle, and BEA) that see smaller tools vendors filling out small niches in their Web services product lines.

**** Web hosting consolidates

Just as Intel is getting out of the Web hosting business by closing Intel Online, IBM is offering a new service to help customers manage their corporate Internet environments by remotely accessing and managing Web servers at a customer's location.

Separately, closely-watched Loudcloud (www.loudcloud.com), Netscape co-founder Marc Andreessen's next gig, sold its \$75-million-a-year hosting business (and 50 customers) to EDS for \$63.5 million. Loudcloud will concentrate on software and change its name to Opsware.

*** WebServicesWatch

IBM has released new, industry-specific Web services software to help enterprises integrate core business processes that are essential to increasing revenue, reducing costs, and improving productivity. It initially targets the automotive, electronics, insurance, retail/distribution, and telecommunications industries.

Sun Microsystems (www.sun.com) will give away a basic version of its application survey software for Windows, Linux and Unix operating systems, including its own Solaris 9 operating system. The move comes as Sun plays catch-up in app servers to BEA Systems and IBM. Sun hopes free software will boost sales of its hardware and other software products.

Vordel (www.vordel.com), a Web services security company with offices in London, Boston, and Dublin, Ireland, announced an early access program, for its XML Security product, VordelSecure 1.1.

Cape Clear Software (www.capeclear.com) and payment vendor Metratch (www.metratch.com) are working together to enable billing for Web services. The alliance is designed to enable customers to expose their existing systems as Web services and integrate them with a new billing platform. Separately, Cape Clear also is giving away its software to university students and faculty for non-commercial use.

GE Global eXchange Services (www.gxs.com) is upgrading its Internet EDI (electronic data interchange) services by supporting two more security protocols. Internet EDI services from GXS now support Secure FTP (file transfer protocol) for document exchange over the Internet. Support for the AS2 (Applicability Standard 2) protocol will be available this summer. The enhanced services will enable companies with significant transaction volumes to exchange documents with their trading partners over the public Internet with security comparable to private transaction networks.