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Industry Stats: Cognizant: Consolidation and Compliance Drive Data Warehouse Growth

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As company strategies are increasingly demand-driven, data warehouses and downstream business intelligence that are its life blood are playing an ever more important role. In this rapidly changing marketplace, the most successful companies are those that can predict - and react faster - to market trends and opportunities.

To make sound decisions quickly, companies are looking to improve the accuracy and timeliness of their information on markets, customers and competitors. Therefore, it is critical that accurate information is available right away.

In the U.S., in particular, the need for fast and accurate business intelligence (BI) has taken on a special urgency as companies increasingly make investments to comply with the U.S. Public Accounting Reform and Investor Protection Act of 2002, known as the Sarbanes-Oxley Act. Complicating the issue across the globe is the proliferation of multiple legacy data sources that frequently make it difficult to determine what data you have and where it is stored.

Observing a spike in demand by its customers for business intelligence and data warehouse solutions, Cognizant Technology Solutions recently surveyed its customer base to measure the dimensions of this trend. Anecdotal indications of a groundswell in demand for these services over the past two years were borne out by the statistics that Cognizant harvested.

Between 2002 and 2004, Cognizant found a nearly 50 percent annual increase in the number of business intelligence projects requested by its customers, jumping from 50 in 2002 to 110 in 2004. The lion's share of these were development efforts, which scaled from 27 in 2002 to 55 in 2004, an annual growth of more than 40 percent. Maintenance projects were a close second in volume, increasing by 50 percent annually from 20 in 2002 to 45 in 2004. The most dramatic growth rate, however, was in business intelligence strategy projects, which rose by over 80 percent annually from three in 2002 to 10 in 2004.

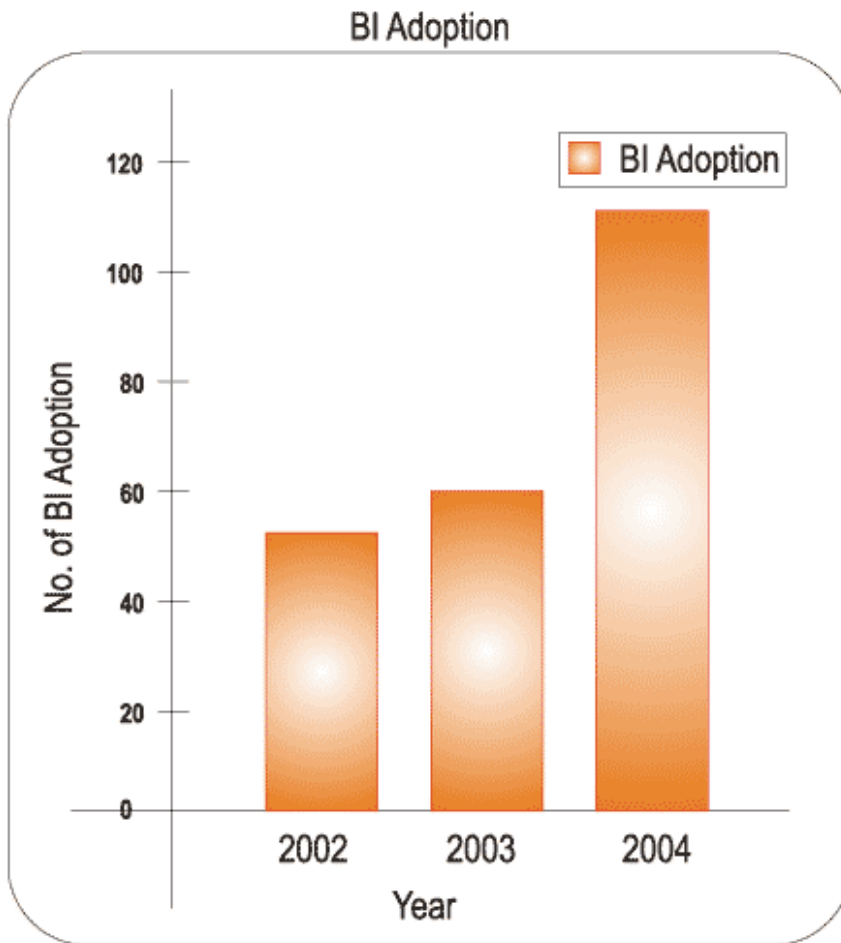


Figure 1: Adoption of BI Projects Grew 50 Percent Annually Between 2002-2004

Size, it appears, does matter when it comes to business intelligence and data warehouses. The growing emphasis on business intelligence and data warehousing is presenting fresh challenges to IT departments, both large and small, straining infrastructure and budgets and the data warehouses themselves. One measure is the explosive expansion in the size of data warehouses. When Cognizant looked at its customers from 2002 to 2004, the company found that the size of customers' warehouses grew by 400 percent annually as measured by the average number of reports produced per data warehouse, rising 16-fold from an average of 500 reports in 2002 to 8,000 in 2004.

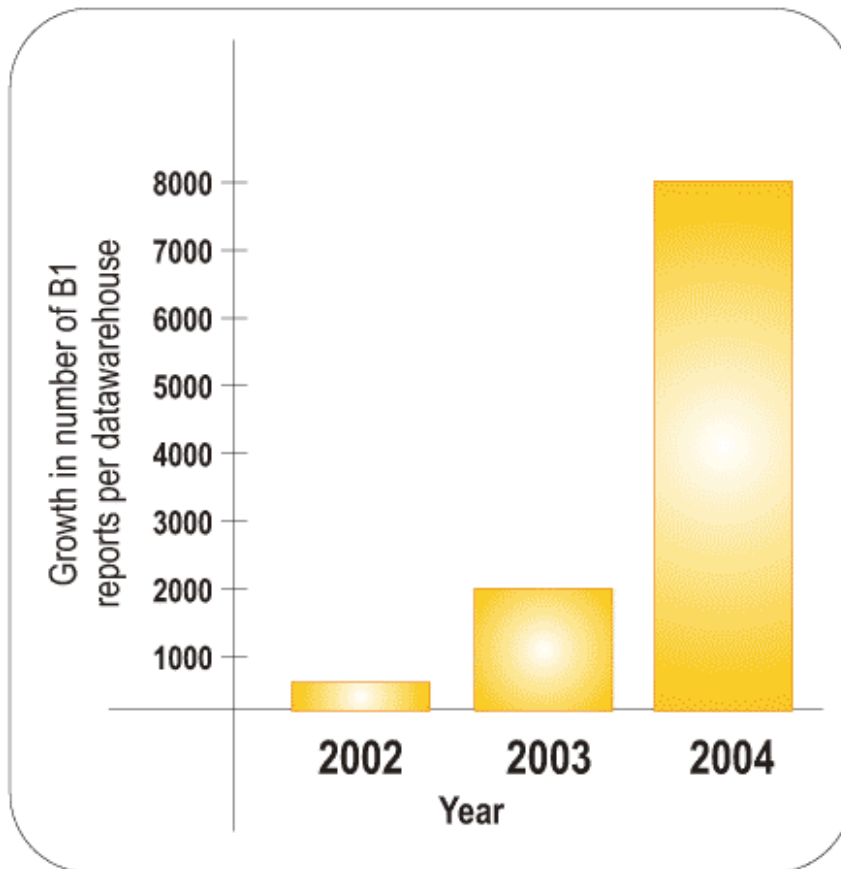


Figure 2: The Number of BI Reports Per Data Warehouse has Grown 400 Percent Annually

The number of terabyte-size data warehouses increased by over 150 percent annually, jumping from three in 2002 to 19 in 2004. In addition, Cognizant discovered that the average number of users grew by over 40 percent during the two-year period studied.

Adding to the complexity and administrative challenges is the domain spread within data warehouses. Cognizant found that the number of data warehouses with more than three subject areas grew by over 140 percent annually between 2002 and 2004. This reflects the growing complexity and maturity of business intelligence solutions as more parameters are added to the analytic mix.

A more telling metric than the number of BI projects adopted, number of users, reports generated and the size of data warehouses, however, is the growing utilization of business intelligence and data warehousing solutions as tools for steering corporate strategy and performance among Cognizant's customers.

The concept of business intelligence has been around since 2400 BC when Sun Tzu wrote in *The Art of War* that, to succeed in war, you should have full knowledge of your strengths/weaknesses and full knowledge of your enemy's strengths/weaknesses. Modern times gave that idea short shrift. Until recently, many

companies thought that, like military intelligence, business intelligence was an oxymoron. While that attitude was in the ascendancy, companies dragged their feet in investing in business intelligence solutions and systems, risking their own ability to grow ahead of their competition.

The rise of the ultra-competitive global marketplace in the 21st century, however, captured the attention of CEOs, and the most-savvy enterprises began to accept and adopt these solutions and systems to stake out a competitive advantage. The impact of competition was best felt in the growing acceptance of BI among the business user community. When Cognizant found that the BI acceptance rate among the business user community across customer organizations in 2002 was only 20 percent. By 2004 this figure had increased to 40 percent.

Cognizant also measured the percentage of business users who have accepted BI as a way to establish competitive advantage. The BI acceptance rate, growing 25 percent annually, demonstrates the growing importance of data warehousing and business intelligence for Cognizant's customers.

Business intelligence, however, has migrated far beyond its original role as an external tool to gain competitive intelligence. Today, BI increasingly finds itself center stage in a starring role as a critical tool helping businesses comply with a sea of government-mandated reports.

Compliance became a buzzword in late 2003. Prior to the passage of the Sarbanes-Oxley Act in 2002 in response to a wave of sensational corporate fraud cases, compliance reporting was not a significant pain point for most enterprises. Sarbanes-Oxley was designed to reduce fraud and conflicts of interest, while increasing transparency and public confidence in the markets.

Cognizant found that only four percent of customers made investments in compliance reporting in 2002. By 2004, the number of Cognizant's clients making investments in compliance reporting doubled, an increase of 40 percent. This trend continues, suggesting that we have reached an inflection point for compliance reporting.

As business intelligence is distributed more freely within organizations, companies need to simplify BI tools and educate employees from line managers to board members on how to use them. What makes this a daunting mission is the proliferation of stand-alone legacy BI systems that have built up over time. Frequently, companies find it difficult to determine what data they have and where it is stored. Streamlining the BI food chain is a critical task.

Cognizant found that BI consolidation and migration projects have become a high priority. In 2002, only eight percent of Cognizant customers made investments in consolidation and migration; by 2004, that figure had more than doubled to 18 percent, showing an annual growth rate of 50 percent.

The significance of the trend toward business intelligence consolidation was highlighted in a study The Economist Intelligence Unit conducted on behalf of Cognizant. When the Economist queried 125 senior executives, 75 percent of the respondents said the consolidation of stand-alone systems was a strategic priority to

improve the quality of decision making in their organizations.

Cognizant analyzed information from customers across all industries in North America and Europe, with primary emphasis on its Global 1000 customers. Cognizant found an increased demand for linking business intelligence with business results. The business problem is significant. Cost pressures and compliance reporting, particularly to meet the requirements of Sarbanes-Oxley, are driving the demand for business intelligence. This poses daunting challenges for IT infrastructure, data warehouse consolidation and cost management. From an IT perspective, the challenge of enhancing the quality of business intelligence and business results is compounded by stand-alone legacy systems that need to be modernized, consolidated or migrated to new platforms.

Companies are now working to standardize business intelligence across their organizations. Cognizant found that more and more of its customers are placing emphasis on data quality and are investing heavily in data quality tools. The next wave of business intelligence solutions will be exploited by organizations that take a strategic view of their data assets and harness them effectively to improve make effective strategic business decisions. This is the role that business intelligence will play in the future.

For more information visit Cognizant's Web site at <http://www.cognizant.com/>.

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