

IBM Strengthens Data Integration Suite With DataMirror Buy

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DataMirror's Transformation Server technology would enable IBM to strengthen and extend the reach of its flagship data integration suite, Information Server. But System i customers face risks.

NEWS ANALYSIS

Event

On 16 July 2007, IBM announced its intent to acquire DataMirror, a specialist provider of heterogeneous replication, changed-data capture (CDC) and high-availability/disaster recovery (HA/DR) solutions. IBM would pay \$161 million, approximately \$130 million net of cash. The DataMirror products and staff will become part of the IBM Information Platform and Solutions business unit. The transaction is expected to close during 3Q07.

Analysis

The main driver of the acquisition was DataMirror's Transformation Server technology, which enables real-time CDC and replication between heterogeneous database management system (DBMS) instances and schemas. Transformation Server enables IBM to fill some of the gaps in connectivity for Information Server, its flagship data integration suite, and create a strong base for a comprehensive CDC and replication platform. DataMirror's strength lies in its mature, proven technology for addressing high-performance log-based interaction with a wide range of data source types, which is useful in a variety of scenarios, including operational database synchronization and low-latency data delivery for business intelligence.

The acquisition also creates product rationalization challenges. IBM already has various approaches to CDC and replication, including Event Publisher, Q Replication and the Replication Server component of Information Server, which all address these topics to some degree. To reduce overlap, and specifically to compete with Oracle Data Guard and Microsoft's Database Mirroring in the HA/DR space, IBM would be best served by selecting one architecture and merging into it key components of the others. The company has not yet produced a road map for rationalizing these various overlapping solutions, but the DataMirror technology is likely to be IBM's main approach because of its breadth, performance and reliability.

DataMirror was acquired for less than three times its revenue (net of cash) — a relatively low number for a software company, but a premium of 19% of the publicly trading DataMirror shares. With this acquisition, IBM adds more than 2,000 customers, giving IBM a chance to engage them with other products. At issue is the declining DataMirror System i installed base, which made up 50% of DataMirror's revenue in fiscal 2006 (half of which was in support of HA/DR) and nearly 65% in fiscal 2005. It is still unclear whether any of the DataMirror HA/DR software such as iCluster (which provides high availability and switchover for System i systems) will be transferred from IBM's Information Platform and Solutions business unit to the System i business unit. If the software is not placed within an IBM organization that focuses on System i software, it risks being phased out in the future. While current iCluster customers need not worry about support in the short term, they do need to monitor IBM's long-term road map for the product, and be prepared to migrate to another System i high-availability solution.

RECOMMENDATIONS

- **DataMirror customers:** Ask for an integration road map from IBM and expect to receive it within 90 days of the completion of the acquisition. Transformation Server users are unlikely to experience any significant disruptions. However, if you are using products that will be phased out of active development and investment, give serious consideration to alternatives, such as Vision Solutions, which offers three separate solutions for System i high availability and switchover.

- **IBM customers and prospects:** Expect the integration and road map plan to be released 90 days from completion of the acquisition. This will provide indications of what IBM considers to be strategic products, which you should focus on in your evaluations. It may also suggest further potential acquisitions for IBM. We believe the most strategic set of products will be in the heterogeneous replication space as it relates to Information Server.

RECOMMENDED READING

- "Magic Quadrant for Data Integration Tools, 2006" — To varying degrees, vendors offerings in this sector reflect the convergence of various discrete markets for special-purpose data integration tools. **By Ted Friedman, Mark Beyer and Andreas Bitterer**
- "DataMirror Delivers Event Server for Advanced SOA and EDA" — An update to DataMirror's Transformation Server technology in late 2006 that added support for Java Message Service topics and guaranteed message delivery increased its value in service-oriented and event-driven architectures. **By Yefim Natis**

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