

QUICK TAKE



October 15, 2004

Two Technologies That Marketing Service Providers Should Know About

by **Eric Schmitt**
with Elana Anderson

EXECUTIVE SUMMARY

Database marketers are perennially looking for easier, faster, and more cost-effective ways to access and manipulate customer data. Two vendors, Netezza and Alterian, have independently addressed this issue. Each product has a very different secret sauce and is appropriate for different types of end user deployments — but both are worth a look from database marketing service providers.

BOTH PRODUCTS OFFER SPEED AND COST BENEFITS

Ask database marketers what frustrates them most about their work, and invariably they will come back to time and money.¹ Time in the form of delays: delays in building the new marketing database, processing customer data updates, or getting query results. Money in the form of the cost: the expense of technology and staff. In fact, marketing organizations often outsource the design and management of marketing databases expressly to save time and money.²

We recently examined two technologies that offer significant speed and cost-effectiveness benefits to database marketers. Both are particularly well-suited for marketing services companies, which can package the technology into more complete database design and management solutions.

NETEZZA ADDRESSES DATABASE MARKETERS' NEED FOR SPEED

The Netezza Performance Server system is a turnkey data warehouse appliance based on the vendor's own ANSI SQL, ODBC-compliant database platform and composed of dozens to hundreds of parallelized CPUs, each coupled to a hard drive.³ The product is optimized for high-end data warehousing environments — its top-of-the-line system can manage 27 terabytes of data — and is particularly compelling to marketing service providers because it offers:

- **Outstanding query performance.** Netezza's proprietary technology breaks database queries into parts and then parallelizes them across the platform. This all happens at internal transfer speeds in excess of 100 terabytes per hour. The bottom line is remarkable: Epsilon, which runs Netezza on behalf of four clients, reports running what was a 30-hour query — albeit on an older, smaller Oracle-Sun setup — in just 3 minutes on the new Netezza appliance. Other query responses arrive in seconds — not hours — giving marketing analysts the ability to make real progress in one sitting.



Headquarters

Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139 USA
Tel: +1 617/613-6000 • Fax: +1 617/613-5000 • www.forrester.com

- **Rapid database load and build times.** Moore's Law notwithstanding, most firms still run marketing database updates overnight, thanks to the large data volumes involved. Netezza's fast load speeds mitigate this delay, and its architecture allows for updates to take place in the background, without disturbing end user queries.⁴ In addition, because the system automates many aspects of administration — like tuning and configuration — initial build times can be significantly reduced. One client reported building and loading a sample 3-terabyte, 440 million-row credit database in two days.
- **Cost-effectiveness.** The basic Netezza appliance lists at US \$750,000, includes 56 CPUs, 2.25 terabytes of usable, mirrored storage, and all the other hardware and software needed for out-of-the box support of SQL-over-ODBC. This compares favorably with like combinations of hardware and software from vendors like IBM, Oracle, Sun, and Teradata. More importantly, Netezza's appliance approach requires significantly less care and feeding than standard relational databases, thereby decreasing total cost of ownership.

ALTERIAN'S MARKETING SUITE: LOTS OF FUNCTIONALITY, LITTLE RISK

Alterian's software lineup offers a combination of campaign management and customer analytics functions built on top of a proprietary, inverted (column-based) database. The vendor distributes its technology exclusively through marketing service providers, which in turn incorporate the software into services aimed at end user database marketers. Alterian launched in the UK market, where it has approximately 100 implementations, but it is also attracting significant attention in the US thanks to its:

- **Breadth of capabilities.** The most attractive aspect of Alterian's software is its ability to address a wide range of marketing problems that have historically required separate tools. Most importantly, the product combines campaign management, segmentation, reporting, and data visualization tools, although it also offers modules for modeling and list management. All modules have a visual interface designed for use by marketers, are based on Alterian's underlying database engine, and can be customized with included development tools. The entire package is designed to run on Wintel and is based on Microsoft's COM/DCOM architecture.⁵
- **Speed.** When Alterian is operating in its comfort zone — the average database numbers 15 million customer and transaction records — it responds significantly more quickly than like systems built on a standard relational database.⁶ The vendor's own benchmarks quantify the performance advantage at 30x, a range that customers tell us is accurate. As in the case of Netezza, this speed-of-thought analysis provides valuable productivity benefits.

- **Risk-free sales model.** Service providers pay Alterian an annual partnership fee for rights to technical materials, training, marketing support, and development tools. As these firms take their end customers live on the software, they pay the vendor an annual or monthly royalty based on number of users, modules, and database size. These fees range from \$50,000 to \$200,000 per year. This pay-as-you-go model reduces risk. There is also a project pricing variant, making it feasible for service providers to use the technology for bids on short-term project work.

RECOMMENDATIONS

CONSIDER NETEZZA ON THE HIGH END AND ALTERIAN IN MIDMARKET DEALS

Netezza and Alterian have several things in common, including their use of performance-enhancing proprietary technology and their appeal to marketing service providers. However, there are also notable differences between the products, differences that make them suitable for very different environments.

- **Netezza suits high-end deployment scenarios.** Netezza's sweet spot is large, high-end database systems, like credit prospecting systems, territory where Oracle, IBM, and Teradata have historically dominated.⁷ Unlike Alterian, Netezza sells direct, which also makes it an interesting option for any firm looking to combine large volumes of data and execute analytic processes quickly.
- **Alterian makes a great midmarket complement to Unica.** Among marketing service providers, Unica has become the de facto standard for campaign management. However, the premium nature — and price — of the suite can make for tough midmarket economics. Enter Alterian, whose functional and financial positioning make it a perfect fit for deals that don't require a standard relational database or high-end scalability but do call for an integrated, easy-to-use package of campaign management and customer analysis tools.

ENDNOTES

- ¹ Earlier this year, we asked 49 database marketers about their biggest pain points. Their No. 2 response: "Getting campaigns out the door faster." See the September 27, 2004, Market Overview "Database Marketers Gain Influence But Lack Enterprise Coordination."
- ² Streamlining operations — and sidestepping internal IT organizations — are key reasons that marketers outsource the design and management of customer databases. See the March 14, 2003, Brief "The Value Of Database Marketing Service Providers."
- ³ For a more detailed look at Netezza, see the August 21, 2003, IdeaByte "Changing Economics Of Data Warehousing: Get An Appliance!"

- ⁴ Epsilon conducted a benchmark in which it compared a Netezza appliance against a comparably priced setup from Sun. The sample database load — 168 million records across seven source tables — took 12 hours. Netezza ran the job in 3 hours. Another exercise called for a new table to be built by joining three existing tables. The Sun system ran the operation in an hour. Netezza took 3.5 minutes. Netezza claims load speeds in excess of 200 gigabytes per hour. One caution: The vendor hasn't yet submitted to the audited industry standard TPC-H data warehousing benchmark.
- ⁵ Alterian reports that a .NET version of the software is in development.
- ⁶ Alterian indicates that one customer is deploying a 100 million-row system and that it has developed custom versions of the software for even larger engagements.
- ⁷ Marketing service provider Epsilon is deploying a Netezza system for one major bank for just this purpose.