Oracle's Agile Buy Could Boost PLM

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With Oracle's intended $495 million acquisition of software maker Agile Software, product lifecycle management may finally have its day.

PLM software, which manages a product's life cycle from design and material procurement through marketing and after-sales, promises manufacturers shorter time to market through process automation and efficiencies. But that promise has been slow to materialize.

"While - PLM - has pretty consistently failed the prognostications of category growth over the past four or five years, the reality of what we are implementing with customers, particularly those who have global deployments, suggests something different," argued Jay Fulcher, president and CEO of Agile Software, in San Jose, Calif.

To really work effectively, PLM software has to touch just about every system in a company and along the supply chain - including financials, ERP (enterprise resource planning), SCM (supply chain management), SRM (supplier relationship management) and CRM (customer relationship management) - and essentially reshape the way customers view product-centric processes.

"Not that you have to duplicate those processes, but you have to access and rephrase them with a product-oriented perspective," said Jon Chorley, vice president of SCM at Oracle, in Redwood Shores, Calif.

PLM vendors have had difficulty influencing processes beyond the engineering department. Cash-rich and globally focused, Oracle intends

to change that.

"I think Agile's message has been very much around PLM and how does it drive top-line growth. That - message - is easier to deliver from Oracle. We like that message; we can deliver more emphatically to the executive office, rather than [in] a discussion on the engineering level," Chorley said. "Not that Agile doesn't do [engineering] well, but in terms of the real business value of PLM, we think with Oracle's presence we can deliver that message to the CEO. That's what we intend to do; in doing that we will help shape the market."

Analysts agree that Oracle's acquisition of Agile is a good move for the company - and the industry.

Technology Business Research Analyst Stuart Williams said he believes the acquisition accomplishes three key goals: "One, Oracle acquired the kernel for a PLM business around which the company will make additional acquisitions; two, PLM becomes the 'tip of the spear' for the coming Oracle assault on SAP's core manufacturing vertical business; and 3) it is a recognition that PLM is rapidly becoming a core process driving new business and revenue opportunities … across multiple industries."

Taken separately, Williams' positions - outlined in a May 16 research note - bring up some interesting points. On additional acquisitions around PLM, Chorley offered up the typical response: Software is never done. But he also drilled a little deeper, saying Oracle will look at ways to bridge Agile's e6 industrial manufacturing suite with its more modern-architected Agile 9 suite. Oracle will also look at how some of Agile's interactions with ERP "can change the game," Chorley said.

"PLM has its roots in engineering - how do you get something out of CAD and do something with it. But when you think about the name, it

says there's a life cycle associated with the product. It starts with ideas that come from customers or the field, then there's competitive analysis and … design, limited production, rollout, promotion and so on," Chorley said. "Then there - are - end-of-life issues - the right time to introduce new variants or kill a product - each of which has some level of touch points available in the full system capabilities of Oracle."

To this end, Oracle plans to tap its recently announced Application Integration Architecture to bridge processes between Agile and Oracle's disparate ERP suites - although since 40 percent of Agile's customers already are Oracle customers (another estimated 50 percent are SAP customers) many third-party-created integrations already exist.

Oracle also plans to integrate Agile with its upcoming Fusion Applications suite due in 2008, though Chorley is careful to differentiate between making Agile's applications "Fusion-friendly" - meaning Web services-based and J2EE (Java 2 Platform, Enterprise Edition)-compliant - and rewriting Agile's code to fit in Fusion. "As to when we chose to rewrite Agile, we'll do that when it makes sense," he said. "Right now there is nothing compelling given the freshness of Agile's - software - ."

Williams' second point, that PLM will become the tip of the spear for Oracle's coming assault on SAP's core manufacturing vertical, may have some merit. But Oracle still needs to catch up to SAP, which has a native PLM product and deep expertise and history with manufacturers across vertical industries. The SAP PLM suite includes modules for life-cycle data management, program and project management, life-cycle collaboration, quality management, enterprise asset management, and environment, health and safety compliance, according to the company's Web site. The suite itself is built on a technology framework that supports standards like HTML, XML and WAP (Wireless Application Protocol) for interoperability.

AMR Research Analyst Kevin O'Marah said that while Agile is pretty strong in SAP's customer base, "Oracle has an opportunity to attack some of SAP's customer base with a value chain message. … That's great news for Agile. Hopefully Oracle can use them strategically."

Given that Oracle is a fierce competitor to SAP, Agile brings a hidden gem: Paul Wahl. An Agile board member since 2002, Wahl previously served as the CEO of SAP America and was an executive board member of SAP AG. During his tenure he oversaw operations in North, South and Central America as well as worldwide marketing and partner relationships. He also oversaw product development at SAP.

Oracle's Chorley brushed off Wahl's significance, saying Oracle has a number of SAP veterans on staff that know SAP quite well.

Still, the views of someone with both PLM and SAP expertise could be valuable. TBI estimates that SAP generated over $230 million in PLM-related license revenue over the trailing 12 months, or over 6 percent of total revenues. "Oracle reports Agile generated $130 million in total revenue, including license, maintenance and services," wrote Williams in a May 16 research note.

And as Williams points out, the PLM market is not standing still. UGS, PTC (Parametric Technology Corporation), SAP and Dassault Systemes will continue to expand the scope and functionality of their PLM portfolios - and form alliances.