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****CDI-MDM Alert™**

The CDI-MDM Institute
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“Microsoft Nibbles at the MDM Buffet”

Monday, June 11, 2007

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What's New?

Last week, Microsoft (FY2006 revenues \$44B USD; 71,000 employees) **announced the acquisition of analytical MDM vendor Stratature** (*Atlanta, GA; 15 employees; estimated FY2006 <\$1.5M USD revenues*). In doing so, Microsoft telegraphed certain aspects of their overall MDM strategy which has yet to be formally laid out for public review. Concurrently, mid-market CDI-MDM vendors received a timely extension of operational MDM market while Mega MDM and best-of-breed MDM vendors servicing the Global 5000 scale enterprise carry on with business as usual.

- **Microsoft did *not* buy a full functionality CDI-MDM solution** (e.g., possible targets for this would have been Cordys, DataFoundations, Initiate Systems, Purisma, Siperian, etc.)
- **Microsoft acquired only a modest, albeit vital, aspect of one dimension of the CDI-MDM ecosystem (“hierarchy management for analytical MDM”)**
- **Microsoft is withdrawing Stratature’s +EDM (enterprise dimension management) product from the market and will integrate the software into its Office Products software to provide consistent data across the SQL Server, Business Intelligence, SharePoint, and PerformancePoint product families.**

While of great interest to the mid-market and SMB enterprises (those with less than \$500M USD annual revenues), **this announcement is a non-event for Global 5000 size enterprises. Specifically, the current MDM capabilities of Microsoft** (Stratature and SQL Server Integration Services (SSIS; formerly Data Transformation Services or DTS), et al) **do not map to the current 3rd generation requirements of the market prevalent CDI-MDM solutions available today. Meanwhile, type A**

enterprises and the CDI-MDM vendor community at large are already focused on 4th generation CDI-MDM requirements.

BOTTOM LINE

During 2007-08, Microsoft's initial MDM capabilities will be limited to analytical MDM for dimension and reporting hierarchy management – especially as a significant enhancement to the PerformancePoint Server capabilities during 2008-09. **Enterprises requiring large enterprise scale or near real-time operational MDM capabilities should not expect product offerings from Microsoft prior to 2009-10** (unless Microsoft acquires one or more operational MDM vendors). During 2007-08, Microsoft MDM capabilities will not meet parity with the current 3rd generation MDM solutions – i.e., mega vendors IBM, Oracle, SAP and Teradata as well as best-of-breed MDM solutions such as DataFlux, Initiate Systems, Purisma, and Siperian.

For a robust discussion of 3rd and 4th generation CDI-MDM requirements, please review "[When \[CDI-MDM\] Elephants Mate: 3rd Generation Solutions Mature](#)" May 2006 CDI-MDM Alert.

For analysis of prior major acquisitions in the MDM market, reference the below CDI-MDM Alerts:

- August 2006 - [Teradata 'Fast Tracks' into MDM Solutions Market](#)
- October 2005 - [SAP Captures EII Vendor Callixa to Bolster CDI Efforts](#)
- September 2005 - [Siebel CDI Assets to Help Oracle Battle IBM & SAP](#)
- August 2005 - [IBM/DWL Customer Center: Strategy-Driven vs. Urgency-Driven M&A](#)
- January 2005 - [IBM Places Bet on CDI Components via SRD Acquisition](#)

The remainder of this CDI-MDM Alert will focus on: (1) what components Microsoft must still build or buy to reach 3rd generation parity; and (2) the impact on Microsoft's various competitors.

Note that for the past 3 years, the CDI-MDM Institute has provided its "CDI-MDM road map" to assist Global 5000 enterprises plan for their IT investments in master data management. TO review this year's "milestone" about market momentum:

- *During 2007-08, CDI-MDM software solutions such as IBM, Oracle, SAP, & Teradata will monopolize the majority market share in the Global 5000 enterprise; while mid-market solutions will arrive from Microsoft, Nimaya, & Oracle plus Data Quality vendors (Pitney Bowes, SAS/DataFlux, Trillium); concurrently, a niche market will arise for hosted solutions led by early-to-market vendors Alliance Consulting & Unisys.*
- *Through 2008-09, both mega & best-of-breed CDI-MDM vendors will aggrandize the traditional master customer DB business of Data Service Providers such as Acxiom, Dun & Bradstreet, & GUS/Experian as these vendors struggle to deliver on-premise CDI hub solutions.*
- *By 2009-10, every major application & database vendor will provide either native or OEMed CDI-MDM capability – including Amdocs, Microsoft, & salesforce.com.*

What Did Microsoft Buy via the Stratature Acquisition?

As noted in our CDI-MDM strategic planning assumption above, **every major database vendor and application package vendor will make strategic investments in MDM capabilities during 2007-08 as this technology base matures.** To recap the CDI-MDM M&A landscape during the past two years:

- Business Objects (Firstlogic, Mediance)
- Hyperion Solutions (Razza Solutions)

- IBM (Ascential, DWL, Language Analysis Systems, SRD, and Trigo)
- Informatica (Similarity and took an investment position in Purisma)
- Initiate Systems (Journéé)
- Microsoft (Stratature)
- Oracle (Hyperion Solutions [HYSL MDM to replace Oracle Financial Data Hub]Siebel UCM, UPM, UAN and Siebel Analytics, Synopsis [for ETL])
- Pitney Bowes (Group 1 Software, Sagent)
- SAP (A2i, Callixa)
- SAS (DataFlux)
- Siperian (Delos)
- Sun (SeeBeyond)
- Sybase (Avaki)
- Teradata (i2 MDM software code base)
- TIBCO (ObjectStar and Velosel)

Prior to the Microsoft Business Intelligence Summit held last month in Seattle (2,800+ attendees), **it was clear that Microsoft lacked both a business strategy and technology roadmap for MDM** while on every competitive front other vendors had either built or acquired (or both) significant MDM capabilities (per the above list of acquisitions).

Moreover, reports coming back from several attendees of the CIO track at the other Microsoft CIO events clearly announced to Microsoft executive management that not only did certain systems integrators and IT organizations desire a DBMS-centric solution for MDM (note that IBM, Oracle, and Teradata are busy moving portions of the MDM software stack into the DBMS) ; also, Microsoft applications users rose up and asked and “universal customer/product/supplier” style views across not only the Microsoft Dynamics

Microsoft was overdue to respond. This announcement is but the first of numerous expected as the MDM initiative acquires critical mass within and across Microsoft R&D areas.

While not necessarily a market success, Stratature did focus on the area of hierarchy management (managing consistent hierarchies a.k.a. dimensions) which is a key capability within 3rd generation CDI-MDM platforms. Other vendors that invested significantly in this area include: (1) Hyperion Solutions (the acquisition Razza [renamed to Hyperion MDM] with 400+ installations in large corporations was arguably the most successful hierarchy management solution; (2) Initiate Systems with its 75+ installations, (3) Kalido with its 30+ Global 5000 installations; (4) Purisma with an estimated 10+ installations, and (5) Siperian with 40+ installations. While these products also evolved into more of a persistent MDM architectural style (rather than pure hierarchy management or registry style), Stratature stuck to its focus on hierarchy management and evolved a number of horizontal solutions for corporate reporting of financial and product information.

To cite Microsoft CEO Bill Gates from his public Executive Email series in a discussion the “data store silo” problem: *“One of the biggest barriers to information access in the enterprise is the fact that data is often stored in so many different repositories. This leads to painfully inefficient processes that force information workers to leave one application, logon to another, find a single piece of data and write it on a piece of paper, and then return to their original application, just to complete a simple task like sending an email to a customer. This is a significant drag on productivity. Microsoft’s goal is to deliver enterprise information access solutions that present information workers with a single, unified way to get at the information they need no matter where it resides without leaving the application they are currently working in so they can make smart decisions and take action with greater speed.”*

Microsoft’s next-generation SQL Server (code-named “Katmai”) is expected to add support in 2008 for unstructured data types (such as documents, images, date and time, and spatial ... which coincidentally are 4th generation CDI-MDM requirements). Concurrently, one would expect Microsoft to blend the hierarchy management capabilities into SQL Server such that this next generation RDBMS would provide more than “*functionality that satisfies discrete MDM processing needs*” as previously described.

What's Next for Microsoft MDM Strategy in the "Build or Buy" Matrix?

Perhaps more important than what Microsoft acquired in this investment, is the list of **five key capabilities that Microsoft is missing if its desire is to deliver a standalone MDM platform suitable for Global 5000 heterogeneous computing landscape:**

- **Data Governance** – Note that Microsoft does not provide formal capabilities to manage the politics of managing information at the shared/enterprise level. Yet every CDI-MDM vendor of note provides either modest capabilities here or is actively engaged in arranging their product roadmap for 2007-08. Enterprise MDM cannot succeed without attention to data governance.
- **Business Services via Service-Oriented Architecture (SOA)** – For most large enterprises, the reality of a heterogeneous computing landscape has led them to embrace SOA. Correspondingly, the CDI-MDM solutions that are successful in the market today are those that provide web service templates for such basic CRUD functionality such as ADD CUSTOMER or PROMOTE CUSTOMER as well as the more complex end-to-end and long running transactions such as NEW ACCOUNT ORIENTATION and ORDER TO CASH. Clearly, Microsoft is limited to analytical MDM (incapable of operational MDM) by the Stratature technology.
- **Identity Management** – While consumer household and business hierarchy management is indeed a critical aspect of 3rd generation MDM solutions and is related to identity management and the data quality aspect as well, there is also the innate need for MDM solutions to accurately identify ("match") customers, products, suppliers, etc. In addition to accuracy, scalability and performance are vital aspects of these matching algorithms – including deterministic, probabilistic, and other machine learning capabilities. A nuance of the evolving Microsoft MDM scenario is the fact that internally Microsoft is using the Initiate Systems' algorithms and related commercial CDI-MDM technologies in the truly large enterprise scale [Microsoft Individual and Organization \(MIO\) project](#). It is believed that Microsoft is either directly or indirectly funding the development of multi-cultural (double byte character set) evolution of the Initiate Systems matching capability. It remains to be seen if Microsoft and Initiate Systems partner at the product level as well (for example, as Microsoft has with SAP in other enterprise application product areas).
- **Data Models** – The ability to architect a solution using either a pre-fab enterprise data model, or to leverage the intellectual capital within industry prevalent data models, is vital to the success of enterprise MDM strategies. Microsoft's initial MDM capabilities will of course leverage the SSIS platform for non-Microsoft data access but at the same time not be expected to provide near real-time, bi-directional access/updates across such systems. The data models within Stratature are suitable for limited horizontal hierarchy management analytical applications but not for enterprise-level integration of master data for operational applications.
- **Process/Policy Hub** – By 2009-10, the Global 5000 enterprises will have conceptually migrated beyond "data hub" style of MDM and into policy hub" mode. During 2007-08, the joint pressure of data governance requirements, along with the concurrent evolution of component application development (Oracle Fusion, SAP NetWeaver, etc.) will lead to heightened emphasis on "service repositories" which in turn will evolve the notion of data hubs into policy of process hubs. See also "[Dysfunctional Data Hubs - 2006-07 Strategic Planning Assumptions for CDI-MDM and Business Services](#)".

What Does This Mean for the Global 5000 Enterprise?

During 2008-09, users of Microsoft's ubiquitous business intelligence and office productivity tools will benefit from the ability to share (via SQL Server, SharePoint, etc.) master data entities via the enhanced hierarchy management capabilities of Stratature. The ability to manage hierarchies comprised of both structured and unstructured information will provide an interesting and potentially hyper productive means for departments and small divisions to organize themselves. By 2010-11, these "MDM

parts” will be capable of integration into the greater heterogeneous MDM capabilities of mega vendors such as IBM, Oracle, SAP and Teradata.

By 2010-11, SQL Server 2008 (“Katmai”) should provide scalability into the 10s of millions of customers such that Global 5000 enterprises will look to Microsoft MDM (if fully functionally as a 4th generation platform) and economical alternative to the mega vendor platforms.

What Does This Mean for the SMB Enterprise?

During 2008-09, users of Microsoft branded application packages (Dynamics for CRM, ERP, etc.) will begin to benefit from the hierarchy management capabilities of Stratature +EDM as it is used to provide “universal customer/product/supplier views” across Microsoft’s CRM and ERP solutions.

As Global 5000 size enterprises’ users benefit at the BI and office applications level, so too will small-to-medium size businesses.

Price points for SMB-appropriate MDM solutions (such as DataFlux, Oracle Customer Data Hub, Nimaya, etc.) will be under price pressure due to Microsoft’s market presence and leverage.

What is the Impact on the CDI-MDM Competitive Landscape?

Note that all of Microsoft’s major competitors in database (IBM, Oracle, Teradata) and applications (i2, Oracle, SAP, Teradata) are already strongly executing on their strategic data-agnostic MDM platforms – for analytical, operational and collaborative MDM use cases.

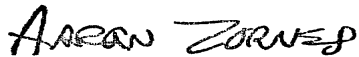
For the next 18-24 months, the Microsoft’s redeployment of the Stratature +EDM capability will not solve the more complex or operational MDM requirements. Specifically, the creation and management of a single master [customer, product, supplier, employee, location, pricing] to support near real-time synchronization across heterogeneous environments. As expected, during this interim period Microsoft will depend upon the evolving capabilities of VisionWare MultiVue (for parties such as citizen and customer) and Riversand (for product information management [PIM] master data). In other words, Microsoft will stick to the analytical MDM functionality as currently provided by Stratature and leave the operational and collaborative MDM capabilities to its partners. Concurrently, expect Stratature’s horizontal templates for MDM applications such as chart of accounts reconciliation and product information synchronization to surface as generic services within the Microsoft Dynamics product family (especially Dynamic ERP). Note that like Hyperion MDM (now part of Oracle), Stratature +EDM has a good reputation for enabling business users to directly manage their hierarchies – especially geography, promotions and territories – without involving IT resources.

We do expect Microsoft, however, to take an incremental lead during 2008-09 in the area of Enterprise Search to enable “search” for both structured and unstructured info across a variety of applications such as catalog management, deep web search, and enterprise search.

BOTTOM LINE REDUX

During 2007-08, Microsoft’s initial MDM capabilities will be limited to analytical MDM for dimension and reporting hierarchy management – especially as a significant enhancement to the PerformancePoint Server capabilities during 2008-09. **Enterprises requiring large enterprise scale or near real-time operational MDM capabilities should not expect product offerings from Microsoft prior to 2010-11** (unless Microsoft acquires one or more operational MDM vendors). During 2007-08, Microsoft MDM capabilities do not approximate even the current 3rd generation MDM solutions – the latter which is the strategy of mega vendors IBM, Oracle, SAP and Teradata as well as best-of-breed MDM solutions such as DataFlux, Initiate Systems, Purisma, and Siperian.

"Heads up" from the CDI-MDM front lines (and see you at the next CDI-MDM SUMMITS in Madrid, Frankfurt, and New York City this fall).



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Related Articles/Sites of Interest

- "Microsoft BI Goes MDM" [CNET news article](#) in Australia
 - "Microsoft buys into master data management" [CNET news article](#) in US
 - "Microsoft Moves into MDM with Acquisition of Stratature" [Colin White blog](#) (200 words)
 - "Microsoft Makes a Long-Anticipated Move Into MDM" [AMR research blurb](#) (300 words)
 - "[The other shoe drops](#)" Andy Hayler blog (300 words)
 - "Microsoft Jumps Into MDM" [Jill Dyché blog](#) (300 words)
 - "Microsoft Enters MDM Market! . . . Almost. . . Sort Of. . ." [Forrester blog](#) (400 words)
 - "[Microsoft completes Stratature acquisition](#)" Microsoft employee and MDM strategy architect Kirk Haselden's blog (500 words)
 - "Microsoft buys data management vendor Stratature" [IT News press coverage in Australia](#) (500 words)
 - "Microsoft BI Goes MDM" [eWeek](#) (500 words)
 - "Microsoft Buys Stratature to Master Data" [Intelligent Enterprise blog by Ventana](#) (500 words)
 - "Microsoft buys master data management vendor: Analyst reactions mixed" [SearchDataManagement.com](#) (1,500 words)
 - "Stratature and the Microsoft platform" [BeyeBlog by Microsoft's Principal Program Manager for SQL Server Data Mining Donald Farmer](#) (also a regular speaker at CDI-MDM SUMMIT series)
 - "The What, Why, and How of Master Data Management" November 2006 [whitepaper by Microsoft MDM strategy architects](#) Kirk Haselden and Roger Wolter (7,000 words)
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