

WHITE PAPER

As Partner Complexity Grows in CME, B2B Integration Is Core to a Business Architecture

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Maureen Fleming
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IN THIS WHITE PAPER

This white paper looks at trends in the communications, media, and entertainment (CME) sectors that are creating a need for businesses to reexamine and invest in the business processes that support their business-to-business (B2B) relationships. Those relationships revolve around product delivery and sales channel partners.

This paper also shows how CME companies are increasing the speed and flexibility with which they support their customer and partner channels by focusing on improving their B2B processes with integration technology.

SITUATION OVERVIEW

CME companies, in essence, are facing a crisis of complexity. In media, new physical and digital channels create new sources of revenue, but each new business partner has its own terms for doing business. Meanwhile, segments of the industry are in crisis because of shrinking revenue in traditional strongholds, and new types of competitors are competing for advertising dollars, viewers, subscribers, and readers.

In communications, fierce competition is causing pricing pressures while differentiation mandates a focus on packaging, bundling, and providing increasingly complex value-added services. Meanwhile, demand for digital media content and high-bandwidth capabilities requires increasing investments in speed and throughput, creating an even greater dependence on business partners.

As opportunities push CME providers toward greater interdependency on business relationships based on speed, innovation, and efficiency, product teams and groups within the organization have to work together to deliver products and services under widely varying terms. Businesses are struggling with how to meet demands for new products and services while working out how to enable the infrastructure to deliver, bill, and support these new offerings in an increasingly complex and chaotic environment.

The first wave of change aimed at getting this situation under control involved modernizing and standardizing enterprise applications, particularly related to financial processes. But changes needed to support B2B relationships began to accelerate and become much more costly. It became increasingly clear to many CME businesses that the functionality gap between enterprise applications and managing the interactions between the business and its partners required reengineering.

Solving Partner Complexity by Simplifying Approach to Integration

In discussions with IT teams faced with resolving technology-based challenges around partner interactions, we found that there was a consistent realization that they needed to solve complexity architecturally. By simplifying the process of integrating with business partners and by increasing the level of automation, they were able to minimize the amount of change required with the addition of each new relationship.

Because problems were related to receiving and normalizing transactions and transaction-related communications from partners, the focus on reengineering shifted toward improving business-to-business integration capabilities through the adoption of B2B gateway software. These gateways are used to communicate and exchange data with trading partners. They are also used to translate and properly format data for compatibility with target systems.

By standardizing on a B2B gateway and the processing steps to exchange and integrate data, IT organizations that have reengineered their B2B processes have been able to support increasingly complex business needs. By extending the use of a gateway to standardize on their internal integration requirements as well, they've also been able to gain better leverage and increase their levels of automation, providing greater overall efficiency.

Key initiatives supported through this approach include:

- Excel in partner relationship management
- Provide real-time data to improve business decision making
- Support myriad industry standards and localization
- Help customers improve their processes
- Protect and secure strategic content and customer information

Excel in Partner Relationship Management

Integration platforms are also used to support trading partner terms and conditions as well as ongoing relationship management. Many B2B relationships use service-level agreements (SLAs) to guide acceptable performance. Such agreements can penalize either party for failure to perform across the order-to-cash cycle.

If mistakes are made with transactions, with late delivery of a product or service, or even with late delivery of an electronic notification, fines are assessed. By the same token, a channel partner may be required to send sales data to a CME company within a certain time period. Failure to comply will trigger a fine.

As CME companies expand distribution to sell through more channels, requirements and procedures in the newer channels may be more complex and stringent than in their more traditional channels. Under terms of contracts, some partners are

stipulating that the relationship has to be fully operational within a specified date, or fines are assessed.

That means a major focus of CME B2B teams is improving onboarding cycle times. While the business side focuses on contract terms and conditions, the technology side needs to enable efficient processing of the different transaction types that will be sent to and received by their new partners. Delays in technology enablement delay the introduction of new products and associated revenue, which prevents gains in top-line performance.

Being able to meet these faster onboarding requirements is one reason why CME companies focus on tightening up their B2B processes. In our discussions, we've found that B2B teams are now able to onboard some customers in hours, which is a significant improvement from past practices and better supports the efforts of their line of business to find new ways to grow revenue.

Overall, by making it easy to do business with partners by adhering to the technical rules they specify, B2B CME innovators are able to use this flexibility as a form of competitive differentiation to gain a preferred position or better terms.

Provide Real-Time Data to Improve Business Decision Making

Across the CME sector, there is pressure to increase the level of monitoring, with an eye toward decreasing costs by identifying and solving problems as quickly and inexpensively as possible.

Likewise, publishers are beginning to mine B2B purchase order transactions as they are processed through their B2B gateways to identify revenue opportunities. By speeding up their ability to analyze key data, they can respond more quickly to fast-breaking trends. Traditionally, they have to wait until the data is processed by the gateway, then by their ERP, then by their data warehouse before they can perform this analysis. Depending on the speed of this cycle, publishers are able to remove hours and days of wait time, significantly improving their ability to respond to opportunities.

Support Myriad Industry Standards and Localization

Supporting industry-specific and regional standards is also important. While there are broad efforts to simplify the number of standards used in B2B transactions, there are often important trading relationships that require formats that are regional, less common, or legacy.

The CME industry also supports sales initiatives, for example, by making catalogs available in specific formats and languages to assist in ecommerce. And because retailers' infrastructures vary, media companies need to be able to handle data in multiple formats (e.g., Web forms, flat files, and ebXML).

All of these format complexities require integration platforms that support a broad array of options that can be used to support the needs of their business.

Help Customers Improve Their Processes

B2B gateways are also being used for customer service. One large communications company uses its B2B gateway to handle all types of file-based communications, internally, with partners, and with customers. One example is delivering monthly billing data to business customers. Large customers are asking to receive bills in an EDI format so they can integrate it internally to do their monitoring and chargebacks in a shorter time frame. Smaller companies use it to look for phone abuses and other unusual behavior.

Using its B2B gateway, the company is able to help its customers lower their telecommunications costs by providing them with the billing information they need in a form that allows them to integrate it easily with their financial accounting and reporting systems.

Protect and Secure Strategic Content and Customer Information

While communications companies have long been security conscious, media and entertainment firms are showing more interest in securing their intellectual property within internal networks and in communication with external sources.

Routing traffic through a B2B gateway gives organizations the option of shutting down FTP traffic, encrypting files, and employing other security. In a discussion with a communications provider, we found that it was mandated to encrypt all data in motion, both inside and as it moved outside the enterprise. Its integration hub was used to apply security such as encryption as well as transmit data securely, ensuring compliance with internal governance and external regulations.

CASE STUDY

Challenges and Solution

To maintain competitiveness and grow in a rapidly transforming marketplace, a large United States-based publisher of trade books had to become more responsive to meeting new types of customer requirements. The emergence of new channels, including big-box stores and supermarkets, as well as the need to support varying terms and conditions and document standards, posed challenges to existing processes and technical infrastructure. This created a need to reengineer key processes.

The company began its process reengineering with the adoption of SAP, moving the distribution company from its legacy back-office application. But it also needed to extend the reengineering by solving problems associated with trading partner integration.

Challenges

The publisher's distribution business formerly used two separate software products and a value-added network (VAN) to manage B2B integration. Both software products were ill-suited to the publisher's need to work with customers, whose integration

capabilities ranged from Excel spreadsheets to supporting highly complex EDI-based transactions. Changing customer requirements resulted in several challenges that needed to be addressed:

- ☒ The company needed to support a range of B2B standards, both cross-industry and specifically related to the publishing industry, such as ONIX, ANSI X12, and Tradacoms.
- ☒ Big-box retailers and supermarkets had many stringent rules that required the company to ensure it was not assessed fines for failing to adhere to SLAs.
- ☒ Line of business was also asking for more customer self-service capabilities.
- ☒ The B2B team also needed to prune and update its list of trading partners under management. The team believed some had gone out of business, merged, or changed business processes, and reengineering provided the company with an opportunity to update its partner list.

All of these factors led the company to realize that it needed to solve these problems with a solution capable of highly complex integration, unlike its current products, which were oriented to EDI but only marginally capable of broader integration.

Solution

The company identified IBM Sterling B2B Integrator early in the selection process and considered an additional software solution as well as B2B managed services offerings. During that period, the company also began to implement SAP Financials. Because NetWeaver Process Integration (PI) is the SAP-recommended way to integrate with SAP, the company first tested the capabilities of PI to see if it would be suitable to handle the company's integration needs.

The team chose not to adopt PI. Its requirements were not well aligned with PI's pricing model, and the organization wanted a high degree of flexibility. The software was not priced well for the company's needs, was not designed to handle the variety of formats needed to meet customer requirements, and was not designed to process large batch files.

Despite the problems with PI, it took the team one year to move toward a more suitable integration solution. In 2008, the company ultimately settled on Sterling B2B Integrator and subsequently opted to add IBM Sterling B2B Collaboration Network. The choice of Sterling B2B Integrator came down to the stability and reputation of Sterling Commerce in addition to its flexibility as an integration hub and strengths in handling many types of EDI and B2B standards.

On-Premise Option Provides the Necessary Process and Partner Controls

The team also opted against outsourcing B2B integration because the company wanted to maintain as much direct control over its business processes and transactions as possible. The team believed that outsourcing B2B integration would

be risky because customer expertise in B2B and EDI varies considerably. Many of the company's customers also enforce SLAs with penalties and fines.

In addition, the company was grappling with changing requirements from new opportunities as well as new demands from existing customers. It had to shift from a relatively straightforward process, where a customer would place an order and pay the invoice, to a more highly complex set of requirements.

Customers want to place the order under their conditions that require the company to follow their sets of rules. And if the company failed to follow the rules, it was fined. Some of its new customers stipulate that the company has to be up and running by a specified date, or it will be fined.

Being able to adapt rapidly and cost-effectively to changing requirements led the company to the decision to adopt a new integration platform running on premise. By fully supporting Sterling B2B Integrator internally and handling development internally, the company was able to control its ability to address business requirements rather than taking a risk that a change request or an onboarding project would fail to meet the deadlines set by the customer.

Implementation

One goal of the implementation was to identify and treat B2B integration as an automated process rather than viewing and handling the integration and automation of customers as separate, independent activities. That required the company to standardize and develop common processing steps.

In the project's initial phase, the company replaced the existing EDI systems with Sterling B2B Integrator, building all communications support, onboarding, and creating standard maps, including support of EDIFACT and Tradacoms.

The team examined its B2B integration process and standardized individual tasks and created common workflows. For example, the team created one job that polls the back-office system to look for outgoing files, regardless of document type and trading partner. In addition, it created a task that checks for the types of file by prefix and then, based on the prefix, executes the workflow aligned with that prefix type.

The company also contacted its trading partners to update its records, which dropped the number of partners from 37 to 33, but that number has risen steadily since. It then built out its core business processes and incorporated trading partner requirements. The company handles a volume of roughly 1,000 files a day.

The company also shifted from its existing VAN provider to Sterling B2B Collaboration Network to create a more comprehensive end-to-end solution that:

- Handles integration
- Monitors inbound and outbound traffic
- Provides reference and tracking data

- ☒ Triggers resends
- ☒ Views files in a VAN mailbox
- ☒ Maintains accountability for the company's portion of a given transaction

This hybrid approach helps in dealing with partner disputes, allowing the company to pinpoint faults, which are often in other links in the chain.

Results

Using Sterling B2B Integrator, this company has improved its B2B processes, gaining flexibility, reliability, and faster onboarding (in some cases a matter of hours). This flexibility allows the company to pursue a broader array of customers across channels and retail segments, helping it to grow revenue while minimizing costs.

In conjunction with Sterling B2B Collaboration Network, the company is also able to monitor adherence to SLAs and the status of transactions, minimizing disputes with customers. By proving that it has adhered to terms, the company is able to minimize fines and the time spent proving it was not at fault.

The company has been able to maintain Sterling B2B Integrator with a small day-to-day staff of 1.5 full-time equivalents (FTEs). Overall, by maintaining the system on premise and by implementing it with the goal of maximizing reuse and minimizing the cost of making changes, the company has been able to improve its process at minimal cost.

This company plans to use Sterling B2B Integrator more broadly as an integration engine, with adapters for SAP and other applications, once the company's legacy warehouse management system is replaced.

ESSENTIAL GUIDANCE

While IT will not solve all of the problems caused by the complexity of doing business as a media or communications company, automation plays an important role in minimizing the complexity and speeding up cycle times around doing business in a new channel with a new customer.

Focusing on improving the flexibility and comprehensiveness of handling integration should be part of any process redesign. Standardizing the integration infrastructure and related processes involved with exchanging data with customers will improve the ease of doing business. That lowers cost and sets the stage for revenue growth.

All data that requires transformation to make it interoperable with enterprise applications should run through an integration hub. Where there is a need to run hubs in different datacenters, they should be standardized and support enterprise standard business processes, wherever possible.

Users should examine their business processes prior to implementing integration infrastructure and standardize the steps in a business process as much as possible.

Traditionally, organizations treat onboarding each customer and transaction type as a unique activity. But we've found that CME companies that have taken a more process-centric and architectural point of view have been able to speed up onboarding cycles as well as accept a wider array of data from customers.

An integration hub can also help companies prepare for greater requirements for monitoring or visibility. Customers are trying to improve the predictability of their processes and lower their costs. That is why they are enforcing SLAs. CME companies will want to respond by knowing as much about their own integration processes as their customers know about theirs and will need to invest accordingly.

FUTURE OUTLOOK

Effectively, businesses are forming networks of relationships that need to be supported technologically. Companies that once viewed their business-to-business infrastructure as necessary to support EDI transactions mandated by customers have moved past this narrow view into a more comprehensive view of integration as a core piece of infrastructure to support faster and more cost-effective business cycles.

In CME, it is more likely that the speed of change will continue to accelerate and the complexity of business relationships will not diminish over the next several years. Taking advantage of change as an opportunity — rather than a threat — requires technology that supports rather than impedes business decisions.

Companies that find themselves increasingly involved with business networks and requirements that are difficult to support will need to reexamine their business-to-business processes. Borrowing lessons learned from those that have successfully made the transition will shorten the length of time required to modernize this increasingly essential element of their business architecture.

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