# Independent Assessment
## by Alan Radding

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# Generating Revenue from Web Services
Six vendors with the right tools

Maybe it is a little premature to talk about generating revenue from Web services; most companies are just starting to look at Web services as integration middleware--an easier way to connect a couple of corporate applications. But the day when companies build off-the-shelf Web services into their own applications is coming sooner than we think, and that's when real revenue can be generated.

Already Google is providing its search engine as a Web service that can be embedded, say, into a corporate business intelligence application. Dollar Rent a Car Systems has turned to Microsoft's MapPoint in the form of a .NET Web service to add location-mapping capability to its Web site. How many sales force automation or field service management applications could benefit from a location mapping service?

So maybe it isn't too early to talk about how to generate revenue from Web services. For everything from price-discounting algorithms to credit verification to sales tax calculators to a host of capabilities limited only by the imagination, the Web services model offers an ideal way to sell software, an alternative to the traditional license and install model.

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To date, most discussion of Web services has focused on the technology itself, the initial standards (XML, SOAP, UDDI, WSDL), and subsequent standards dealing with security, workflow, and business process. Another frequent discussion focuses on Web services as integration middleware. But Web services as a software distribution channel has been largely ignored or dismissed as something that will evolve in some hazy future.

To be sure, there is no large body of Web services ready for commercial distribution and negligible market demand at this time. Certainly there is no proven business model to guide buyers and sellers in the pricing and packaging of software as a Web service.

But one thing looks pretty clear: as the Web services market emerges, the initial business model will look a lot like today's online content market, which itself is in the midst of a dramatic shift from free content to fee-based content. In the corporate world, most companies will have no problem with paying for software delivered as an online service when appropriate Web services become available and are reasonably priced and packaged.

To capitalize on this market, however, Web services providers first will have to put in place an automated infrastructure that will enable them to efficiently price, package, merchandise, and deliver their Web services while managing relationships with any partners, handling commissions, settling transactions, and reporting on the activity. Some online content infrastructure vendors are positioned to profit from the Web services market.

In particular, a set of online rating and billing providers that come from either the publishing or the telecommunications industries are the most immediate candidates to provide much of the necessary infrastructure for generating revenue from Web services. On the other hand, content management solutions and personalization solutions will be less useful unless they are bundled with robust rating, billing, and settlement capabilities.

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The following six players should be viewed as early leading contenders for helping customers generate revenue from Web services:

1. **TeleKnowledge** (www.teleknowledge.com) -- with its roots in large-scale, online billing for telecommunications carriers, TeleKnowledge provides a flexible solution to enable Web services providers to price and package Web services in a variety of ways, run promotions around Web services usage, perform what-if analysis of the activity, settle transactions, manage partners, and handle commissions. Scalability and flexibility are its biggest strengths.

2. **eMeta** (www.emeta.com) -- primarily an access control and electronic rights management solution, eMeta is intended to work with content management and commerce systems. The company is particularly strong in online publishing and boasts a customer list of some of the largest online publishers.

3. **Portal Software** (www.portal.com) -- the largest of the players, Portal focuses on authentication and authorization with a primary emphasis on customer management. Portal's biggest strength is its convergent capabilities, which lets it handle billing and customer management for voice, data, video, and content services, each with different networks, pricing, and payment plans.

4. **Highdeal** (www.highdeal.com) -- emphasizing what it calls dynamic transaction management, the company provides real time pricing, rating, packaging, billing, and simulation and management tools for online content and services. It also handles partner-related transactions and activity.

5. **Sandlot** (www.sandlot.com) -- this company focuses on subscription management primarily for publishing. The solution handles a wide range of subscription types, pricing plans, and payment methods. The product is delivered both as licensed software and as an ASP offering.

6. **Metratech** (www.metratech.com) -- emphasizes the need to layer new online billing capabilities on top of the existing customer management, billing, and payment infrastructure through its SDK. In addition to rating, pricing, billing, payment, and settlement, it also provides customer care and partnership management.

In addition to the vendors noted above, the conventional billing and ratings system providers and online commerce infrastructure players will undoubtedly roll out support for Web services commerce as the market materializes.

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Three key issues to consider when evaluating these vendors are 1) flexibility, the ability to handle whatever combination of purchase, payment, and promotional terms you devise; 2) scalability, the ability to handle large volumes of activity without performance degradation; and 3) interoperability/integration, the ability to work with your existing commerce infrastructure. Another factor to consider is the ease and speed of deployment--when you are ready to move ahead with a Web service offering you don't want to spend months deploying the critical rating and billing functionality.

Not every piece of code is worth marketing as a Web service. Some code will be valuable as a Web service only to a few critical partners, not much of a market there. However, where a company has a chunk of code that many others might be willing to pay to use, Web services will provide an effective distribution channel. But since no one really knows how Web services will be most effectively priced, bundled, and merchandised, you will need a flexible ratings and billing engine in place before you can make the most of the opportunity. Because one thing we do know is you will need to do a lot of experimenting before you hit upon the revenue model or combination of models that generate maximum return.

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