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SAP Captures EII Vendor Callixa to Bolster CDI Efforts

Subtitle: SAP joins IBM and Oracle in race to "build out CDI/MDM capabilities via M&A"

Monday, October 31, 2005

What's new?

SAP has stumbled the past two years in executing what was widely regarded as an excellent vision of the increasingly strategic customer data integration (CDI) and master data management (MDM) markets. Callixa (a.k.a. Xtegra; revenues unknown; < 50 employees) was one of the early-to-market pioneers in enterprise information integration (EII). As a strategic acquisition, SAP has acquired Callixa as part of its CDI/MDM arsenal against IBM and Oracle.

While EII solutions do not provide the persistence associated with a classical CDI framework, they do provide a complimentary role by providing both "master data management" and "master data delivery" capabilities which enable customer data hubs to interweave data from multiple diverse master sources with the master data persisted in the hub – all while providing increased throughput and additional repurposing and publishing capabilities to the CDI solution. (For additional information on this topic, see our article in the October 20, 2005 DM Direct Special Report / CDI portal newsletter titled "*Dispelling "Master Data Management Myths": CDI & EII Are Neither Redundant Nor Mutually Exclusive*".)

Technically speaking, EII vendors provide distributed metadata management and federated query capability to assemble "views" across a variety of data sources. As such, they are seen as complementary to the CDI/MDM architectural approach known as "persisted" data hubs. By allowing data to "lay where it lies" rather than transporting it to a central data hub (as in Oracle's Customer Data Hub approach), EII solutions sidestep the data politics of where the master data will reside (as well as possible legal restrictions about physically combining certain databases). EII solutions can also boost the performance of a persisted data hub architecture by minimizing the amount of master data kept centrally, as well as only aggregating the requisite amount of transactional or detail data needed to materialize a given "unified" customer or product view.

How does this impact the Customer Data Integration/Master Data Management markets?

We believe that **SAP is acquiring Callixa to round out the CDI and MDM technologies that it acquired via its 2004 purchase of A2i**. While SAP previously OEMed similar EII capabilities from MetaMatrix, we believe SAP has gone back to the drawing board in its urgent need to bring competitive and timely CDI/MDM capabilities to market.

Note that **SAP suffered a double black eye this year, when it pulled SAP MDM off the market** (see the May 23, 2005 CDI Alert titled "*SAP Master Data Management 'Extreme Make-Over'*; subtitled: "*SAP MDM went under the architect's knife – Is the outcome attractive to Global 2000 enterprises?*"). The irony was that SAP proudly broadcast their view that the integration of SAP MDM with the product data hub capabilities of acquisition A2i would be a six month effort due to the powerful component application development features of SAP NetWeaver, in reality this was decidedly *not* the case. Not only did this sully the image of NetWeaver, but it also tainted SAP's image by admitting failure in this vital emerging market (CDI/MDM). Two black eyes.

It is of great relevance that other CDI/MDM vendors (e.g., IBM with DWL, and Oracle with Siebel UCM) have been busy acquiring strategic components as they earnestly build out their CDI/MDM infrastructure. While Oracle does not have any similar internally-developed or acquired EII capability (Oracle's materialized views are not the same), IBM has been diligently adding to its DB2 Information Integrator (DB2 II) capabilities which do provide certain EII capabilities.

This move has SAP achieving two important goals: (1) adding a strategic differentiator relative to Oracle and other CDI/MDM players; and, (2) taking a strategic technology vendor "off the market" so that others cannot benefit from this capability.

Lastly, we believe **EII vendors with any credible market success (e.g., Composite Software, MetaMatrix, Sunopsis) are takeover targets for vendors needing to accelerate their time-to-market for unannounced CDI/MDM products (e.g., Informatica, Microsoft, Teradata).**

This M&A move likely has the **biggest impact on Oracle, who continues its internal wrestling with how to get traction for its Project Fusion initiative to reconcile the various data model and middleware capabilities inherent in its string of application package acquisitions (iFlex, JDE, PeopleSoft, Siebel).**

What is Callixa and how did it differ from other EII vendors?

Federated query or EII platforms such as Callixa can basically be described as a front-end "view materializer" with a back-end distributed query optimizer. Tragically, Callixa chose 9/11 as the unfortunate day to announce its latest product to the financial services industry at the World Trade Center in New York City. Callixa lost both key employees and market momentum, and thus its investors decided to close down shop. However, certain members of the original executive and R&D team decided to carry on after a year of regrouping. Technically speaking, Callixa utilizes a "shared nothing" grid architecture as well pipeline parallelism to add intelligence to its "data agents" approach to optimization.

BOTTOM LINE:

Through YE2006, master data management and customer data integration requirements will increasingly mandate the flexibility of a federated architecture wherein not all data is transported to (and managed in) a central "persisted" data hub.   Enterprise information integration (EII) middleware is a proven complementary adjunct to such data hub architectures.   We expect other major CDI/MDM vendors to acquire EII capabilities during the next 6-12 months.

"Heads up" from the CDI front lines,

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