

Crossgate Acquires B&N Software to Ride European B2B Growth

Paolo Malinverno

Crossgate's purchase of a majority stake in B&N Software will create one of the largest business-to-business providers in Europe. The deal also is likely to mark the start of a new round of acquisitions in this space.

NEWS ANALYSIS

Event

On 7 November 2006, crossgate, a business-to-business (B2B) software specialist, announced that it has acquired a majority interest in B&N Software, a developer of software components to support mulitenterprise process integration.

Analysis

Crossgate has secured extra funding by attaining a good rate of growth and through investment by the family of Dietmar Hopp (one of SAP's founders) in the Otto Wolff von Amerongen Group. The company has used these funds to gain skills, market share and a larger client base by acquiring B&N Software. This also gives crossgate ownership of service-architected B2B technology, which it will use to gradually replace its current electronic data interchange platform through 1H07. The deal creates an entity that, in terms of revenue, is comparable in size to the largest European B2B players, such as Axway, Seeburger and the B2B divisions of TietoEnator and Atos Origin.

Crossgate's challenges are: to integrate the two companies within the aggressive time scale it has set itself; to swiftly change its technology platform while maintaining service levels; and to fulfill its potential outside Germany. Crossgate and B&N are German companies with limited coverage in Italy, the Netherlands, Ireland and North America. The new entity has the size and momentum to become an international player, but needs to execute well outside its home territory.

The number of B2B transactions in Europe is growing rapidly, as is the market for B2B gateway technology vendors and integration service providers. Crossgate is the first main European B2B player to recognize that organic growth is not enough to take full advantage of this trend (because B2B competencies are not easy to find) and also act to address this.

With the increase in pan-European multienterprise integration and our understanding that IT providers are looking to expand their B2B capabilities, we believe the trend for acquisitions will continue. It's likely that 25% of smaller regionally or industry-focused providers of B2B software and integration services in Europe will be acquired in the next three years.

RECOMMENDATIONS

- **Crossgate users:** Ensure that service-level requirements are met while the underlying technology is replaced, then use the added flexibility and software-as-a-service capabilities that the new platform will offer.
- **B&N Software users:** Leverage, where possible, added Crossgate services, such as end-to-end business process outsourcing.
- **Users of B2B software from other small providers:** Prepare contingency plans in case the company providing your software is acquired.
- **Users developing a multienterprise integration strategy:** Consider vendors that address both your immediate and long-term B2B requirements. Small providers are typically very dynamic and might offer functionality that large vendors don't. Weigh the risk of using a small provider and that added functionality with the business benefit it really delivers.

- **IT services vendors and integration service providers:** Consider starting or accelerating plans for inorganic growth to address pan-European opportunities.

RECOMMENDED READING

- "The Status of B2B in Europe, 2H05" — European vendors of B2B gateway software and integration service providers, and their customers, are changing as European companies become more open to international trade. **By Paolo Malinverno**
- "Magic Quadrant for Integration Service Providers, 1Q06" — Changing user requirements and innovation have forced vendors to evolve into integration service providers, with a wider range of hosted integration and application features. **By Benoit Lheureux and Paolo Malinverno**

(You may need to sign in or be a Gartner client to access the documents referenced in this First Take.)

REGIONAL HEADQUARTERS

Corporate Headquarters

56 Top Gallant Road
Stamford, CT 06902-7700
U.S.A.
+1 203 964 0096

European Headquarters

Tamesis
The Glanty
Egham
Surrey, TW20 9AW
UNITED KINGDOM
+44 1784 431611

Asia/Pacific Headquarters

Gartner Australasia Pty. Ltd.
Level 9, 141 Walker Street
North Sydney
New South Wales 2060
AUSTRALIA
+61 2 9459 4600

Japan Headquarters

Gartner Japan Ltd.
Aobadai Hills, 6F
7-7, Aobadai, 4-chome
Meguro-ku, Tokyo 153-0042
JAPAN
+81 3 3481 3670

Latin America Headquarters

Gartner do Brazil
Av. das Nações Unidas, 12551
9º andar—World Trade Center
04578-903—São Paulo SP
BRAZIL
+55 11 3443 1509