

Focus on Data Quality in BI Motivates Business Objects Buy

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By buying Firstlogic, Business Objects will expand its data integration offerings. But the vendor's positioning of the purchase begins to take it outside its comfort and credibility zone of business intelligence (BI).

NEWS ANALYSIS

Event

On 8 February 2006, the BI technology provider Business Objects announced that it has entered into an agreement to acquire data quality tool vendor Firstlogic for approximately \$69 million in cash. Pending regulatory approvals, the transaction is expected to be completed early in 2Q06.

Analysis

Business Objects has been steadily adding to its portfolio through a series of acquisitions. By buying Firstlogic, it seeks to expand its data integration offerings by adding data quality capabilities. The vendor already has Data Integrator, a solid ETL (extraction, transfer and loading) tool, and also resold Firstlogic products. Because data quality is key to success with BI, this acquisition will enable Business Objects to market a more complete solution.

Over the past few years, vendors such as IBM, SAS Institute and Informatica have made strategic acquisitions to enter the data quality tool market. Firstlogic was the last stand-alone vendor of significant size in this market. This acquisition means that the remaining independent vendors in the data quality tool market are very small, with less than \$25 million in annual revenue. It also means that Firstlogic's major competitor, Trillium Software (a subsidiary of Harte Hanks), will have to find new resellers to work with, since its former partners, Informatica and Business Objects, now both have acquired data quality software of their own.

This is the second announcement of a potential acquisition of Firstlogic during the past six months. In September 2005, Pitney Bowes announced its intent to acquire it, but later backed out of the deal. In both pending acquisitions, Firstlogic's valuation was low relative to its estimated revenue.

This acquisition presents several challenges to Business Objects. First, it must decide how it will retain the Firstlogic brand. Business Objects could follow the same path as SAS, which owns data quality vendor DataFlux and lets it operate under its own brand. Also, Firstlogic sells postal automation technology, which is irrelevant to Business Objects' core business. And Firstlogic's technology displays a bias toward customer data and requires greater integration and market maturity in the area of data profiling. These areas must be developed to enhance Business Objects' ability to compete in the data quality tools market. With Business Objects adopting a broader data integration and enterprise information management message, it will increasingly be involved in deals that aren't related to BI. To be successful, Business Objects will need to quickly build credibility and experience outside the BI domain.

Recommendations

- **Firstlogic customers and prospects:** Obtain a statement of intent from Business Objects regarding the ongoing support and enhancement of the Firstlogic products, and seek a formal product road map upon the closing of the acquisition.
- **Business Objects customers:** Consider the use of the Firstlogic products to augment implementations of Business Objects products. Recognize that Business Objects must increase product integration and fill functional gaps to deliver complete value in broad data integration (non-BI) scenarios.

Analytical Sources: Ted Friedman, Andreas Bitterer and Bill Hostmann, Gartner Research

Recommended Reading and Related Research

- "Vendor Rating: Business Objects" — Business Objects is one of the leaders in the BI market, and has maintained its rating of "positive" after successfully integrating several acquisitions. **By Bill Hostmann and Kurt Schlegel**
- "MarketScope Update: Data Quality Technology, 2005" — The data quality technology market is experiencing solid growth as companies increase their awareness and focus on this topic. **By Ted Friedman and Andreas Bitterer**

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