



## Oracle Acquires Demantra, Moves Further Into Demand-Driven World

Monday, June 05, 2006

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**Oracle** continues its buying spree with the acquisition of **Demantra**, a small best-of-breed demand management provider. It's Oracle's 19th acquisition since 2002, and it raises a number of questions for many:

- Why? Didn't Oracle already have a demand planning product?
- How can Oracle integrate all these acquisitions?
- What does it mean for the market?

Here are answers to these questions as well as clarification on how this acquisition fits into the larger Oracle asset base that now includes **GLOG**, **JD Edwards**, **PeopleSoft**, **Oracle APS**, **ProfitLogic**, **Retek**, and **Seibel**.

### What this means for Oracle

This purchase closes a critical gap in product functionality for Oracle. In the merger of JD Edwards, PeopleSoft, and Oracle APS, Oracle had three demand planning applications but none of them really met market requirements. Demantra, however, lets Oracle be a serious player in the supply chain management (SCM) market. Few Oracle clients—we estimate 5% to 7%—had implemented the Oracle APS demand planning product. For those that had, there were just too many problems.

Demantra was a good fit for two reasons: common installed base and known integration. The company had a seven year partnership with JD Edwards in the 1990s and early 2000. We estimate that 70% of Demantra's current installed base uses the joint Demantra/JD Edwards product (approximately 80 clients). Thus, when developing the integration roadmap for Oracle Fusion Architecture, allowances were made for the integration of third-party demand planning products like Demantra.

This purchase also opens up new opportunities for Oracle. Over the past three years, Demantra has emerged as a leader in deep, best-of-breed demand planning with easy to use applications for sales and operations planning (S&OP) and promotions planning. Both are becoming hot markets with projected growth of 3% to 6% in 2006–2007.

As Oracle works through the acquisition, the challenge is twofold: integrating Demantra into the Fusion architecture and improving market relevancy as a supply chain planning provider.

### This purchase is good news for process, discrete, and retail clients

#### *Process clients*

Oracle has had a hard time beating **SAP** in consumer goods and chemicals companies where ERP investments have been made and SAP is the hands-down winner. However, few shops are homogenous environments.

Consumer goods companies that have the assets from the Oracle CPG initiative of the 1990s or large investments in Seibel should be able to quickly capitalize upon the strength of the Demantra assets for promotion planning and demand shaping.

Oracle will likely have an integrated product for promotion management effectiveness by the end of 2007, including the integration with Daily Business Intelligence (DBI). This combination of assets to solve the thorny problem of promotion management for CPG clients will be unequalled in the market.

#### *Discrete clients*

Oracle's discrete clients should use this as an opportunity to redefine demand planning processes to deepen abilities in attribute-based planning and more frequent analysis to improve demand sensing.

The Demantra assets also provide a great opportunity to jump-start S&OP processes (for more on S&OP technologies, see the *AMR Research Report* "The Handbook of Sales and Operations Planning Technologies," March 2006).

#### *Retail clients*

For retail, this should be good news in the long term. In the short term, though, not much will change. It will

take several years to rationalize Retek's demand planning with the Demantra product.

### **What this means for Demantra clients**

For Demantra/JD Edwards clients, the deal solidifies the relationship regarding current investments. For Demantra/SAP clients, the answer is less certain. Over time, as Oracle and SAP face off to redefine SCM, we expect competition to intensify as two distinct ecosystems form.

While Demantra recently certified as a SAP NetWeaver partner, this acquisition will test SAP's market commitment to an open ecosystem. In the short run, not a lot will change. In the long run, however, these customers should watch the market and prepare for alternatives.

### **What this means for the market**

For the market, this means three things:

- **Businesses should plan for continued application consolidation.** Since February, **Lawson** acquired **Intentia**, **JDA Software** snapped up **Manugistics**, **Infor** merged with **SSA Global**, and now Oracle is buying Demantra. Manufacturers, retailers, and distributors should continue to buy best-of-breed applications tactically, looking for ROI in two years (or less), and consider hosted products with clear clauses on data ownership.
- **Demand planning is growing in importance.** Oracle's purchase of Demantra is testimony to the rising importance of demand planning for demand-driven strategies. Market interest continues to grow in the role of demand planning in improving demand sensing and shaping.
- **Oracle is serious about building a best-in-class SCM product.** The purchase of Demantra was not a trivial investment for Oracle. It is responding to market feedback to close the demand planning gap quickly to improve its end-to-end product. This makes Oracle a much more serious contender in the SCM market.