

ANNOUNCEMENTS:

- (1) To attend our upcoming June webcast “**Telecommunications M&A: Hang Over or Make Over?**” follow this [link](#) to hosts IBM and DWL registration page.
- (2) 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.

****CDI Alert™ ****

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SAP Master Data Management “Extreme Make-Over”

Subtitle: **SAP MDM went under the architect’s knife – Is the outcome attractive to Global 2000 enterprises?**

Monday, May 23, 2005

COMING NEXT IN CDI ALERT:

- Middleware Merger Mania (SYBS-Avaki; IBM-ASCL, et al)
- Field Report: **Systems Integrators for CDI**
- State-of-the-union re: **Hierarchy Management via CDI**
- **CDI ROI for Telco M&A**
- **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 is SAP MDM?](#)
- [What are MDM 3.x’s Strengths & Weaknesses?](#)
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During last week’s SAPHIRE user week, SAP outlined its vision and debuted the latest incarnation of its master data management product family – an “[extreme makeover](#)” in our opinion.

During 1H2005, we found SAP declining to provide references for customer master data hub applications using SAP MDM. Furthermore, SAP declined to participate in a number of major CDI evaluations citing “resource constraints”.

In March/April 2005, SAP product managers made statements in public news groups regarding the then current release of SAP MDM (3.0) (and we quote below)

- *“SAP MDM 3.0 only be available via restricted shipment for very specific cases, when customer needs cannot be accommodated immediately. However, this release will not be generally available since all development will be done on the core SAP MDME Feature Pack release moving forward.*
- *SAP MDM 3.0 customers will be fully supported until 2009 using SAP's 5-1-2 support strategy. SAP will stand behind all its customers and provide migration support based on a case by case analysis.”* (Note = SAP subsequently corrected this interpretation to state *“SAP MDM 3.0 customers will be fully supported until 2012 as opposed to 2009. This is standard interpretation of SAP's 5-1-2 policy. Earlier statements were erroneous.”*)

Subsequent to the A2i acquisition in July 2004 last year, SAP rebranded that product as SAP Master Data Management Extension (SAP MDME). During the past 12 months, there have been a number of product releases that brought together SAP's vision for MDM to a more comprehensive solution – ranging from SAP NetWeaver integration (re-write of A2i) to support for all enterprise master objects (customer, product, supplier, and employee), distribution capabilities from SAP NetWeaver Exchange Infrastructure, integrated analytics through SAP NetWeaver Business Intelligence, and common user and role-based access through SAP NetWeaver Enterprise Portal, etc.

This week at SAPPHIRE 2005 in Boston, there were dutiful but minimal presentations by SAP MDM product managers as well as end-user Whirlpool (who has gone live on the common SAP MDM 5.5 architecture wherein SAP MDM 3.x and SAP MDME (A2i) functionality is blended. Additionally, SAP also duly played up its existing MDM technologies as a key enabler on the path to Service-Oriented Architectures (see SAP's [18-May-2005 announcement](#)) in support of its Enterprise Services Architecture technology initiative.

We are fully supportive of SAP's decision to cut its losses on the prior MDM product and to charge ahead with the “extreme makeover” version that combines MDM 3.0 with SAP MDME (a.k.a. A2i). **Clearly, master data management is strategic for both SAP and its customers.** Keeping the SAP MDM family name alive is not necessarily an admission of failure (the install base is small) and enables continuity of marketing message. However, as we see further in this Field Report, **enterprises should not plan on using SAP MDM during 2005-06 as their CDI engine unless they are batch-oriented, SAP-centric landscapes.**

BOTTOM LINE:

Through YE2006, SAP will not be a serious contender for the majority of customer data hub applications. For product data hub solutions, SAP's current MDM incarnation will appeal primarily to SAP-centric businesses – while delivering a more comprehensive solution during 2H2005 to include “thin” employee and customer master data. Clearly, SAP (along with IBM, Oracle 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.

“Heads up” from the CDI front lines,



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SAP Master Data Management “Extreme Make-Over”

Subtitle: **SAP MDM went under the architect’s knife – Is the outcome attractive to Global 2000 enterprises?**

Monday, May 23, 2005

What is SAP MDM?

SAP has a solid history of being forthcoming about product features and release dates – unlike most American software firms. Originally focused on “product master data management”, during 2003-04 SAP began to focus the marketing message for SAP MDM on “customer data integration”. While SAP was unwavering in its message about enterprise master data (product, supplier, customer, and employee), unfortunately there was slow user uptake in applying SAP MDM for master customer data. Instead, early adopters of SAP MDM focused on product and supplier master data. Through the initial several releases, SAP MDM continued to show promise and vision – especially in the area of “global data synchronization”.

In July 2004, SAP acquired A2i which was an up and coming software vendor in product information management (PIM). The public message at that time was that SAP would move SAP MDM and A2i onto a common software stack via SAP’s evolving NetWeaver capabilities – and that we would see a blended/integrated product within 6 months due to the synergies built into the SAP software stack. The CDI Institute’s view was that this was more likely an 18+ month migration and during that time it would be prudent not to invest in SAP MDM for customer master data initiatives until further notice, and that even product master data projects needed to wait for SAP to deliver some proof points of the proposed newly integrated product. In fact, SAP MD was never grafted onto A2i.

SAP’s CDI solution is descended from its product master and supplier master data integration initiatives as joint development with some of its largest customers such as Nestlé and Shell. Although SAP typically only sells outside of its manufacturing core markets in German-speaking countries, during 2004 we had begun to see banks and insurance companies in North America show interest in SAP’s MDM product plans due to tremendous respect for SAP’s vision and engineering capabilities.

MDM was originally closely tied to SAP Business Information Warehouse (SAP BW) and was initially marketed via what appeared to many observers as a classical data warehouse solution (“global spend analysis”). The evolution of the initial SAP MDM product was vital to SAP to free up numerous internal development teams to better interoperate via shared application data models and process models. **We believe SAP’s attention to thoroughness and rigor will ultimately pay off in the longer term (and in fact are ahead of application package vendors such as Oracle with their eBusiness suite which is still migrating to its common Trading Community Architecture [TCA] data and process models).**

During 2004-05, MDM v3.0 was in ramp-up phase (“alpha/beta”), and therefore we believed that due to SAP’s acquisition of A2i (xCat), there would be a major slowdown in taking MDM into production (other than the 15-20 initial beta sites) while SAP grafted MDM’s capabilities onto A2i’s higher performance technology stack. Again, SAP voted with its €’s to tackle product information management challenges in enterprise resource planning (ERP) and supply chain management (SCM), rather than master customer data as have Oracle and Siebel.

What are MDM 3.x’s Strengths & Weaknesses?

Strengths

- Supply chain expertise
- Global metadata synchronization expertise – especially important to Consumer Packaged Goods and Retail industries
- 3rd generation hub architecture with near term 4th generation features (image/content management of A2i)

Weaknesses

- Few production references
- Early ramp up sites included: Deutsche Telekom, Dorel/PacificCycle, ENEL, General Electric Consumer and Industrial, Heineken, Kingfisher Group, Nestlé, Nokia, Pemex, Purdue University, Rubbermaid, Shell Europe, Tesoro Petroleum, Weyerhaeuser, Whirlpool
- Can be purchased only “on approval of SAP executive management on case by case basis”
- Batch emphasis; on-line capability not suitable for high transaction rates in large-scale B2B or B2C scenarios
- Emphasis on product/supplier capabilities rather than customer/employee
- Lack of strong SI channel (the number of SIs promoting NetWeaver is a good channel, however, the subset that are catering to SAP MDM is far smaller)
- Under invested in marketing
- No longer supported after 2012

What is SAP MDME?

The A2i solutions known as xCat were rebranded as SAP MDME (Master Data Management Extension) and recently upgraded via the “SAP MDME Feature Pack”, a release integrated with SAP NetWeaver that included capabilities for rich content management, ability to manage complex data with support for taxonomies, and hierarchies etc. MDME also included data models that supported customer, product, employer and supplier – although we are only aware of one business using even the preceding release of SAP MDM 3.0 for “customer” master data. Like all contemporary SAP software, MDME employs the standard software distribution via the SAP Exchange Infrastructure for interactive distribution.

The planned June 2005 release also includes former xCat 5.0 features (multi-lingual support, syndication, ...). MDME’s lean, R/3-iDoc-based model for supplier, customer, material, and employee was both a strength in high-performance PIM applications but also a weaknesses in classic CDI applications. In fact, **its “ad-hoc consolidation and distribution into one or more R/3 clients (e.g. monthly sync of customer data between different sales offices)” is best characterized as “CDI lite”.**

What are MDM 5.5’s Strengths & Weaknesses?

SAP NetWeaver MDM 5.5 Service Pack 1 represents the best of both SAP MDM 3.0 and SAP MDME – i.e., high-performance engine for data normalization, management, comprehensive master data management across all objects. Overall, MDM 5.5 is intended for periodical and interactive synchronization among “equally” empowered sources rather than for a CDI architecture requiring frequent changes with automatic distribution and matching (i.e., online B2B or B2C systems).

Future service packs (“software updates”) will add support for:

- *“Centralized maintenance and storage of master-data, with distribution mechanisms ensuring that master data can be delivered to systems that need it.*
- *It differs from master-data harmonization in that master data is created centrally using a rich client. Information can subsequently be distributed to clients as required using interactive distribution.*
- *Fully automated distribution mechanisms will follow subsequently in the service pack updates in 2005.”*

Strengths

- Support for single view of all major objects – customer, product, supplier and employee (albeit lightweight customer and employee)
- Focused on interactive cleansing and distribution of Material, Supplier, Customer, and Employee master data within (SAP R/3-based) ERP environment; note that several large organizations are using it outside of a SAP ERP environment such as GE and Rubbermaid
- Global metadata synchronization expertise
- Product information management focus
 - Fully integrated electronic and print publishing
 - High performance parametric search across rich content
- Hierarchical management
- Integration with SAP infrastructure
- 4th generation data hub features (image/content management of A2i)
- English, French and German initial support; Japanese 3Q2005

Weaknesses

- Minimal references (Whirlpool)
- Currently only supports “master data harmonization” – no automated central authority for master data and therefore cannot enforce centralized/corporate data quality standards
- Focused on interactive cleansing and distribution of Material, Supplier, Customer, and Employee master data within (SAP R/3 based) ERP environment (n.b. = Not a typo – this is either a strength or a weakness depending upon one’s requirements)
- Batch emphasis, e.g. customer data is typically replicated in batch mode among participating systems; however, enterprises can propagate customer data using the same common architecture that is used by the product hub for replication/distribution via SAP NetWeaver Exchange Infrastructure or directly via APIs
- Lack of strong SI channel (the number of SIs promoting NetWeaver is a good channel, however, the subset that are catering to SAP MDM is far smaller)
- Under invested in marketing (if SAP was true believer at the executive level in the strategic nature of enterprise master data management, then the SAP MDM product would be much more prevalent in the overall SAP marketing mix)
- Emphasis on product/supplier capabilities rather than customer/employee

Long Term Outlook for SAP MDM

Despite its multiple “starts and stops”, MDM is strategic to SAP – no doubt. As well as to SAP-centric enterprises. The master data concepts embodied in MDM are key enablers of the service-oriented architecture (SOA)-style business services underpinning NetWeaver applications. Moreover, the evolving business partner model in MDM is the complete representation of the comprehensive model in mySAP CRM.

However, **the MDM framework will best suit enterprises with major commitments to SAP applications and technology which require a product master or supplier master solution.** Our projection of 4Q2004 was stated as “SAP MDM is too immature and suffering from M&A indigestion to be considered for master customer data solutions” (click [here](#) for the full CDI Market Report). This was born out in quiet communications from SAP during March - May 2005.

Furthermore, during 2004-05 we found a dearth of systems integrator support for the SAP MDM product – as even those systems integrators specializing in SAP’s analytics (a.k.a. SAP Business Information Warehouse or SAP BW) had little interest in pursuing the SAP MDM market. While SAP has secured a full set of global and SMB SIs to heavily invest in practices around SAP NetWeaver, we have yet to see such support for SAP MDM

During SAPPHIRE 2005 this week, the capabilities of SAP MDM were clearly highlighted as strategic to SAP’s SOA plans. Specifically, the combined A2i/SAP MDM product now known as “SAP NetWeaver MDM 5.5” was spotlighted as *“introducing new capabilities to enable*

consolidation, aggregation and interactive distribution of rich information using a newly developed syndicator module that is tightly integrated with the messaging capabilities of SAP NetWeaver". In addition, SAP touted the high-performance capabilities of SAP MDM 5.5's catalog search engine as "high-performance parametric search capabilities that dramatically reduce the time needed to locate records". All of the above is true, but (again) mainly targeted towards master product data management – not towards master customer data management.

To get to the state of SOA nirvana (i.e., full support of SAP's Enterprise Services Architecture [ESA] strategy) required architectural changes to the MDM solution. In order to move forward on a more flexible, model-driven approach, the new MDM architecture will roll out via stepwise increments (service packs) based on the SAP MDME component over 2005-06.

FYI = Word is out that Oracle is going through the same soul searching as they realize that Oracle Customer Data Hub architecture is architecturally-challenged. Better to cut their losses early, while there are few customers as opposed to later when the intent is to have the majority of customers running on such mission-critical infrastructure. **SAP has already made their decision to do so and we believe they are on the right strategic track. This "extreme makeover" is SAP consciously keeping the "MDM" brand alive while quickly swapping out the underpinnings to a newer architecture and platform.**

BOTTOM LINE (Redux)

Through YE2006, SAP will not be a serious contender for the majority of customer data hub applications. For product data hub solutions, SAP's current MDM incarnation will appeal primarily to SAP-centric businesses – while delivering a more comprehensive solution during 2H2005 to include "thin" employee and customer master data. Clearly, SAP (along with IBM, Oracle 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.

References/Trade press links

- [CDI Institute MarketPulse™ In-Depth Report – CDI: Market Review & Forecast for 2005-2006](#)
- [SAP Developer Network forum posting on future of SAP MDM 3.0 \(requires SDN membership\)](#)
- [Press release from SAPPHIRE 2005 re: SAP MDME contributing to SOA efforts of SAP](#)
- [April 2005 SAPPHIRE presentation on Kingfisher Group \(requires SAP Community registration\)](#)
- [2005 SAP MDM product marketing presentation](#)
- [March 2005 SAP Info magazine article on SAP MDM](#)
- [March 2005 SAP Knowledge Warehouse tutorial on SAP MDM](#)
- [Press release on Royal Dutch Shell use of SAP MDM](#)
- [July 2004 article on SAP acquisition of A2i](#)
- [Press article on Tesoro Petroleum](#)
- [2003 Nokia MDM case study](#)

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- **CDI Business Council™** of 450+ Global 2000 IT organizations who receive a limited distribution, bi-weekly newsletter with CDI industry updates
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