The State of Ecosystem and Application Integration Report

IT decision-makers across industries are diving into the digital transformation pool, but many still struggle to keep their heads above water when it comes to application, B2B, and data integration across their ecosystems.
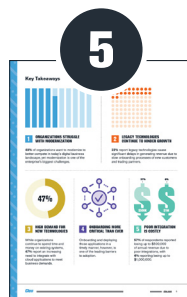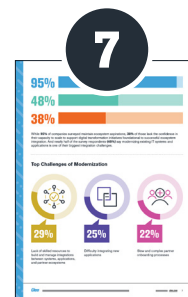
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Table of Contents
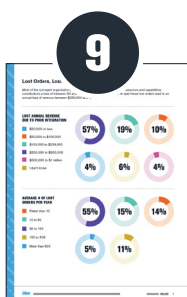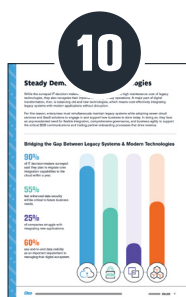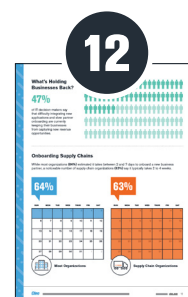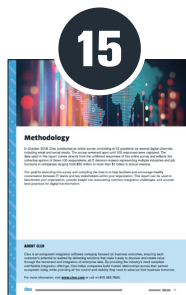
ABOUT THE REPORT

The 2019 State of Ecosystem and Application Integration Report results stem from a survey conducted in October 2018 by Cleo, the global leader in ecosystem integration solutions. The report reflects the collective opinion from IT decision-makers representing multiple industries and job functions in companies of all sizes. The online survey was not based on a probability sample; rather respondents opted in to provide their feedback, so therefore no sampling error was calculated. If you have additional questions or want more information, view the Methodology on Page 15 or contact Cleo through our **website.**

Executive Summary

Why would a customer or vendor choose to buy from you, or work with you, rather than your competition? It's a perennially burning question for business leaders, one that's foundational to the spirit of commerce today. As advances in digital technologies have led to innovative business models, faster time-to-market for new companies, and seemingly limitless choices for customers in today's globalized business environment, it has become increasingly difficult to stand out.

So, how do you set yourself apart in a hypercompetitive environment and gain new customers, expand services, and grow the bottom line?

Today's rapidly evolving business landscape has shifted organizational priorities toward customer service as a core differentiator. Businesses are finding new ways to streamline operations, increase efficiency, and save money by shifting their focus outward on the important business relationships and interactions that ultimately generate revenue. But how we communicate and exchange critical information – orders, invoices, ship status, inventory, etc. – to support these ecosystem relationships continues to evolve as well.

To attract more revenue opportunities and keep customers coming back, modern enterprises must ensure they can seamlessly exchange business data with all trading partners, services, and SaaS applications. But most organizations – even the world's largest companies – aren't equipped with the technology to adapt; they must openly embrace digital transformation to drive strategic value for their organizations.

In this context, Cleo's 2019 State of Ecosystem and Application Integration Report benchmarks surveyed organizations' digital transformation journeys – and the barriers to getting there. This is the first in an anticipated annual series designed to track these important ecosystem-oriented business and technology developments.

DEFINING DIGITAL TRANSFORMATION

Digital transformation is defined as the integration of digital technology into every area of the business in order to change how it operates and delivers value to all its stakeholders. In this definition, the word "integration" becomes extremely important, and integration (the technology) ultimately serves as the cornerstone for an organization's important ecosystem-driven digital transformation initiatives. This report explores digital transformation through the "outside-in" lens of ecosystem integration and touches on the role technology plays in solving the most common data issues challenging the modern enterprise.

Survey Results Snapshot

Nearly all enterprises that participated in the survey are aware of the critical role modernization plays in their digital transformation efforts, and more than half of those surveyed plan to modernize their integration and IT infrastructure in 2019. But many are recognizing significant challenges in doing so. Organizations looking to take control of their business destiny are planning to modernize their digital ecosystems, but they must overcome some important challenges.

According to the survey, IT decision-makers expressed concern in their ability to:

| **Integrate legacy systems and modern SaaS applications without disruption**	**Accelerate end-to-end data flows between internal and partner applications**	**Source and acquire the skillsets required to build and manage integrations**	**Eliminate the manual integration processes**
25%	**46%**	**29%**	**63%**
of companies struggle with integrating new applications	say process automation is critically important and **25%** believe it will drive business value	lack the skilled resources to build and manage integrations between systems, applications, and partner ecosystems	say new-business onboarding takes too long because of customized partner requirements

Key Takeaways
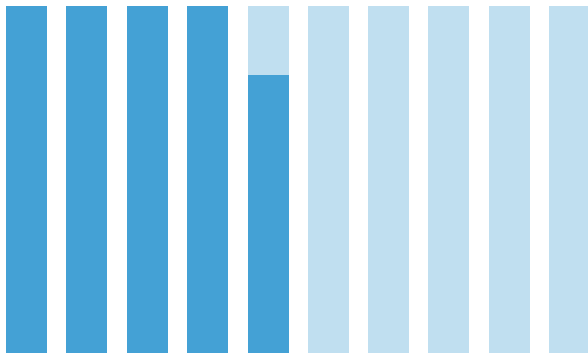
1 ORGANIZATIONS STRUGGLE WITH MODERNIZATION

48% of organizations want to modernize to better compete in today's digital business landscape, yet modernization is one of the enterprise's biggest challenges.
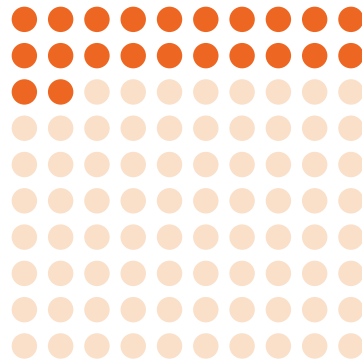
2 LEGACY TECHNOLOGIES CONTINUE TO HINDER GROWTH

22% report legacy technologies cause significant delays in generating revenue due to slow onboarding processes of new customers and trading partners.
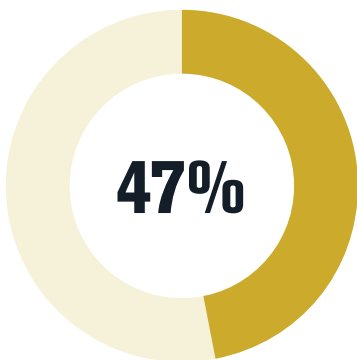
3 HIGH DEMAND FOR NEW TECHNOLOGIES

47%

While organizations continue to spend time and money on existing systems, **47%** report an increasing need to integrate with cloud applications to meet business demands.
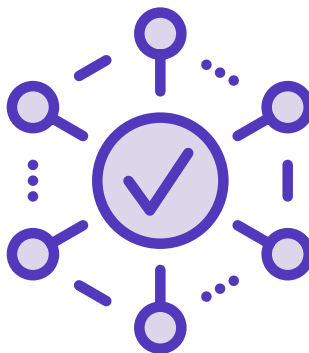
4 ONBOARDING MORE CRITICAL THAN EVER

Onboarding and deploying those applications in a timely manner, however, is one of the leading barriers to adoption.
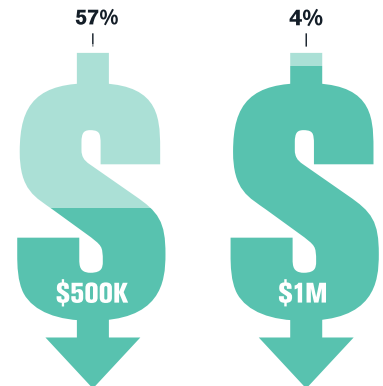
5 POOR INTEGRATION IS COSTLY

57%   4%

$500K $1M

57% of respondents reported losing up to $500,000 of annual revenue due to poor integrations, with **4%** reporting losing up to $1,000,000.

Organizations Struggle with Modernization

Digital transformation is top of mind for virtually every organization regardless of size, but what makes "digital transformation" such a necessity? The answer revolves around our increasingly connected world, proliferation of applications, and the necessity to create digital business ecosystems.

What drives the modern business world is how organizations interact with each other and with their end customers. But today's enterprises can no longer rely on the legacy technologies they've counted on for so many years to connect and exchange business-critical data in a modern way. They must support new and emerging digital patterns, and that often requires modernizing IT infrastructures to eliminate outdated solutions in favor of ones that support all the end-to-end B2B, cloud, application, and big data integration use cases they require.

And thus, digital ecosystems are steering many enterprise-wide digital transformation objectives and pushing businesses into a bias for action – whether that is technology replacement, systems consolidation, or resource optimization. With this, organizations are coming face-to-face with the realities of their current integration state, and it's not always pretty.

WHAT IS A DIGITAL ECOSYSTEM?

According to Gartner,[1] a digital ecosystem is "an interdependent group of actors (enterprises, people, things) sharing standardized digital platforms to achieve a mutually beneficial purpose." Every industry is now an open, expansive network of digitally connected business partners. Industries are in fact ecosystems, where flexible technology platforms allow companies to move across traditional boundaries.

One way to leap those traditional boundaries is by taking a broader look at how ecosystems drive business and create value. Value results from enabling your own organization to uncover new revenue opportunities or cost-saving initiatives through content-rich, context-aware ecosystem insights. So, while it's important to recognize your organization's role in the digital ecosystem, it's the enablement of that ecosystem that's driving added business value.

1. Insights from the Gartner 2017 CIO Agenda Report, "Seize the Digital Ecosystem Opportunity," 2016.

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95%
48%
38%

While **95%** of companies surveyed maintain ecosystem aspirations, **38%** of those lack the confidence in their capacity to scale to support digital transformation initiatives foundational to successful ecosystem integration. And nearly half of the survey respondents **(48%)** say modernizing existing IT systems and applications is one of their biggest integration challenges.

Top Challenges of Modernization

29%

Lack of skilled resources to build and manage integrations between systems, applications, and partner ecosystems

25%

Difficulty integrating new applications

22%

Slow and complex partner onboarding processes

How to Navigate Legacy Technologies

As companies embrace digital transformation strategies to improve relationships with partners, suppliers, and customers, they often discover that their current integration solutions lack the innovation necessary to enable their desired business outcomes. These solutions, many of which are homegrown or severely custom-coded, cannot satisfy modern enterprises' needs of tomorrow that will drive sustained competitive advantage. Plus, these outdated systems are costly to maintain, require specific skill sets, are susceptible to data errors, and jeopardize business opportunities.

Current integration solutions that cannot provide the required flexibility and organizational agility to respond to changing market conditions simply cannot help scale the business. They also fall well short in satisfying businesses' greater thirst for visibility into how their critical data flows fit into the broader context of end-to-end processes.

81% believe replacing legacy systems will play a role in supporting emerging business initiatives, which include optimizing order-to-cash processes

CHALLENGES OF LEGACY TECHNOLOGIES

Legacy technologies are plagued with poor user experiences that result in reduced worker efficiency and increased dissatisfaction. Similarly, most legacy solutions were designed for one type of user – either a technical user or a business user – which limits adoption and stickiness and starts the solution on a path toward obsolescence. Common challenges with legacy technologies include:

▪ Inflexible integration structure
▪ Poor data flow visibility between systems and applications
▪ Silo-ed "one-off" solutions that are cumbersome to manage

Lost Orders, Lost Revenue

Most of the surveyed organizations **(55%)** say deficiencies in integration resources and capabilities contribute to a loss of between 50 and 150 orders each year. And **57%** said those lost orders lead to an annual loss of revenue between $250,000 and $500,000.

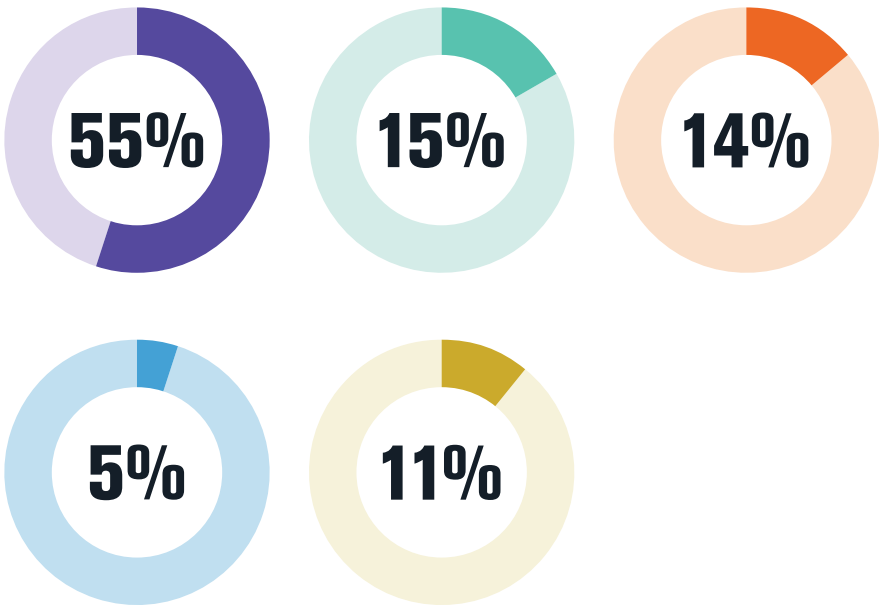## LOST ANNUAL REVENUE DUE TO POOR INTEGRATION

- $50,000 or less
- $50,000 to $100,000
- $100,000 to $250,000
- $250,000 to $500,000
- $500,000 to $1 million
- I don't know

57% **19%** **10%**

4% **6%** **4%**
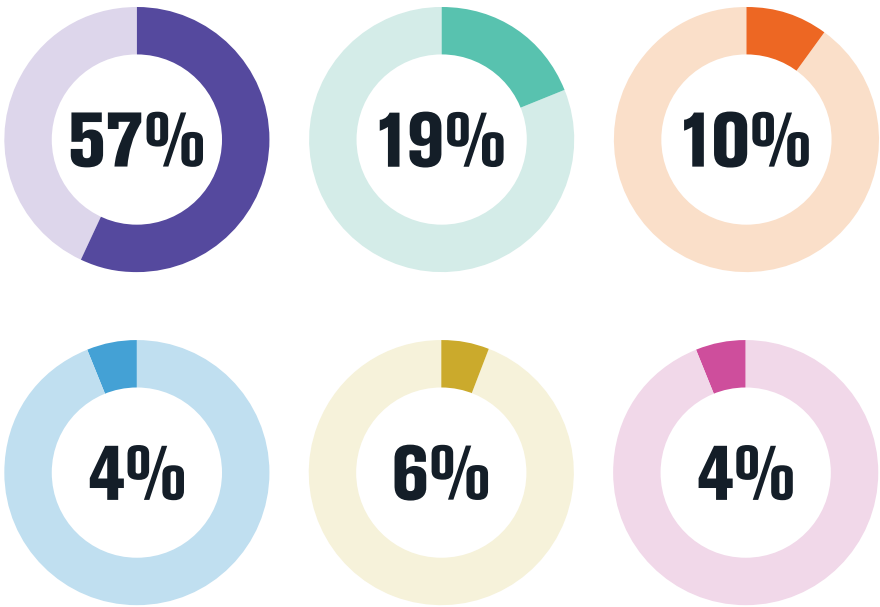
AVERAGE # OF LOST ORDERS PER YEAR

- Fewer than 10
- 10 to 50
- 50 to 150
- 150 to 500
- More than 500

55% **15%** **14%**

5% **11%**

Steady Demand for New Technologies

While the surveyed IT decision-makers understand the limitations and high maintenance cost of legacy technologies, they also recognize their importance to day-to-day operations. A major part of digital transformation, then, is balancing old and new technologies, which means cost-effectively integrating legacy systems with modern applications without disruption.

For this reason, enterprises must simultaneously maintain legacy systems while adopting newer cloud services and SaaS solutions to engage in and support how business is done today. In doing so, they face an unprecedented need for flexible integration, comprehensive governance, and business agility to support the critical B2B communications and trading partner onboarding processes that drive revenue.

Bridging the Gap Between Legacy Systems & Modern Technologies

90%

of IT decision-makers surveyed said they plan to migrate core integration capabilities to the cloud within a year.

55%

feel enhanced data security will be critical to future business needs.

25%

of companies struggle with integrating new applications.

60%

see end-to-end data visibility as an important requirement to managing their digital ecosystem.

Supporting Ecosystem Onboarding

With integration demands constantly evolving and new technologies required in order to thrive in the digital business world, many survey respondents recognize the need to modernize. However, they also recognize that the modernization process depends on successfully onboarding new solutions, which remains a problem. That's because modernizing isn't just about purchasing technology or signing on a new ecosystem partner; it's also dependent on integrating those capabilities into the overall IT stack and business process flows.

Modernizing existing IT systems and applications is seen as one of the biggest integration challenges due to complexities in replacing legacy systems and applications, adding new applications to existing infrastructure, and implementing customized partner requirements without causing business disruptions.

The Onboarding Struggle

Nearly two-thirds **(63%)** of survey respondents say customized partner requirements for new business flows take too long to implement, but the challenges were felt most deeply in the technology, healthcare, and retail verticals.

88%

of technology companies say it's difficult to bring new customers into cloud and SaaS environments

71%

of healthcare companies say it's difficult to onboard new insurance groups, financial partners, and government organizations

50%

of retail companies say it's difficult to integrate new logistics providers, distributors, and other supply chain partners

WHY IS ONBOARDING SUCH A CHALLENGE?

Over time, businesses accumulate a host of systems, technologies, and processes to run their operations, but few to none of them natively communicate with one another. Additionally, their IT infrastructures may not efficiently support newer integrations with SaaS applications or cloud-based storage repositories. Thus, a business requires flexible business connectivity through various protocols, formats, and APIs to onboard and support a new trading partner or application.

What's Holding Businesses Back?

47%

of IT decision-makers say that difficulty integrating new applications and slow partner onboarding are currently keeping their businesses from capturing new revenue opportunities.
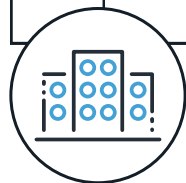
Onboarding Supply Chains

While most organizations **(64%)** estimated it takes between 2 and 7 days to onboard a new business partner, a noticeable number of supply chain organizations **(63%)** say it typically takes 2 to 4 weeks.

64%

SUN	MON	TUE	WED	THUR	FRI	SAT
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2

Most Organizations

63%

SUN	MON	TUE	WED	THUR	FRI	SAT
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2

Supply Chain Organizations

How to Overcome These Challenges

The good news is, the IT decision-makers we surveyed have a general idea about ways to enable and support emerging business initiatives. Modernizing integrations between partners and internal systems, automating end-to-end data processes, and centralizing integration management are keys to positioning their businesses for the future.

How to do Business Better

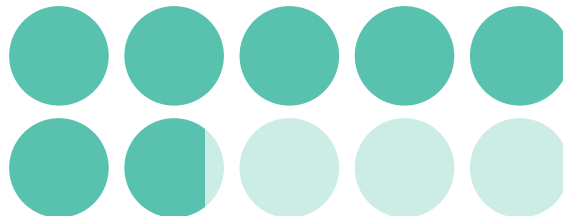Three ways that organizations surveyed feel they could better support emerging business initiatives:
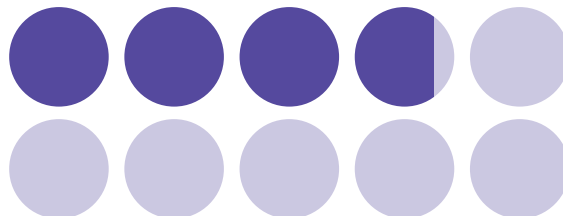
79%
Consolidating disparate technologies
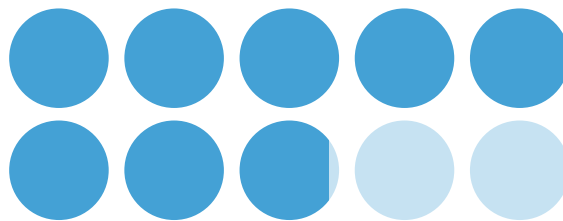
68%
Automating data transaction processes

38%
Gaining visibility into end-to-end data flows

43%
Nearly half say a managed integration solution could be helpful in achieving these three things, indicating potential gaps in internal expertise or resources to fully achieve business goals.

OTHER NEEDS FOR BUSINESS PROCESS IMPROVEMENT

In addition to consolidation, automation, and visibility, survey respondents strongly felt a need to adopt technologies that will help them:

- Replace legacy and homegrown solutions
- Deploy flexible and highly available IT architectures
- Provide contextualized data analytics to non-technical users
- Enhance data security

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The Solution for Digital Transformation

The insights from the 2019 State of Ecosystem and Application Integration Report indicate IT decision-makers across industries understand the ever-evolving data demands of business today and must proactively digitally transform to enable business growth. But they also realize it will be challenging given the state of their current IT infrastructures and processes.

This is why businesses are now starting to put ecosystems first, and it's why investing in integration technology that supports ecosystem integration is essential to the modernization initiatives that drive digital transformation.

To modernize integrations between ecosystem partners and internal systems, organizations must consolidate disparate systems and applications within a flexible and highly available IT architecture, automate data transaction processes like partner and application onboarding, and support reliable, end-to-end data flows that comprise healthy business relationships.

KEY TAKEAWAY

When business growth depends on the agility to meet changing ecosystem dynamics, you need to ensure you can easily manage new partner requests while maximizing the value of your existing and new best-of-breed applications.

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Methodology

In October 2018, Cleo conducted an online survey consisting of 12 questions via several digital channels, including email and social media. The survey remained open until 100 responses were captured. The data used in this report comes directly from the unfiltered responses of this online survey and reflects the collective opinion of those 100 respondents, all IT decision-makers representing multiple industries and job functions in companies ranging from $50 million to more than $1 billion in annual revenue.

Our goal for executing this survey and compiling the data is to help facilitate and encourage healthy conversation between IT teams and key stakeholders within your organization. This report can be used to benchmark your organization, provide insight into overcoming common integration challenges, and uncover best practices for digital transformation.

ABOUT CLEO

Cleo is an ecosystem integration software company focused on business outcomes, ensuring each customer's potential is realized by delivering solutions that make it easy to discover and create value through the movement and integration of enterprise data. By providing the industry's most complete and flexible integration offerings, Cleo helps companies build trusted relationships across their partner ecosystem today, while providing all the control and visibility they need to advance their business tomorrow.

For more information, visit **www.cleo.com** or call **+1.815.282.7695**.

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