ANNOUNCEMENTS:

(1) To participate in the industry's first survey to measure "Single Customer View Accuracy" resulting from CDI projects, please follow this link. Initial results will be presented at the 17th Information Quality Conference, Sept 19-23, 2005 in Houston.

(2) To participate in a **survey dedicated to your industry** and obtain a scorecard for your industry, please visit this web page.

(3) To participate in a **survey dedicated to Oracle Customer Data Hub users**, please visit this web page. You must first be vetted by requesting a subscription to the moderator of the "cdmsig" Yahoo group as it is intended for Oracle CDH users only.

(4) To attend our upcoming August webcasts (or REPLAY past webcasts) follow this link.

**CDI Alert™ **

The CDI Institute
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IBM/DWL Customer Center: Strategy-Driven vs. Urgency-Driven M&A

Subtitle: Who's Minding the Metadata? (Does the "new" IBM software business have a coherent strategy to integrate its treasure of acquisitions?)

Tuesday, August 2, 2005

FACT: During the past year, leading industry analyst firms have recognized customer data integration (CDI) as a vital IT strategy

- June 13, 2005 - Forrester Research released their first Wave™ report on CDI on
- April 20, 2005 - Gartner Group has recognized the importance of CDI with its first Magic Quadrant™ for Customer Data Integration Hubs
- November 15, 2004 - The CDI Institute's 2Q2005 MarketPulse™ survey found over two-thirds of the Global 2000 companies plan to evaluate one or more commercial CDI solutions in the next 12 months
- Enterprise architects, CTOs, and CIOs must understand the impact of this key software trend on their service-oriented architecture (SOA) plans

COMING NEXT IN CDI ALERT:

- CDI Market in Flux: Opportunity for ASP Model (**OnDemand CDI**)
- Field Report: **Systems Integrators for CDI**
- Middleware Merger Mania (IBM-ASCL, SYBS-Avaki; Tibco-ObjectStar, et al)
- State-of-the-union re: **Hierarchy Management via CDI**
- **CDI ROI for Healthcare Payers**
- Field Report: **Initiate Systems Identity Hub**
- State-of-the-union re: **Federated Data Access**
- Best Practices: **CDI in Pharmaceutical**
- Field Report: **Siebel Universal Customer Management (Siebel UCM)**

(Note: If you have trouble accessing the hyperlinked articles, please go directly to CDI Alerts)

This newsletter focuses on analysis of product strategies rather than the vendor press releases as has been rehashed *ad nauseum* in the press (links to such press provided below). We also provide the *story behind the story* that industry analysts such as Gartner/Meta and Forrester/Giga are unable to provide due to their internal editorial practices and retainer-based business relationships with the CDI vendors. And lastly, since our CDI Advisory Council has requested this, we devote space to ***data hub best practice strategies*** they must consider. The intent is to provide ongoing advice for enterprise data architects, CIOs, CTOs and CDI project leads in helping develop their CDI strategies – **independent, authoritative, and relevant analysis.**

- **What's New?**
- **DWL Needed IBM (and IBM Needed DWL)**
- **Pre-Acquisition TO DO List for DWL**
- **Post-Acquisition TO DO List for Combined IBM-DWL Entity**

- Futures & the Competition
- Bottom Line (Redux)
- References
- About the CDI Institute

During the past several years, IBM has acquired approximately 10 major software products related to customer data integration (CDI). Such shopping sprees often provide tremendous synergies for both the vendor and the market – when there is a strategy to leverage the individual strengths and integrate the appropriate components ("mergers based on strategy"). Many times, however, such M&A spurts are focused on top line revenue growth or closing down the competition ("mergers based on urgency"). **With IBM's announcement to acquire DWL, we believe the "strategy" is in place, yet the acquisition was driven somewhat by "urgency" as well.**

"Urgency" – Urgency is not too strong a characterization for the evolving market dynamics IBM and DWL were forced to collectively look at. Simply put, both IBM and DWL (see later section on "Pre-Acquisition TO DO List for DWL") were found lacking when IT organizations looked at a standalone DWL solution for CDI; and similarly for a standalone IBM solution for database with yet-to-be-integrated extract-transform-load (ETL), enterprise application integration (EAI), DQ (data quality), etc. Market momentum via thought leadership ("marketing") and product sales ramp up is key in wrestling leadership in evolving software markets. In the Global 5000 enterprises (annual revenues > US$2B) Siebel has already attained critical mass with its Universal Customer Master (UCM) rollout with an order of magnitude more sales/installations than DWL. Meanwhile, Oracle has achieved similar successes in the small-to-medium business (SMB - <US$2B) market with its Customer Data Hub. Moreover, Siebel has made significant strides in moving to verticals outside its traditional strengths in Telco and Financial Services call centers; and Oracle has the potential to yet embed key functionality in its market dominant database (via its stated plans to embed services for security, data quality, analytics, etc.).

"Strategy" – We believe there is both solid product integration vision and market awareness. Therefore we are fully supportive of IBM's decision to acquire DWL to fill in the holes in both IBM's master data management strategy and DWL's go-to-market CDI strategy. **Clearly, master data management is strategic for both IBM and its customers**. And just as clearly, IBM's acquisition of Ascential (ETL, DQ and EAI), Venetica (content integration), and SRD (seminal CDI capabilities) alone were not sufficient to bolster IBM's moves in the now "white hot" CDI market.

For a parallel product data hub solution, IBM will continue to vigorously evolve the capabilities acquired via its Trigo acquisition. During 2005-06, IBM will not face market pressure to integrate these two product's code bases as most industries will lead with one or the other. While there will be minimal demand to tightly integrate the two different set of requirements, we believe IBM will integrate them via shared metadata, cross-linking information, common components, etc..

BOTTOM LINE:
Through YE2006, IBM will diligently aligning and integrating the key CDI components it has acquired the past 2 years by centering such capabilities around the "DWL Customer" product. Clearly, IBM (along with Oracle, SAP and Siebel) are serious about master data management and will make 2005-06 "interesting times to live in" as enterprises are forced to choose their platforms. Enterprises should include "IBM WebSphere Customer Center" (our name for the yet-to-be-named CDI product family) during 2005-06 for those organizations where high-end scalability and industry-specific data model extensibility are the critical criteria. Longer term, retail and manufacturing enterprises can look forward to tighter integration between IBM's Customer Center and Product Center products.

"Heads up" from the CDI front lines,

Aaron Zornes

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IBM/DWL Customer Center: Strategy-Driven vs. Urgency-Driven M&A

Subtitle: Who's Minding the Metadata? (Does the "new" IBM software business have a coherent strategy to integrate its treasure of acquisitions?)

Tuesday, August 2, 2005

What's New?

IBM has announced its intentions to acquire DWL who is acknowledged to be the leading CDI solutions provider in financial services. DWL's product (DWL Customer) will report into IBM's master data business solutions unit, which is part of IBM's information management division.

IBM's Enterprise Master Data Solutions (EMDS) owns:

WebSphere Product Center – formed from the Trigo acquisition

WebSphere Customer Center – to-be-formed from the DWL acquisition

WebSphere Data Models – This third unit within IBM's EMDS division owns the data models produced by IBM Ireland and other research centers. These highly regarded data models are targeted to become much more than "data models" as we believe concurs with our view that the high ground is "process models" – and that ultimately, "data hubs" shall become "process hubs".

DWL Needed IBM (and IBM DB2 Needed DWL)

The CDI market has been in considerable flux for the past 12-18 months. Such emerging markets often cause indigestion for IT decision makers as they vacillate between "missing the boat on a killer/breakthrough technology" vs. "premature lock-in with a dead-end or misguided vendor/product". Yes, the CDI market *is* in flux with too many vendors offering wildly disparate solutions based on (arguably) too few references.

DWL has been a visionary leader in this market, with modest success in terms of production installations – yet very impressive in terms of the blue chip names it counts as customers for the "DWL Customer" solution. Part of this success is attributable to the fact that in a market of smallish vendors (prior to Oracle, SAP and Siebel getting serious about the CDI market), DWL could count on its affinity with IBM to give it competitive advantage. The DWL product was aligned with the IBM J2EE software product stack, and could be financed through IBM global financing, and even was supported at first tier by IBM in certain major geographies. It looked, walked and talked like an IBM product. And it dragged along considerable systems integration revenues as well due to the nature of its "enterprise" footprint and complexity. This revenue opportunity was not overlooked by IBM Global Services (and IBM BCS) who were looking for the next "big thing" after the enterprise CRM and ERP bubble had somewhat deflated. Above all, however, the product worked, as it scaled where other enterprise CDI wannabes failed, and it provided a service-oriented architecture which again was very appealing to large enterprises determined to make another go at "enterprise architecture". What was missing from the DWL portfolio? Integrated data quality and identification management capabilities along with business process management (BPM) flexibility. That and its focus on financial services which left the door open for other CDI vendors to focus on other vertical industries (Siperian on pharma, Initiate Systems on hospitality and healthcare payer).

Pre-Acquisition TO DO List for DWL

- **DIVERSIFY INTO OTHER INDUSTRIES –** DWL needed to ramp up data models for industries other than Financial Services (their Telco reference is believed to be using the standard Financial Services daa model at this point).
- **ADD BUSINESS PROCESS MANAGEMENT –** One of the hardest technology issues to overcome is the lack of standards (and therefore out-of-the-box integration) for business process management (BPM – a.k.a. workflow). Several large scale evaluators of DWL

had recently passed on the option to evaluate DWL further due to what those IT organizations saw as lack of strategy in this critical area. In the (paraphrased) words of several prospects *"Why should we re-implement what we already have up and running in our custom-built CDI framework? We need more business value and justification to go from custom-built success to off-the-shelf sameness. In particular, we need more support for BPM-style process models".*

- **ATTAIN REFERENCE CREDIBILITY –** In an emerging market, IT decision makers are somewhat forgiving in not demanding scale-relevant and industry-specific production references. After a market goes mainstream, software vendors can no longer tap dance their way out of the question. While DWL did a good job of marketing its references, in reality these very large enterprises they claim as references also often maintained significant investments in parallel initiatives and were not in full production. The initial pioneering references provided stellar marketing leverage for DWL which in turn was reciprocated back to those sites in terms of support, etc. Not unusual, but important to note.
- **FIND PARTNER CHANNELS FOR EUROPE AND ASIA-PACIFIC** – Oracle, SAP and Siebel were winning major CDI deals due to the inability of DWL to compete; even Teradata was taking this business with its "active data warehouse" initiative.
- **GET SERIOUS ABOUT MARKETING** – Sure it's expensive, but it's what a business has to do to break out from the noise, etc. etc.

Post-Acquisition TO DO List for Combined IBM-DWL Entity

- **GET SERIOUS ABOUT METADATA –** IBM's Information Integration team (Silicon Valley Labs under Nelson Mattos) also has its hands full reconciling the divergent metadata strategies that were in place for Trigo and Ascential – as well as DWL now. One of the major fire drills within IBM must be the taskforce to deliver a common metadata tool across these acquisitions.
- **LEVERAGE THE UNIQUE CAPABILITIES OF SRD'S "ANONYMOUS ENTITY RESOLUTION" –** It looks like IBM understands the serious differentiator it has in this product's anonymous entity resolution capabilities and has begun to seriously promote this capability. IBM needs to rationalize its renamed "Enterprise Analytics Group" into the CDI world – and not understate its significance by solely relegating it to the Business Intelligence world.
- **ACCELERATE AND PROMOTE THE EXCELLENT INDUSTRY-SPECIFIC DATA MODELS DEVELOPED BY IBM RESEARCH AND IGS/BCS –** And don't stop at the data model as large-scale enterprises expect more than multi-party, entity-attribute diagrams to serve as inspiration. Increasingly, the larger enterprises are expecting process models as well. IBM would do well to take its partner Unicorn and connect the dots between GUI process modeling and SOA-compliant web service generation (remember Texas Instruments Composer generating Microsoft DCOM components? If Microsoft and TI could do it, then surely IBM and Unicorn can get there).
- **LEVERAGE COMMON SERVICES WHERE APPROPO – BUT DON'T DILUTE THE FUNCTIONALITY OF ARGUABLY DISTINCT PRODUCT AND CUSTOMER HUBS –** These two master data management domains (customers and products) are what matters. It is marketing-as-usual by vendors such as Oracle in attempting to further confuse the market by announcing sub-hubs such as RFID data hub, citizen data hub, financial closing data hub (check name!!!), etc. It will not matter for the next 2-3 years that IBM's product and customer hubs are descended from different architectures or product designs. Most enterprises will lead with either customer or product data hubs, with the other hub clearly secondary. We believe in 2005 there will be a 10% overlap of customers investing in both IBM products; with 25-30% interested in the fact that IBM has both. For example, customer hubs always lead in financial services, while product hubs lead in retail and manufacturing. While we do see some enterprises that overlap these two initially, these are the 10% exception (note that ERP vendor I2 has had similar experience with their Master Data Management product strategy (supporting both customer and product master) despite their overall ERP successes in retail and

manufacturing. For example, we are aware of one large automotive firm evaluating both customer and product data hubs concurrently. Also several large multi-national financial services providers are beginning to evaluate both product and customer hubs.

- **FOCUS ON CUSTOMER IDENTIFICATION MANAGEMENT –** Oracle is making headway here in the "stay on message" department. Moreover, we believe that capabilities like Initiate Systems' Identity Hub lie on the critical path for enterprise CDI capabilities. We expect IBM will make efforts here near term as well given Janet Perna's emphasis in her press briefings on "accurate customer view" more so than just the traditional message of "universal or panoramic customer view".

Futures & the Competition

Now the combination of DWL/DB2 will be able to execute what Oracle's marketing message for its Customer Data Hub has only promised to do – in terms of integrated security/authorization system, data quality rules processing, real-time identification management, etc.

Additionally, the component synergy of IBM's Product Center and Customer Center will force SAP to acquire CDI capability rather than carry on with its current strategy (SAP has relabeled several fields in their SAP MDM product and claim "CDI readiness" – not in our view).

While Siebel Universal Customer Master does benefit modestly from Siebel's Universal Product master product (under-marketed, under-endowed), **Siebel will be further squeezed by the fact that both IBM and Oracle have "native" database functionality to further increase the scalability of their CDI capabilities**. If Siebel wants to compete with Oracle and SAP they won't be able to afford their own MDM platform and will need to partner. A reasonable counterpoint to IBM and Oracle could arise if Informatica and Siebel join forces; more likely, Siebel will partner with both IBM and SAP (partnering with Oracle would be anathema).

Bottom Line (Redux)

Through YE2006, IBM will diligently aligning and integrating the key CDI components it has acquired the past 2 years by centering such capabilities around the "DWL Customer" product. Clearly, IBM (along with Oracle, SAP and Siebel) are serious about master data management and will make 2005-06 "interesting times to live in" as enterprises are forced to choose their platforms. Enterprises should include "IBM WebSphere Customer Center" (our name for the yet-to-be-named CDI product family) during 2005-06 for those organizations where high-end scalability and industry-specific data model extensibility are the critical criteria. Longer term, retail and manufacturing enterprises can look forward to tighter integration between IBM's Customer Center and Product Center products.

References

- IBM's official press release on the intended acquisition of DWL
- CDI Institute MarketPulse™ In-Depth Report – CDI: Market Review & Forecast for 2005-2006
- Customer Data Integration: Where is the Next Generation of Master Data Management Headed? – DM Review August 2005

About The CDI Institute

To provide feedback on our client's CDI initiatives we have two levels of sponsorship for IT organizations: (1) free membership (by invitation) in our CDI Advisory Council providing unlimited CDI consultation by phone, and (2) free membership in our CDI Business Council (survey base) which provides bi-weekly updates on key CDI trends and issues via an email newsletter.

- **CDI Advisory Council™** of fifty organizations who receive unlimited CDI advice to key individuals, e.g. CTOs, CIOs, and CDI project leads

- **CDI Business Council™** of 450+ Global 2000 IT organizations who receive a limited distribution, bi-weekly newsletter with CDI industry updates
- **CDI Alert™** bi-weekly newsletter provides IT organizations, CDI vendors, and investors hard-hitting insights into best practices as well as market observations derived from interactions with the CDI Advisory Council™ and the CDI Business Council™. Initially free to qualified individuals, the CDI Alert™ is expected to become a fee-based product 2H2005. The intended audience includes: CDI project managers, CIOs, CTOs, chief customer officers, chief privacy officers, data quality managers, data stewards, market analysts, metadata managers, and project teams responsible for CDI solutions and infrastructure, data quality, data warehousing, customer relationship management (CRM), enterprise resource planning (ERP), product data management (PDM), supply chain management (SCM), partner relationship management (PRM), and business intelligence.
- **CDI MarketPulse™** monthly survey results, e.g. budgets, success/failure rates, mindshare based on ongoing surveys of the CDI Advisory Council and the CDI Business Council
- **CDI Fast Track™** quarterly 1-day workshop -- fee-based and rotating through the major North American metropolitan areas