

## ETI extends footprint beyond enterprise ETL as it gears up for move into Japan

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It's been a busy year for Evolutionary Technology International (ETI), which has fleshed out its portfolio for data management, connectivity, analysis and transformation into data quality, data profiling and data monitoring. The latter functionality – on which it intends to build further in the up-and-coming ETI Solution 6.0 – is licensed from two UK players. ETI now has OEM agreements with Datactics for data quality and Business Data Quality Ltd for data profiling and monitoring. The 6.0 release, due in spring 2007, will also include Unicode and multi-byte features codeveloped and co-funded with Nippon RAD to extend its presence beyond US, Europe and Latin America to Japan. Built-to-Order Integration is one of a slew of new offerings for the midmarket that have made a debut this year.

Having shifted from a company that dealt with technical folk to one that now leads with a business focus aimed at a business audience – although it still courts technical users – ETI secured a new \$5m line of credit this year for growth capital to continue its turnaround. Untouched as yet, this money may be used for acquisitions. Although it has reportedly witnessed double-digit revenue and profit growth in fiscal 2006 and now has 150 active customers, the company has about the same number on maintenance. ETI had just one sales person at the beginning of 2006; it now has 12, and slightly fewer than 60 employees in total, up from about 45 staff in March.

### Impact assessment

#### The message

Moving beyond being a single-product company mainly known for its enterprise ETL (extract, transform, load) tool continues to be ETI's mission.

#### Competitive landscape

ETI is operating in a consolidating market where Sunopsis – an off-and-on rival to ETI – was one of the latest pure play ETL vendors to be taken over when it was bought by Oracle in October. Informatica – the largest independent in data integration now standing – subsequently acquired Itemfield for semi-structured data integration capabilities, its second acquisition of the year following the Similarity Systems data quality buy in January. IBM, Business Objects, DataMirror, Pervasive Software, Information Builder's iWay Software division and Attunity are the other main players that operate in ETI's space.

#### The 451 assessment

Although management contends that it's here for the long haul and points to improvements in profitability and sales as evidence of green shoots of growth and newfound financial health, we still wonder whether ETI will ultimately be acquired – given the ongoing consolidation in data integration. It has, after all, already had offers. That said, a strategic acquisition would help its goal of remaining independent. Could recent OEM agreements with Datactics and Business Data Quality be a precursor to an acquisition of one or both? It would certainly make sense, given the market trend toward providing native data quality and profiling features within integration software.

Context | ETI continues to foster a turnaround following the buyout of original investors, a new capital injection of \$6.5m in March and the negotiation of a new \$5m line of credit from Comerica in July. ETI hasn't touched the credit line so far, but wants capital available for growth plans that may include making its first acquisition. Although exact profit and revenue are unavailable, we are told that the company, which is now backed by Appian Ventures, Access Venture Partners and Osprey Ventures, achieved double-digit revenue growth in both its top and bottom line in fiscal 2006 to June 30.

Although ETI still has a large chunk of customers on maintenance, the number of active customers has risen to 150 accounts from 125 in March. It has 300 customers in total. Continuing to move existing customers off maintenance agreements as well as acquiring new customers both in the enterprise and midmarket sectors through an expanded product lineup is the objective going forward. An expected consequence of broadening its lineup by releasing less-expensive products for the midmarket has been to lower average deal sizes – but, conversely, to accelerate sales cycle. Where deals for its eponymous data management platform, once the only product it sold, used to come in at about \$200,000, average deal sizes are now about \$100,000 as a result of introducing products for \$25,000 and \$50,000.

Geographic expansion into Japan is now in the cards, through jointly funded and developed product with Nippon RAD. Nippon RAD has become ETI's exclusive distributor for the Japanese market.

Products | ETI's Built-to-Order Integration is one of the products that falls into the new lower-priced, faster-to-implement lineup. The idea is to provide customers with integration software that meets their specifications at a fixed price. The average selling price is about \$25,000, and the intention is to deliver the source code to the customer in just a few weeks. A customer visits ETI's website to define the specification, and ETI delivers the specification electronically along with the cost and delivery date. If the order is more complex, then phone conversations can occur and one of ETI's consultants may travel to the customer site – which is an additional cost. If the customer wants the source code, then an extra charge is added.

Built-to-Order Integration uses ETI Solution 5, the current generation of its data management platform, to programmatically generate ready-to-run connectors for databases, mainframes, application systems, file systems, message buses as well as Web services and BI/ reporting tools. It can support Mainframe z/os and VSE operating systems as well as Windows, Linux Red Hat and Linux SuSE, IBM Aix, Sun Microsystems Solaris, Hewlett-Packard-UX and iSeries OS/400 operating systems. ETI is also joint marketing Built-to-Order Integration with Microsoft.

Other new packages ETI has introduced this year include pre-built high-performance connectors for \$15,000, as well as mid-tier connectors for \$5,000 to \$75,000 – both designed for its new entrance into the high end of the SMB sector. ETI is also now selling a so-called high-end adapter suite for \$100,000, as well as a so-called high-end data quality suite using products licensed from Datactics and Business Data Quality for the same price. It has also made available a version of these respective products for either data cleansing or profiling for \$50,000.

ETI Solution 5.3 is the latest release of its data management platform. It includes licensed data quality and profiling functionality for the first time. The Integration Architect element within the stack also now has a grammar editor. Improved support for SQL Server 2005 via the ability to live retrieve schema is also part of 5.3, as is a new documentation tool that provides basic workflow features for administering project issues and raising questions.

Roadmap | Evolving Built-to-Order Integration into a software as a service (SaaS) play is under consideration. ETI has already thought about a move onto Salesforce's hosted CRM platform, but decided it does not fit with its core audience.

ETI Solution 6.0 will be the next major release of its data management platform, providing Unicode functions and multi-byte characters for the Japanese market in partnership with Nippon RAD. The 6.0 release will also have an interface designed for Microsoft's new Vista operating system. ETI is enhancing the licensed data quality tool from Datactics, and the profiling and data monitoring tool from Business Data Quality and embedding them into the 6.0 release.

Competition | ETI executives report that Informatica is most frequently seen in competition, which makes sense. IBM – the other integration heavyweight with its acquired Ascential Software integration suite and recently introduced Information Server integration platform – is more of a partner, since Big Blue used to be an ETI reseller. ETI, therefore, reportedly has a large percentage of customers that are IBM shops using ETI for preprocessing of data.

Oracle's Sunopsis data integration is an occasional competitor in Europe, which is reasonable since Sunopsis originally hailed from France – although inside Oracle, it could be a more formidable foe. ETI executives report that it has encountered DataMirror in a couple of deals but never Golden Gate Software – the other player that tends to be bracketed with DataMirror.

Pervasive Software and Attunity are never encountered in competition, which is a surprise since, over the past year, Attunity – like ETI – has moved into an integration market that's more focused on the end user/business user. Pervasive is a stalwart of the midmarket integration sector, but a recent focus on embedded integration and SaaS may be the reason it is not directly competitive. Executives also point to the fact that Attunity and iWay adapter suites don't have bidirectional features of their own.

Business Objects is also trying to be a data integration and data quality player in its own right, having acquired data quality veteran FirstLogic and early-stage EII (enterprise information integration) startup Mediance to bolster its lineup. ETI points to examples where it has won against Business Object's Data Integrator ETL tool, as well as Informatica. However, it acknowledges that it's difficult to compete against much larger competitors. That's part of the reason for releasing new offerings such as Built-to-Order Integration, which can complement and coexist with incumbent integration suites.

### SWOT analysis

Strengths	Weaknesses
One of the original ETL vendors alongside Prism and Carleton, ETI has a long history and an established core product. It has also diversified into the midmarket with an expanded lineup.	Getting existing customers off maintenance and adding new accounts continues to be a work in progress, but one that is vital to the company's ambition of flourishing as a independent.
Opportunities	Threats
Built-to-Order Integration gives ETI a foot in the door to new accounts and the chance to upsell products, as well as stake out its claim against larger, more-formidable competitors in this space. An acquisition might also help growth and market differentiation.	ETI is certainly making progress, but it is still, nonetheless, operating in a consolidating market and has already had acquisition offers..

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