ANNOUNCEMENTS:

(1) To attend our **upcoming September webcasts on CDI** follow this link to the various vendors' registration pages.

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

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Siebel CDI Assets to Help Oracle Battle IBM & SAP

Subtitle: **How Many More Software Firms Must Oracle Buy to Catch Up with SAP?**

Monday, September 12, 2005

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

- April 20, 2005 - Gartner recognized the importance of CDI with its first Magic Quadrant™ for CDI Hubs
- June 13, 2005 - Forrester released their first Wave™ report on CDI
- June 30, 2005 - The CDI Institute's 2Q2005 MarketPulse™ survey found over 2/3 of Global 2000 companies plan to evaluate commercial CDI solutions in the next 12 months

COMING UP SOON IN CDI ALERT:

- Field Report: **Ranking the CDI Systems Integrators**
- State-of-the-union re: **Hierarchy Management as a Key Enabler of CDI**
- Field Report: **Initiate Systems Identity Hub**
- State-of-the-union re: **Federated Data Access**
- Best Practices: **CDI in Pharmaceutical**

(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. 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.

SUMMARY

Certain Siebel infrastructure technologies – e.g., Universal Customer Master (UCM) and Universal Application Networking (UAN) – make this deal more strategic than either Oracle or Siebel executive management realize. Specifically, the imminent next-generation Siebel customer data integration solutions ("Nexus") will provide Oracle with the necessary technologies to deliver on its Fusion middleware marketing strategy in addition to more effectively compete against both SAP in the enterprise application arena and IBM in the database/middleware markets.

Market leading software vendors need to think slightly ahead of their customers and plan for open SOA-based component libraries – which in turn dictates a "process hub" rather than "data hub" orientation. The new race Oracle and SAP are engaged in is about who can bring to market faster "business services" for both the mid-market and large enterprises – i.e., application components/services based on the "open" services-oriented

architecture. At the end of the day, the upcoming vendor battle is about who owns the customer record given that everyone is moving to SOA and web services/components based on open source.

While the mega IT vendors are currently focused on "data hubs", during the next 5-10 years industry analysts agree that the ultimate battle will be over which vendors dominate in "process hubs". Oracle's new Fusion vision will be just as compelling as SAP's NetWeaver, however, SAP leads for the moment in both marketing message and engineering. It is imperative that Oracle acquire middleware technology such as Siebel's UCM and UAN to reduce its time to market for "process hubs" to support customer data integration and SOA-enabled application component development.

Oracle Customer Data Hub (CDH) is architecturally limited to best support small-to-medium enterprises with a homogeneous application landscape (i.e., only Oracle native applications). In the high-end integration space, customer data integration for large scale enterprises will need the proven Siebel UCM and UAN technologies.

Given that Siebel CRM will be the keystone of Oracle's CRM strategy going forward, by derivation Siebel's UCM and UAN are logical candidates for key roles within Fusion. The smart thing for Oracle to do is keep UCM as the Oracle CDI solution, in parallel with keeping Siebel CRM front office as the flag bearer as the benefits of common data and process models are vital to such front- and back-office integration.

BOTTOM LINE:

Process and data integration between CRM and CDI is very beneficial to enterprises. Oracle needs a stop gap measure to integrate its acquired applications before Fusion becomes reality, and Oracle data hubs are not the answer. Siebel UCM will become the CDI standard for the merged Oracle-Siebel-PeopleSoft high-end enterprise application landscape, while Oracle CDH will remain the data hub of choice for small-to-medium businesses standardizing on Oracle eBusiness applications.

"Heads up" from the CDI front lines,

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Siebel CDI Assets to Help Oracle Battle IBM and SAP

Subtitle: **How Many More Software Firms Must Oracle Buy to Catch Up with SAP?**

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What is the Rationale Behind the Oracle/Siebel Deal?

Oracle has announced its intentions to acquire Siebel Systems with the deal set to close during 1Q2006. Financial analysts agree that the M&A numbers help Oracle diversify from its declining database revenue stream and more effectively compete against both SAP on the high-end and salesforce.com and RightNow on the low-end, hosted CRM (market. Note that analysts agree prior to these acquisitions, and with the exception of Oracle Financials, Oracle had failed in its application package business efforts and was at risk of being marginalized. Furthermore, the majority of Oracle's nine acquisitions this past year have been aimed at catching up (or heading off) SAP in the application arena. **Certain Siebel infrastructure technologies (UCM and UAN) make this deal more strategic than either Oracle or Siebel executive management have probably realized. Specifically, the imminent next-generation Siebel customer data integration solutions will provide Oracle with the necessary technologies to deliver on its Fusion middleware marketing strategy in addition to more effectively compete against both SAP in the enterprise application arena and IBM in the database/middleware markets.**

What Will the "Future" Oracle/Siebel CDI Product Line-Up Look Like?

<u>The new race Oracle and SAP are engaged in is about who can bring to market faster "business services" for both the mid-market and large enterprises – i.e., application components/services based on the "open" services-oriented architecture. While the mega IT vendors are currently focused on "data hubs", during the next 5-10 years industry analysts agree that the ultimate battle will be over which vendors dominate in "process hubs"</u>.

The above future scenario is necessarily oversimplified. Good marketing strategy often is. Oracle is an infrastructure, database, and applications vendor – as are Microsoft and IBM. SAP tried and failed in the database business (via acquired Siemens-Nixdorf Oracle clone years ago) but otherwise is well ramped up except in hosted CRM. Look for SAP to acquire RightNow or salesforce.com.

ORACLE FUSION STRATEGY

Oracle stated it will "embrace" Siebel's CRM products and make their features the centerpiece of a larger suite known as Project Fusion CRM. The Fusion middleware strategy was initially a marketing campaign to reassure JDE and PeopleSoft users that there was a strategy in place to integrate the best of the Oracle eBusiness suite, PeopleSoft and JDE applications. **<u>However, Fusion has now become the next generation SOA platform for Oracle's acquired apps to be rebuilt upon (the analog of SAP NetWeaver which has a two year head start); essentially, Fusion is an app server plus an integration server</u>.** Note that analysts such as Gartner Research have forecasted that Fusion will not become available until 2011. **<u>Oracle needs a stop gap measure to integrate its acquired applications before Fusion becomes reality, and Oracle data hubs are not the answer.</u>**

ORACLE CDH STRENGTHS & WEAKNESSES

<u>Oracle Customer Data Hub (CDH) is architecturally limited to best support small-to-medium enterprises with a homogeneous application landscape (i.e., only Oracle native applications</u>). These are the same data hubs announced with much fanfare at last years OpenWorld which have received much coverage in the trade press but only modest traction in the market – and more telling, overwhelmingly in Oracle-centric (i.e., homogeneous) Oracle application landscapes.

Additionally, Oracle falls down trying to support "many to many" data models and the solution they propose is Oracle's "Flexfields". It is widely believed that in trying to link PeopleSoft apps with the Oracle apps, the shortcomings of CDH became apparent in its integration capabilities ("data" focus rather than "process" focus).

While CDH has successfully become the integration platform for Oracle's own eBusiness applications suite, that is mere proof that having a common data model (e.g., Oracle trading community architecture [TCA]) is sufficiently powerful for linking Oracle native apps together but fails in linking together applications that do not share that data model. Another example: Oracle's hierarchy manager capabilities are top notch, but are database schema-based which limits their utility in a heterogeneous world. Customizations and extensions of the TCA data model start failing as one needs an integration architecture ("process hubs") that is flexible and powerful enough to handle business process management (BPM). With CDH, however, everything is an object within the confines of the database schema. Oracle's purchase of the Collaxa BPEL rules engine was a good start but does not get them into the SeeBeyond,/WebMethods,/Vitria market of component reuse. Meanwhile, the next wave of early IT adopters are getting into "process/component mode" more so than "data mode". **Market leading software vendors need to think slightly ahead of their customers and plan for open SOA-based component libraries – which in turn dictates a "process hub" rather than "data hub" orientation.**

The smart thing for Oracle to do is keep UCM as the Oracle CDI solution, in parallel with keeping Siebel CRM front office as the flag bearer as the benefits of common data and process models are vital to such front- and back-office integration.

As a footnote, it is interesting to note that many if not most of Oracle's CDH installations are in China, much as the same manner in which IBM's older data hub is finding success there (Client Information Integration Solution – IBM CIIS). CDH is also lacking certain features found in Siebel UCM which are attractive to high-end enterprise applications – i.e., survivorship models, source data history, pre-merge staging, etc. CDH remains a good fit for small to medium enterprises committed to the Oracle eBusiness application suite.

SIEBEL UCM/UAN STRENGTHS & WEAKNESSES

Siebel Universal Customer Master (UCM) and Universal Application Network (UAN) were necessarily architected to support high-end enterprises with a heterogeneous application landscape (e.g., Siebel call centers with PeopleSoft marketing and Amdocs billing systems). **Given that Siebel CRM will be the keystone of Oracle's CRM strategy going forward, by derivation Siebel's UCM and UAN are logical candidates for key roles within Fusion.** For example, Siebel's "Nexus" platform which debuted this summer is SOA enablement for the Siebel suite and has capabilities that Oracle's Fusion middleware strategy covets – namely, the ability to generate both Microsoft .NET and J2E. Additionally, it is vital to note that **given Siebel's heritage of delivering heterogeneous connectivity, the vendor focused on "business process architecture" rather than the "database-centric architecture" taken by Oracle** (its view of the world). **In the high-end integration space, customer data integration for large scale enterprises will need the proven Siebel UCM and UAN technologies,** Clearly, Oracle has focused on back office connectivity of its own application packages while Siebel had to invest heavily in heterogeneity middleware to connect to SAP applications, etc. given Siebel's focus on the front office.

Moreover, Siebel is better at delivering both data model extensions and process model extensions (the latter typically only available from professional services organizations such as Siebel Global Services) while Oracle has not gotten this far in their thinking. Meanwhile, with Siebel's UAN designed to synchronize data across processes, it has both built-in application connectors and pre-defined processes. **At the end of the day, the upcoming vendor battle is about who owns the customer record given that everyone is moving to SOA and web services/components based on open source.**

COMPETING AGAINST SAP NETWEAVER.

Oracle's new Fusion vision will be just as compelling as SAP's NetWeaver, however, SAP leads for the moment in both marketing message and engineering (albeit far from finished with at least 2 years of development in the works). While we discount SAP's claims of1,500 NetWeaver customers (SAP counts any customer who have any NetWeaver component, e.g., SAP BW). Clearly, Oracle is following SAP's lead in taking disparate components, adding marketing veneer and calling it NetWeaver. Oracle is taking the same approach as both vendors test market the message, and then apply engineering to develop the SOA integration platform. Note that SAP has a two year head start and 600+ engineers working to understand how SAP applications need to talk to each other. **It is imperative that Oracle acquire technology such as Siebel's UCM and UAN to reduce its time to market for "process hubs" to support customer data integration and SOA-enabled application component development.**

COMPETING AGAINST THE IBM/ASCENTIAL/DWL COMBINATION.

IBM had been a very strong partner for Siebel until the DWL acquisition as IBM BCS was a great channel for Siebel CRM. Now, however, IBM is beginning to look like an applications vendor as many analysts believe CDI itself (such as DWL Customer) is as much an application as it is infrastructure. Moreover, IBM has signaled that it will get serious about its data model assets and begin to ramp marketing and sales in this application area for the first time during 4Q2005. The Siebel data models and vertical industry content will help Oracle position its next generation "process hubs" to leverage the vitally needed data and process model extensibility available in Siebel's UAN.

BOTTOM LINE (Redux)

Process and data integration between CRM and CDI is very beneficial to enterprises. Oracle needs a stop gap measure to integrate its acquired applications before Fusion becomes reality, and Oracle data hubs are not the answer. Siebel UCM will become the CDI standard for the merged Oracle-Siebel-PeopleSoft high-end enterprise application landscape, while Oracle CDH will remain the data hub of choice for small-to-medium businesses standardizing on Oracle eBusiness applications.

References/Trade press links

- **September 12, 2005 - Oracle's official press announcement**
- **Oracle's web site dedicated to publicizing their strategic acquisitions**
- **Customer Data Integration: Where is the Next Generation of Master Data Management Headed? – DM Review August 2005**
- **August 2, 2005 CDI Alert - "IBM/DWL Customer Center: Strategy-Driven vs. Urgency-Driven M&A"**
- **May 23, 2005 CDI Alert - "SAP Master Data Management 'Extreme Make-Over'"**
- **February 21, 2002 CDI Alert - "Oracle Data Hubs: 'The Emperor Has No Clothes?'"**
- **CDI Institute MarketPulse™ In-Depth Report – CDI: Market Review & Forecast for 2005-2006**

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