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Magic Quadrant for Application Services Governance

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Driven by the transformations the Nexus of Forces cause, users who need solutions to support their API management and SOA governance efforts will find that providers in the application services governance space have sensibly extended their offerings, both on-premises and in the cloud.

Market Definition/Description

This document was revised on 9 August 2013. The document you are viewing is the corrected version. For more information, see the Corrections page on gartner.com.

Applications architected according to service-oriented architecture (SOA) are becoming more common than ever. Service-oriented applications increasingly include application functionality that is sourced from the cloud, private or public, according to different standards, but following the same architectural pattern. Packaged application vendors and SaaS providers are taking service orientation for granted, and increasingly expose the functionality they sell as Web APIs. Mobile applications increasingly use private and public APIs in addition to enterprise systems of record, necessitating adequate governance and oversight.

Whether it is technology or service providers offering their functionality, or private companies giving access to some of their data according to different charging models, the number of APIs available publicly grows by the day. Their usage is multiplied by a growing population of mobile devices and computing platforms (Web, tablets, smartphones, TVs, video game consoles, cars and more, such as the Internet of Things).

The design, implementation, publication, operation, maintenance and retirement of those APIs and services need to be governed and managed carefully, which is what "application services governance" does. Gartner recently introduced the term application services governance to refer to the union of SOA governance technology functionality and API management, thus preserving the terminology differences between the two, with the view that these aspects will eventually be unified (see "Govern Your Services and Manage Your APIs With Application Services Governance").

Application services governance admittedly strings together three of the most abused (and misused) terms in IT, but this is ultimately what the two functionality sets (SOA governance technology and API management) do. The new name should help clear up the confusion, not

generate new doubts. In the vast majority of cases, those users who talk about SOA services and those who talk about APIs mean the same thing. An API, strictly speaking, is defined as an access method to a service (or a service interface, according to SOA terminology).

All APIs and services go through several stages in their life cycles:

- Plan
- Design
- Implement/Build
- Operate/Run
- Maintain
- Retire

The growing hype around API management is demonstrated by a flurry of recent acquisitions and reflected in this Magic Quadrant:

- Axway acquired Vordel (see "Axway/Vordel Deal Could Be Greater Than the Sum of Its Parts"). We present Vordel as Axway (Vordel), as this acquisition closed more than six months ago, and Axway started integrating application services governance functionality promptly after the acquisition.
- Intel acquired Mashery (see "Intel's Acquisition of Mashery Bridges SOA Governance and API Management"). We present Intel and Mashery separately — i.e., Intel (Expressway) and Intel (Mashery), as Intel's acquisition of Mashery only closed a few days before publication of this report.
- CA Technologies acquired Layer 7 (see "Sensing a Growing API Management Market, CA Technologies to Buy Layer 7"). We present Layer 7 as CA Technologies (Layer 7), as CA only marketed minimal application services governance functionality before the acquisition.
- MuleSoft acquired ProgrammableWeb. Most of the ProgrammableWeb capabilities have been included in our coverage of MuleSoft for this research.

Please note that in the cases above, the position in the Magic Quadrant reflects separate ratings: however, vendor strengths and cautions below take into account the various acquisitions, as the text will be used going forward by clients until the next version of this Magic Quadrant.

Magic Quadrant

Figure 1. Magic Quadrant for Application Services Governance

Source: Gartner (August 2013)

Vendor Strengths and Cautions

3scale

3scale is a young API management vendor. It features a distributed architecture (part of which is open source) with on-premises agents and policy management in the cloud, which is different from the cloud intermediary model of most other API management vendors. The company markets a free 3scale Connect (a standard, self-service product with a ceiling on functionality, usage volumes and restricted SLAs) and 3scale Enterprise (a fully featured platform with strong SLAs, 24/7 phone support and higher transaction volume ranges). The offering is sold worldwide using a Web-based model.

Strengths

- 3scale features a scalable business model (which includes a cloud services brokerage [CSB] role), and is responsive to new market requirements.
- The product is architected and built for multitenancy and the cloud.
- The vendor provides a full-featured developer portal.

Cautions

- 3scale is a young company relying on investors' funding.
- Sales and support are limited outside the main geographies of central Europe and North America.
- It does not address pre-Web services integration and infrastructure and service composition.

Apigee

Apigee was an early entrant and has been a visionary player in API management, since the market started developing more than six years ago. It offers a fully functional API management platform (Enterprise), a tool to integrate data from different sources to provide business analytics of developer/customer/product behavior (Insight) and API Exchange (for the telco industry). Offerings are available in the cloud or on-premises. Most of Apigee's clients are in the U.S. or Europe.

Strengths

- As a historical player in API management, it's a leading voice in promoting APIs. Evangelism.
- Having gone through very sharp growth in 2012, Apigee still has a lot of momentum for 2013.
- Apigee offers a dedicated API interoperability product for telco and cloud services providers (CSPs).

Cautions

- Apigee relies heavily on venture capital and external investment.
- It started to realize the business opportunities related to the overlap between SOA governance and API management only recently.
- Its historical focus on marketing to developers limits the business understanding of its solutions.

Axway (Vordel)

Axway acquired Vordel to mix integration, governance and cloud functions in a B2B infrastructure offering with API management capabilities. The Vordel API Server (renamed Axway API Server, which is available on-premises and in the cloud) provides integration engine services. It is part of the Axway 5 Suite, which offers control and optimization of the flow of data within the enterprise, and externally through integration, community management, visibility, policy and security. Axway (Vordel)'s main markets are in Europe and North America.

Strengths

- It has a wide product portfolio, with more integration in Axway's original product line planned in the short term (e.g., the Axway-wide API Catalog). Axway traditionally leverages acquisitions well, and cross sells effectively.
- Axway has executed well and growing considerably.
- It's a diversified vendor, with an extensive product line and effective sales strategies in several geographies.

Cautions

- Axway has the advantage of deep B2B knowledge and skills, but relatively little experience with subscription-based cloud computing.
- Vordel and Axway must step up their marketing efforts and emphasize the competitive advantage of their nascent integration brokerage and API management capabilities.
- Axway (Vordel) plans an API Catalog that spans the whole Axway 5 Suite: A good vision, but the offer will not be available until 4Q13; however, an API Catalog for the API server customers is already available.

CA Technologies (Layer 7)

CA Technologies (Layer 7)'s licensed, on-premises technology is sold under the SecureSpan product name; the cloud entry-level API CSB and SaaS offerings are sold under the APIfy.co brand, as they typically have different buyers. CA Technologies (Layer 7)'s offering in the cloud is already used by CSBs, mainly telcos and infrastructure as a service (IaaS) providers. The acquisition of Layer 7 by CA closed shortly before this report went to publication. However, this report evaluated

Layer 7 as a separate entity from CA. CA Technologies (Layer 7) sells mainly in North America, and increasingly in Europe.

Strengths

- This is a fairly complete offering, with good coverage of API management, general SOA governance (on-premises and in the cloud), B2B and enterprise service bus (ESB) functionality.
- It's fast-moving, well on its way to implementing its good vision for application services governance and the related marketplaces (such as mobile enablement).
- Extensive and effective online and traditional marketing are used.

Cautions

- CA Technologies (Layer 7)'s marketing promotes the API story a bit too exclusively, possibly overlooking SOA opportunities still coming on the market.
- The developers' portal has good functionality, but is not as mature as the rest of CA Technologies (Layer 7)'s offering.
- Closely monitor the integration between CA's and Layer 7's product lines in the next few months.

IBM

IBM packages its comprehensive SOA governance functionality in several products: WebSphere Service Registry and Repository, WebSphere DataPower, IBM Tivoli Monitoring, IBM SmartCloud Application Performance Management and Rational Asset Manager being the main ones. At present, IBM is gradually evolving its API management products building on its WebSphere DataPower and Cast Iron Live products (available in the cloud and on-premises). IBM's offerings are sold worldwide.

Strengths

- IBM has an established and powerful market position and solid customer base in several vertical industries.
- Broad application service governance functionality is under one brand.
- It has a powerful consulting service organization, with associated methodologies.

Cautions

- End-to-end life cycle functionality is enabled across different, sometimes overlapping, products. Fully functional integration of those offerings is still a work-in-progress.
- The company is slow to develop new offerings and to react to new industry trends, frequently coming from adjacent industries.

- Users perceive IBM's offering as a high-cost solution.

Intel (Expressway)

Intel markets a software or hardware gateway solution to accelerate, secure, integrate and route XML and Web services under the name of Intel Expressway Service Gateway and Intel Expressway API Manager. Intel recently acquired Mashery, and the combined entity now offers a fairly complete spectrum of application services governance functionality, on-premises and in the cloud. However, this report evaluated Intel (Expressway) as a separate entity from Intel (Mashery). Intel's Expressway offerings are sold worldwide.

Strengths

- Intel is a well-known name in computing, and its products are in use in very large organizations worldwide.
- Marketing and positioning of Intel's application services governance offering have evolved effectively since the last Magic Quadrant.
- The wide set of policy management options is especially strong in security at the operate/run stage.

Cautions

- Intel must address the cultural differences between a progressive, dynamic startup (like Mashery) and a leading chip producer in Silicon Valley. Issues such as talent retention will be key to future execution.
- Continue monitoring Intel's long-term commitment to the application services governance market, given the limited size of Expressway Service Gateway and Intel Expressway API Manager relative to Intel's other lines of business.
- There is limited, but growing, adoption outside the U.S. and an evolving international go-to-market strategy.

Intel (Mashery)

Intel (Mashery) is at the forefront of API management, and its cloud-centric offering features several areas of functionality that fall under the SOA governance umbrella. An on-premises version of Mashery has been available since October 2011. It offers a wide set of services and policies that span the whole service/API life cycle, with particular attention to the promotion of APIs, and the business issues behind them. The Intel acquisition of Mashery closed on 9 May 2013. However, this report evaluated Intel (Mashery) as a separate entity from Intel (Expressway). Being mainly a cloud offering, Mashery, in theory, is available worldwide (and has some traction with clients in the U.K.), but the majority of its clients are in the U.S.

Strengths

- Compared with API management vendors, Intel (Mashery) understands SOA projects best, and has the ability to offer its solutions for them.
- The product is architected and built for multitenancy and the cloud.
- It features a scalable business model (which includes a CSB role), and is responsive to new market requirements.

Cautions

- Intel must address the cultural differences between a progressive, dynamic startup (such as Mashery) and a leading chip producer in Silicon Valley. Issues such as talent retention will be key to future execution.
- Mashery's strategy will have to fit into a much larger, more diversified and slower-moving parent company.
- There is limited sales and support outside North America.

Managed Methods

Managed Methods markets practical management for APIs and SOA through a runtime and operational policy management solution, JaxView. Managed Methods has no repository on its own, but integrates with third-party fully functional offerings such as Oracle Services Registry and Oracle Enterprise Repository, IBM WebSphere Service Registry and Repository, and Software AG CentraSite. Managed Methods' multitenant cloud offering is called CloudGate. The company sells mainly in North America.

Strengths

- A functional, small footprint solution is attractive to small or midsize businesses, especially in the cloud, with multiple runtime deployment options (gateway, agents or sniffer) for architectural flexibility.
- Managed Methods is well on its way to executing an effective cloud strategy and addressing API management.
- It offers clear, attractive and public pricing.

Cautions

- Functionality is limited — only operational policy management and no repository (a template developers' portal is available).
- It is not very visible in the market due to its size and initial marketing activities.
- Its focus is mainly on the North American market.

MuleSoft

MuleSoft offers software subscriptions and cloud services built on the open-source Mule technology. In the application services governance space, the main offerings are Anypoint API Manager and Anypoint Service Registry. Both products are drawn from the same code base and provided as SaaS in support of on-premises and cloud-based services, and API deployments. MuleSoft's offering is designed to be usable worldwide.

Strengths

- MuleSoft blends SOA governance effectively with API management.
- It addresses hybrid IT as a model today.
- The company leverages powerful and proven application integration technology.

Cautions

- The offering is very new, with several advanced API management capabilities still in beta.
- It continues to rely on venture capital and external investment.
- Marketing is too informal, relying on simple online methods and developers' word of mouth.

Oracle

Oracle's heritage lies in its SOA governance offering, which is part of Oracle Fusion Middleware. Using Oracle Enterprise Repository in conjunction with Oracle Service Bus (and Oracle Web Services Manager), Oracle customers extend their solutions from SOA governance to API management. More API management features are packaged in Oracle API Gateway. Most of Oracle's cloud capabilities will unfold as part of its platform as a service (PaaS) plans. Oracle's offering is sold worldwide.

Strengths

- The product governs applications beyond SOA (Oracle packaged apps, SaaS and on-premises) and is well-integrated with Oracle's SOA application infrastructure products (Oracle Fusion Middleware).
- Established company market share influences all forms of middleware.
- Oracle products are functionally rich in SOA governance.

Cautions

- Complexity of the offering is due to the variety and number of related Fusion Middleware products.

- Basic API management features (such as API Key Management, OAuth support) are only available via the Oracle API Gateway — OEM from Axway (Vordel).
- Application services governance is generally sold with other Oracle SOA and application infrastructure products.

SOA Software

SOA Software is an established player in the application services governance market in North America. Its offering is split across several products, on-premises and in the cloud: Community Manager, Portfolio Manager, Lifecycle Manager, Policy Manager, Service Manager, API Gateway and Enterprise API PaaS. SOA Software sells mainly in North America, and has started expansion into Europe, Australia, India and South Africa.

Strengths

- It shows leading market understanding and vision for application services governance.
- It's a fast-moving vendor, with a comprehensive and well-integrated offering, and a flexible approach to federated governance.
- Generic, but consistent and effective, top-line marketing results in high visibility.

Cautions

- Service/API integration and composition functionality are limited.
- Product packaging has improved, but still has some complexity.
- There is limited R&D and sales power, support is only in English, and international capabilities are still under construction.

Software AG

Software AG offerings span business processes, integration and in-memory computing. For application services governance, products are all sold under the webMethods brand name. Software AG continues to use CentraSite as the name for its registry repository. Software AG's offering is sold worldwide.

Strengths

- CentraSite is a well-established offering, with approximately 60 vendor partners.
- Application services governance is at the center of Software AG's offering and vision for the future.
- Software AG's marketing and sales are powerful, and leverage solid SOA messages.

Cautions

- The company was late in developing a cloud strategy. The API management cloud offering is in its initial stage.
- Not a fast-moving vendor, Software AG is cautious and approaching megavendor size.
- It continues to resell Progress Software and Aurea (webMethods Insight) for operational/runtime policy management. After Progress' breakup, Aurea's ability to invest on this product is still unproven.

Tibco Software

Tibco Software is a well-established middleware, integration and SOA application infrastructure vendor. For application services governance, offerings are part of Tibco's SOA offering, and are marketed under the Tibco ActiveMatrix brand. Tibco's cloud products are marketed under the Tibco Cloud banner. Tibco's offering is sold worldwide.

Strengths

- Tibco is an established international middleware suite vendor, with lots of cross-selling opportunities between several product lines.
- Solid R&D and support groups are behind the product.
- It has an effective international strategy.

Cautions

- It largely misses the API management trend and the related cross-selling opportunities created by the overlap between SOA governance and API management.
- There is limited marketing and sales force attention; application services governance is generally sold with other Tibco products.
- Limited innovation and market responsiveness in this market is causing the offering to increasingly fall behind the market leaders.

WSO2

WS02's application services governance offering is divided into several products, the main ones being the API Manager, the App Factory and the Governance Registry. The on-premises offering is Carbon, and the cloud offering is Stratos. Both cover the design, implementation and operation of services and API. WS02 sells products worldwide.

Strengths

- WS02 shows good understanding, vision and leverage for hybrid application services governance, including the social side.
- Its offering is well-suited for independent software vendors (ISVs) and API marketplaces; and is a proven business model, with effective professional services attached to it.
- The technology is consistent, mature and natively multitenant.

Cautions

- Sales power is limited, largely telesales-based, even taking into account that it doesn't have the usual license-based sales cycle.
- The application infrastructure product line is broad for a company of its size and R&D power.
- WS02 is not very visible in the market, due to its size and initial marketing activities.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants and MarketScopes as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant or MarketScope may change over time. A vendor appearing in a Magic Quadrant or MarketScope one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. This may be a reflection of a change in the market and, therefore, changed evaluation criteria, or a change of focus by a vendor.

Added

Three vendors have been added to this Magic Quadrant since the publication in October 2011 of Magic Quadrant for SOA Governance Technologies:

- **3scale** has grown in importance, functional offering, size and market weight in the past years, together with API management.
- **Apigee** has clearly emerged as a primary vendor in the API management market, and is frequently compared with most of the other vendors entering this Magic Quadrant.
- **MuleSoft** has offered SOA governance technology for a few years, recently started offering API management products, and articulated a consistent application services governance road map, including both SOA governance and API management.

Dropped

Since the publication of the last SOA governance technologies Magic Quadrant, the market and the vendors have evolved significantly, which in some cases meant exclusion from this Magic Quadrant:

- **Crosscheck Networks** is focusing its feature set in the SOA gateway/appliance space, which only partially overlaps with application services governance.
- **HP** shows that after the retirement of the HP Policy Enforcer, HP Systinet has stayed focused on design time governance and, at this point, does not support runtime security policies. HP Systinet is available as on-premises software and not in the cloud.
- **Progress Software** has divested its Actional product line, which has been acquired by Aurea. Aurea plans to focus on primary capabilities in business process management (BPM) and integration, but will still service Actional customers.

Inclusion and Exclusion Criteria

To be considered for inclusion in the Magic Quadrant for application services governance, a vendor must:

- Market application services governance as defined in "Govern Your Services and Manage Your APIs With Application Services Governance" — in the cloud, on-premises or both. However, the vendor, as part of its offering, must market a cloud-only solution as SaaS, an integration platform as a service (iPaaS) or a CSB for at least six months with demonstrable revenue.
- Have a comprehensive offering for application services governance covering at least two API/service life cycle stages.
- Generate revenue of at least $10 million (or its equivalent in another currency) a year from SOA governance technologies, or at least $5 million (or its equivalent in another currency) a year from:
  - API management. Vendors pursuing a subscription-based, open-source business model should have at least $3 million (or its equivalent in another currency) a year for SOA governance.
  - API management revenue. The figures for API management and open source are lower to reflect a different business model (based on subscriptions, not on software licenses).

For more information about inclusion and exclusion criteria, see "How to Understand the Criteria for the 2013 Application Services Governance Magic Quadrant."

Evaluation Criteria

Ability to Execute

Gartner analysts evaluate technology and service providers based on the quality and efficacy of the processes, systems, methods or procedures that enable IT provider performance to be competitive, efficient and effective, and to have a positive impact on revenue, retention and reputation.

Ultimately, technology providers are judged on their ability and success in capitalizing on their vision.

More details on the criteria (see Table 1) for the Ability to Execute in application services governance is contained in "How to Understand the Criteria for the 2013 Application Services Governance Magic Quadrant."

Table 1. Ability to Execute Evaluation Criteria

Criteria	Weight
Product or Service	High
Overall Viability	High
Sales Execution/Pricing	Medium
Market Responsiveness/Record	Medium
Marketing Execution	Medium
Customer Experience	High
Operations	Low

Source: Gartner (August 2013)

Completeness of Vision

Gartner evaluates technology and service providers based on their ability to convincingly articulate their current and future market direction, innovation, customer needs and competitive forces, and how well they map to the Gartner position. Ultimately, technology providers are rated on their understanding of how market forces can be exploited to create opportunities for the provider.

More detail on the criteria (see Table 2) for Completeness of Vision in application services governance is contained in "How to Understand the Criteria for the 2013 Application Services Governance Magic Quadrant"

Table 2. Completeness of Vision Evaluation Criteria

Evaluation Criteria	Weighting
Market Understanding	High
Marketing Strategy	Medium
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	High
Vertical/Industry Strategy	Low
Innovation	High
Geographic Strategy	Medium

Source: Gartner (August 2013)

Quadrant Descriptions

Leaders

A Magic Quadrant represents Gartner's judgment of vendors' Ability to Execute and the Completeness of Vision in a technology market (in this case, the application services governance technology market). The Ability to Execute criteria reflect the staying power and record of execution of vendors in the market. The Completeness of Vision criteria reflect vendors' ability to understand market trends, and lead and influence them, and to follow these trends with agility and consistency.

Vendors that are strong in their execution and ability to lead and influence the market are Leaders. The most recent players in the market that have a limited record of execution and well-executing vendors that are overly cautious on innovation and risk are less likely to be Leaders. A word of caution: By its nature, a vendor rating process favors comprehensive offerings and powerful sales and marketing strategies. A tightly focused product, even if exceptional, typically will not score as well as a comprehensive offering supported by strong sales and marketing strategies in this analysis. This, in turn, frequently favors the larger vendors, because their extended resources enable them to allocate substantial sales and marketing investments to support their application services governance products, and to offer the more comprehensive collections of functionality.

The most distinctive attribute Leaders in this market have is that they successfully market and sell credible offerings into SOA governance and API management projects — and the compound growth in their revenue shows it. They understood the overlap of these two spaces at least two years ago, and have taken steps to address it well beyond their marketing materials (in some cases,

their marketing materials are still trailing the realities of the market they sell into), and well into their products/offers and sales cycles.

The Leaders in this Magic Quadrant come from disparate backgrounds: traditional application integration, SOA gateway/appliance, pure SOA governance technology or the new API management. Leaders overlap and understand the market that will bring them forward. The opposite effect (i.e., addressing the overlap not as effectively as the other Leaders) has changed the position of previous Leaders, especially their vision, sometimes radically.

Challengers

Challengers execute well today for the portfolio of work for which they have functionality, but have a blurred or incomplete view of market direction. In some cases, Challengers with a large installed base have purposely limited their vision and view of the market, because, for one reason or another, they may have decided not to expand their product line, or because they are still working to close an acquisition in this space. This sometimes happens when a technology provider believes the market is too immature and undefined to fully venture into it. In other cases, the focus in addressing (or marketing) SOA governance and API management issues together might not be evident, because the vendors focus on, or come from, other similar markets.

The future of these technology and service providers is directly linked to how aggressive and proactive they are in addressing the shortcomings in their vision. If they do that work effectively, they may be the Leaders of the future; if not, they might simply move into another quadrant (if not out of the Magic Quadrant altogether). The strong dynamics and the sharp evolution this market experienced in the last 18 months don't leave any other alternatives.

Visionaries

Visionaries typically approach this market with a fresh view from an innovative angle, and are big into API management and the cloud (possibly at the expense of more structured and traditional on-premises SOA projects). While they typically feature an incomplete set of functionality, they have the power and the mind share to grow that set for potential customers, often in a different way from established Leaders. Previous Visionaries have become Leaders in this Magic Quadrant. Visionaries carry no baggage, and often can move faster than Leaders.

Open-source application service governance is becoming a powerful reality. Offerings in the pure SOA governance space were generally partial (i.e., not complete; they did some things well, but they didn't do other things at all). The increasing number and business potential of Web APIs, and the emergence of the CSB model has pushed these offerings to maturity. It is likely that more open-source players will join this market in the near future. Many Visionaries will continue to become Leaders in a market stretched by several waves of transformation, including the Nexus of Forces, a developing API economy, the increased maturity of clients, the changing concept of applications, different development styles, evolving organizational arrangements, ever-growing B2B multienterprise process requirements, API marketplaces and CSBs.

Niche Players

Niche Players focus on a particular segment of the market, typically defined by a specific life cycle stage (e.g., operations) or by other characteristics, such as vertical industry, client size (and spending power), geographic area, advanced functionality required (e.g., performance or security) or project maturity/complexity. In some cases, Niche Players are small, young and growing companies, with a bright future if they keep executing well, and expanding their offerings and their client bases.

For a mature company, the narrow focus on a particular segment of the market might be a conscious strategic choice. In that niche, their offerings might be more functional than the Leaders; in others, it might be just a sign that the vendor is maturing, and that its offering is being extended. Niche Players' Ability to Execute is limited to those focus areas and, therefore, is partial and is assessed accordingly. Their ability to innovate and, to a greater extent, to survive in this market is affected by their narrow focus.

Context

The business impact of lack of governance in SOA projects has been discussed at length in Gartner research (see Recommended Reading). Also, using publishing services and APIs has been a traditional way to participate in multienterprise B2B processes; this type of usage is increasing rapidly. CSBs will be big users of application services governance (see "Devise a Systematic API Management and Governance Strategy for Long-Term CSB Success").

The use of Web APIs is increasing more than ever, generally supporting new sales channels through mobile applications. This has made API management more popular as a new way of informing and selling to end customers. In particular, Type A organizations keen on exploring new ways to connect with their customers increasingly equate a Web channel to a new business opportunity; for them, having good API management is initially just a way of opening a new opportunity on a new sales channel, and evolves into an advanced way of collecting customer behavior data.

In most cases, project teams are looking for a functionally complete application services governance technology and services set. The Magic Quadrant is one of the most helpful resources used during the evaluation. However, if your search is for a specific subset of capabilities, the best-fit offering for your project might be under-rated in the Magic Quadrant. End users should apply a considered judgment and should understand Gartner evaluation criteria and weights to take the best advantage of this research. The Magic Quadrant can be seen as a long list of vendors for a given market. Devise your shortlist based on your organization's specific circumstances and requirements. The best fit might not be a market Leader. Use this Magic Quadrant as one point of input, not as the sole deciding criterion.

The application services governance market is in transition. The characteristics of the two streams of application service governance are quite different:

- Traditional SOA governance technologies have been available for a few years, and typically are used in on-premises, classical SOA projects, which are now mainstream. However, SOA

governance technologies have always trailed SOA maturity by at least two years, because (wrongly) the bulk of SOA projects do not see the necessity for governance until one or two years after the project starts.

- API management, as a discipline, is maturing rapidly, but still nascent. It is typically used in the cloud to manage APIs that companies publish for use by mobile and Web business-to-consumer (B2C) or B2B projects, with applications frequently developed by their business partners.

The two types of projects, the roles they involve, the speed they go as demanded by business needs, the terminology they use, even the age of the team's participants and their technology orientations are very different. However, as pointed out in "Govern Your Services and Manage Your APIs With Application Services Governance," the project's needs are remarkably similar.

Market Overview

One major change has occurred in this market since the last Magic Quadrant: There has been a sharp surge in the usage of Web APIs, and the corresponding need to manage them, using rapidly deployed solutions, typically in the cloud. Gartner has defined this architecture as Web-oriented architecture (WOA), and pinpointed it as a particular style of SOA. However, the belief among some end users that API management had nothing to do with "old style" SOA is still widespread. Gartner recently introduced the term application services governance to refer to the union of SOA governance technology functionality and API management, as discussed above. This extended focus of application services governance on a multiyear set of projects has caused sharp changes in the positions of a few vendors that have not taken advantage of these changes either through a direct offering or a partnership.

Governance, as a word, is in fashion. To enforce governance through everyday decisions, companies devise several policies that must be adhered to, and technology can help a lot here. Application services governance is about tracking and monitoring the artifacts in an SOA or an API project, enforcing and ensuring compliance with the policies associated with the artifacts and measuring the outcomes related to their use.

We increasingly see clients looking for application services governance functionality, contacting SOA governance technology vendors and API management vendors, and frequently being uncertain about the distinctions between the offerings on both sides. Virtually all the vendors on both sides are well-aware of this confusion and overlap, and they try to market to both communities, at different levels of success. Clients should not be confused by the different terminology used, and should simply look for the governance or management functionality they need, no matter how it is labeled. It will take years for the differences in the terminology to be reconciled.

Acquisitions in this space will continue to be commonplace, as larger players will want to buy an initial share in a rapidly growing market: The application services governance market was worth around $474 million in 2012. SOA governance technologies, having grown steadily for four to five years, started showing a decline as vendors eagerly shifted revenue to API management. However, the market for SOA governance technologies is still very viable and likely will be stable for at least

two to three years. More market information for application services governance numbers can be found in "Forecast: Enterprise Software Markets, Worldwide, 2012-2017, 2Q13 Update" (to get to the Pivot Table for Analysis, select Application Infrastructure and Middleware for Market and Application Services Governance for Submarket).

API management's growth has been rapid. Preliminary estimates indicate a market size of $70 million in 2012, with year-over-year growth well more than 40%. We expect that growth to be maintained or surpassed by the end of 2013. While the market size for SOA governance technology will stabilize soon, the widespread usage of APIs will continue steadily in the midterm, which will probably see API management overtaking SOA governance technology in market size by 2016, by which time the two markets will have finally merged into one.

Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"How Gartner Evaluates Vendors and Markets in Magic Quadrants and MarketScopes"

"Govern Your Services and Manage Your APIs With Application Services Governance"

"How to Understand the Criteria for the 2013 Application Services Governance Magic Quadrant"

"Devise a Systematic API Management and Governance Strategy for Long-Term CSB Success"

"Market Share: All Software Markets, Worldwide, 2012"

"Forecast: Enterprise Software Markets, Worldwide, 2012-2017, 2Q13 Update"

Evaluation Criteria Definitions

Ability to Execute

Product/Service: Core goods and services offered by the vendor for the defined market. This includes current product/service capabilities, quality, feature sets, skills and so on, whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

Sales Execution/Pricing: The vendor's capabilities in all presales activities and the structure that supports them. This includes deal management, pricing and negotiation, presales support, and the overall effectiveness of the sales channel.

Market Responsiveness/Record: Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

Marketing Execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional initiatives, thought leadership, word of mouth and sales activities.

Customer Experience: Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements and so on.

Operations: The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure, including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

Completeness of Vision

Market Understanding: Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen to and understand buyers' wants and needs, and can shape or enhance those with their added vision.

Marketing Strategy: A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products that uses the appropriate network of direct and indirect sales, marketing, service, and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

Offering (Product) Strategy: The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature sets as they map to current and future requirements.

Business Model: The soundness and logic of the vendor's underlying business proposition.

Vertical/Industry Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including vertical markets.

Innovation: Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

Geographic Strategy: The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.

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