

LucidEra emerges from stealth mode with hosted BI service for SMEs

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IMPACT REPORT

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The software-as-a service (SaaS) market in business intelligence has just become a little more crowded. New startup **LucidEra** has come out of the woodwork with a hosted BI service that – unlike most of its ilk – is not for **Salesforce.com**. Currently in pilot with three customers and due to go into beta next month, the service has been built using source code from CRM and marketing automation firm **Broadbase Software**. In fact, the majority of LucidEra's engineers come from Broadbase, which was acquired by CRM vendor **Kana Software** five years ago.

The service also draws on data cleansing, matching and de-duping functions licensed from **Systems Support Alternatives** and the Mondrian open source online analytical processing (OLAP) engine. The 30-person LucidEra plans to look for more money next year to build out sales and marketing functions, having raised \$7m from **Benchmark Capital** and **Matrix Partners** in a series A round in August 2005.

Impact assessment

The message

Taking the cost, complexity and customization out of BI is LucidEra's raison d'être, and the rationale behind its hosted BI platform. Management also contends that the midmarket is still under-penetrated in BI as a result of the cost and IT overhead involved in managing on-premise deployments, which is why it is targeting this sector.

Competitive landscape

SeaTab Software is also going after BI deployments in the midmarket with a SaaS deliverable, and another startup, Business Events, has an industry-specific hosted BI offering. The majority of hosted BI services for SMEs, including those from Celequest, Business Objects, Visual Mining and JasperSoft, are for Salesforce.com and are designed primarily as an operational reporting replacement for Salesforce.com's own reporting tools. Microsoft is the most entrenched midmarket incumbent. Open source BI startups JasperSoft and Pentaho, and data warehousing open source startup Greenplum, are also going after midmarket accounts.

The 451 assessment

The midmarket BI sector is becoming more and more crowded, with the enterprise segment arguably saturated. As a consequence, enterprise incumbents have moved downstream to look for new avenues for license software growth, and a gaggle of startups using either open source or SaaS as a delivery model have sprung up to provide alternatives. Although LucidEra is fairly unique in what it is offering for SMEs, we wonder how long it will be able to maintain this position, given the groundswell in momentum for SaaS in BI these days. Furthermore, it's very early on for the startup, which needs to build a reasonable bank of paying customers with the price points it is charging to deliver meaningful revenue.

Context | LucidEra is likely to raise its head above the parapet a little more in mid-November, when a beta version of its hosted BI service becomes available. Established in July 2005 by CEO and founder Ken Rudin, LucidEra raised its first tranche of cash one month later when Benchmark and Matrix pumped \$7m into the startup, which it used for product development. Next year, LucidEra plans to look for additional investment for sales and marketing.

Rudin started out running **Oracle's** parallel server group and, among other positions, headed up Salesforce.com's engineering group in the late 90s, sat on the original advisory board for **NetSuite** and created **Siebel's** On Demand business unit. Currently a team of 30 staff, LucidEra's engineering team came from customer analytics and marketing automation firm Broadbase, which was acquired by Kana for \$75.8m in 2001, and its hosted BI service relies in part on Broadbase source code.

Headquartered in San Mateo, California, LucidEra currently has three customers in pilot with its on-demand BI platform. It is currently using a local provider to host the BI services, but plans to move it to a co-location facility in the near future.

Technology | As with any hosted service, the overarching aim is to hide the back-end complexity to the end user. In LucidEra's case, this comes in the shape of a role-based dashboard accessed through a browser. The dashboard enables users to view reports and perform tasks including changing and adding filters to get different report views or analysis – without needing to ever make changes to the underlying database tables.

The idea behind the hosted service is that it provides a complete BI stack for end users. There is, therefore, built-in ETL (extract, transform, load), security and data quality capabilities. Although the database engine and ETL engine are derived from Broadbase code, executives report that extensive modification has subsequently taken place to evolve both elements into a native multitenant/hosted architecture. The data cleansing, matching and de-duping functions have been licensed from SSA.

The on-demand BI service also draws on the Mondrian open source OLAP engine for back-end analytics. LucidEra has built a user interface for Mondrian since it doesn't have its own front end, and has reportedly developed additional modifications so that it's also multitenant. The other element in the platform is connectors to pre-built source systems – again with the aim of pulling information from various sources without user intervention. Built in-house, these connectors are currently for Salesforce.com, NetSuite and Oracle Financials, and are designed to combine data from these systems with Web data into pre-built reports, as well as feed the analytic applications detailed below.

Connectors for **Microsoft** Dynamics GP (formerly Great Plains) and **Intuit's** QuickBooks are next up early next year. There are also plans afoot to build others for **FrontRange's** GoldMine, Oracle's Siebel, **Pivotal Corp** and **Onyx Software's** CRM applications.

Products | Forecast-to-Billing is the first pre-built application LucidEra plans to deliver as part of its platform. The game plan is to build some of these analytic-type applications itself, but also look to partners to create others to sell on top of the underlying platform.

Forecast-to-Billing is designed to pull customer data from a CRM system, combine it with financial data in an ERP system to enable end users to track and monitor the customer acquisition-to-cash collection process. If a pre-built connector is not available for this task, LucidEra has a so-called Universal Connector that is designed to export files in a CSV file format. If the underlying source system can't export to CSV format, it can be poured into Excel, which supports this file format, and then saved as a CSV file, according to executives.

The 360 Degree Customer View application will be the next out of the door in late 2007. Where Forecast-to-Billing is about tracking customer trends, 360 Degree Customer View is more about enabling end users to work out customers' win rates versus competitors, and customer profitability, for example. End users are presented with a dashboard to measure individual customer metrics against a prevalent customer trend.

Pricing | The hosted BI service that goes into beta mid-November starts at \$3,000 for the initial setup and up to five users a month. LucidEra is then charging \$50 per user per month. The fee is either payable as an annual subscription or on a month-to-month basis. The Forecast-to-Billing application is included as part of this base package, as is customer support and 5GB of storage, according to management.

Competition | We still feel that **SeaTab Software's** PivotLink on-demand BI service is the closest current alternative to LucidEra's – even though PivotLink is driven by an in-memory database to run ad hoc queries on-the-fly, while LucidEra's is driven by a hosted data warehouse. Why? Both are on-demand offerings for the midmarket BI sector in their own right – not for Salesforce.com. Furthermore, both startups are trying to build a business around the SaaS model only. However, LucidEra executives disagree. They argue that SeaTab is primarily a consulting company with a SaaS offering that requires heavy customization – unlike its own.

Fellow startup **Business Events Inc** is also trying to build a business purely on SaaS in BI, although it provides a hosted service for exception analysis for pharmaceutical and consumer packaged goods firms, and is therefore a vertical play – unlike LucidEra's hosted BI service, which is a horizontal offering. Vendors providing reporting tools in SaaS mode for Salesforce.com include **JasperSoft, Visual Mining, Celequest** and **Business Objects**. Business Objects also has a version of its Data Integrator ETL tool for Salesforce.com.

Pentaho, JasperSoft and **Greenplum** are going after the midmarket with the messages of low cost and ease-of-use – like LucidEra – except they are using more open source software and provide on-premise deployments. LucidEra argues that the IT overhead to manage these on-premise offerings does not make them rivals. We are not convinced.

Microsoft is clearly the primary competitor in the midmarket even though Business Objects and **Cognos**, for example, have moved downstream of late. However, all three are still primarily selling on-premise BI software.

SWOT analysis

Strengths	Weaknesses
LucidEra's management team is experienced in developing and marketing SaaS for business intelligence. The startup also has a greenfield market opportunity since most current hosted BI services are designed as an alternative to the reporting tools in Salesforce.com.	It's an unknown startup trying to evangelize a new approach to BI, which may not be well accepted by more conservative midmarket organizations.
Opportunities	Threats
The pricing model is relatively low cost, which will appeal to the cost-conscious midmarket, as will the lack of IT overhead involved.	Although management contends that it's a multiyear development effort to build a hosted BI service, unless a vendor follows LucidEra's route by using existing source code, we contend that direct competitors will appear – possibly using the experience of delivering tools for Salesforce.com as a starting point.

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