Datawatch enters the self-service data preparation fray in earnest

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The company has taken its smarts in handling semi-structured data and visualization, and together with drivers from Progress Software and a homegrown user-friendly interface, entered the sizzling self-service data preparation sector. The move could enable Datawatch to really shine.
When we last checked in with Datawatch, the software veteran had begun a transition to being a purveyor of self-service data preparation. The introduction of Datawatch Complete in July 2015 wrapped up the move. Datawatch is now on a mission to provide self-service acquisition, preparation, governance, automation and visualization of multi-structured data sets to business analysts and IT. The company is also continuing to pursue real-time visualization opportunities, which was the firm’s former go-to-market strategy as a visual-data discovery vendor.

THE 451 TAKE
It was always difficult to encapsulate Datawatch’s core intellectual property in a catchy buzzword. Not so now. The company’s new and existing expertise in ‘munging’ and visualizing data in a variety of environments, including documents and report formats, could have finally found its sweet spot in the current movement around self-service data preparation. But Datawatch needs to stay differentiated, because the space it has moved into is as crowded and competitive as its previous market in data discovery.

CONTEXT
Datawatch continues to enhance its data visualization capabilities, which the firm acquired by reaching for streaming visualization engine provider Panopticon Software in July 2013. But rather than court data discovery deals by playing up an ability to visualize data in motion and in hard-to-wrangle semi-structured formats as a differentiator, Datawatch is now pursuing self-service data preparation opportunities.

Data visualization has become a secondary market – albeit one that the company still considers important. Management cites the streaming of sensor data for IOT use cases as one growth driver for its visualization business; streaming visual analytics in the financial services sector is another.

The company’s self-service data preparation strategy got fully under way with Datawatch Complete. Management notes that Datawatch Complete has been purchased by over 400 new customers since it was introduced in July 2015. These accounts are either new to Datawatch, or have purchased the firm’s traditional Monarch product, which is now known as Monarch Classic.

PRODUCT/TECHNOLOGY
So what exactly is Monarch Complete? And how does it differ from Monarch Classic? Monarch Complete includes Monarch Classic, but the former is a self-service data preparation tool with homegrown and some third party capabilities. The latter is a more technical and less-packaged offering, primarily employed for pushing data extracted from report formats including PDFs, ASCII files, spools and Microsoft Excel into an operational process. Monarch Complete – like all data preparation tools – is designed for data management as a precursor to analytics. The complimentary use cases for both offerings are one reason Classic customers will see the value of buying Complete. It is worth noting that Datawatch has approximately 40,000 customers using Monarch Classic, which has driven the company’s business for over 20 years.

A key difference between Monarch Complete and Classic is that Classic doesn’t have a drag-and-drop interface, so it requires scripting. Datawatch has a patent pending on the internally developed drag-and-drop document capabilities in Complete, which include automatic identification of the tables in a document. Monarch Classic also has no automatic connectivity and requires direct manipulation of the data. Monarch Complete, in contrast, houses an ODBC Driver Pack, which is designed to provide automatic hooks into a variety of data sources including external data in websites, relational data, JSON files and other sources of ‘big data.’ Datawatch struck an OEM deal with Progress Software’s DataDirect unit to provide many of these drivers.
Another core component of DataWatch Complete is DataPrep Studio. The user essentially cleans and prepares the data in Studio, by performing a series of drag-and-drop operations, correcting errors and adding to the datasets until they are complete. Once it is complete, data can be visualized using the interactive data discovery component, which draws, in part, on capabilities the firm acquired from Panopticon. Datawatch Complete comes with 80 prebuilt data preparation features for transforming, cleansing, blending and performing other data wrangling tasks. The offering also employs fuzzy matching for combining relational, web-scraped and desktop data, for example.

Monarch Complete also has data governance and lineage features. The idea is that every step in the data preparation process is reusable, so the user doesn’t have to reinvent the wheel when adding a new data source, and can also adhere to governance and compliance initiatives.

Monarch Complete also provides exports to third party BI and visual analysis environments – currently QlikView, Qlik Sense and Tableau. The strategy is to make Monarch Complete BI tool agnostic, so we anticipate export features to other analytic tools in future. A web-based cloud service is also in the works; the current version is a desktop tool. The web-based SaaS release is due to hit public beta in the second quarter of 2016, ready for general availability by the end of the year.

**SALES STRATEGY**

Datawatch is using a freemium ‘land and expand’ sales strategy for Monarch Complete. Uptake is currently for two or three users. But the expectation is that wider adoption will occur once other folks in an organization realize its value. The company also notes that it has been downloaded by approaching 7,000 users so far.

The difference between the free version and the paid-for release is that the free one is capped, limiting users to importing 100,000 rows of data, and exporting 2,000 rows. Pricing is $895 per user per annum for a subscription for fewer than 10 licenses.

**FINANCIAL**

Datawatch has just passed the fifth anniversary of its appointment of president and CEO, Michael Morrison. It is fair to say that Morrison – along with his appointed management – is in the midst of a turning the software veteran around. He has professionalized the company and made an M&A play to reinvigorate the public-traded software firm, which was in the doldrums before he took over.

However, growth was somewhat elusive last year. The company’s total revenue for fiscal year 2015, ending September 30, 2015, was $30.2m, a 14% decrease from revenue of $35.09m in its previous fiscal year. License revenue for fiscal 2015 dropped by 26% to $15.3m over the previous financial year. Datawatch also moved further into the red in fiscal 2015, reporting a net loss of $49.8m, compared with a net loss of $22.4m for equivalent period in 2014. For its first fiscal quarter of 2016, Datawatch’s total revenue was $7.1m, up from $7m in the prior year quarter. License revenue was essentially flat at $3.2m year on year. The company also reported a net loss for the first quarter of fiscal 2016 of $3.9m compared with $38.8m net loss in the same quarter in fiscal 2015. The latter included a $32m non-cash charge for impairment of goodwill.

**COMPETITION**

Datawatch has entered a sizzling but increasingly crowded sector. Self-service data preparation is targeted by a number of vendors – both established and emerging. It comes as no surprise that the company cites Alteryx as a primary rival. Alteryx – like Datawatch – brings visual data discovery, analysis and self-service data preparation to analysts. But Alteryx comes at these opportunities from a slightly different angle by providing predictive analytics in the mix.

Datawatch also notes that it encounters Paxata and Trifacta. These two startups were early pioneers in self-service data preparation. The company also reports occasional rivalry with ClearStory Data, which makes sense. ClearStory also has data preparation, harmonization and blending capabilities, which the company provides as part of an end-to-end data discovery and visual analysis cloud service.
We also expect the self-service data preparation sector to continue to heat up in 2016 as new players enter the fray. Talend is a latest market entrant – as is Harte-Hanks Trillium Software data quality division. The latter announced Trillium Prepare and Trillium Refine earlier in February, partnering with new data discovery and preparation vendor UNIFI to deliver these offerings.

Informatica is also stepping up its self-service data preparation strategy with a new on-premises offering current known as Project Sonoma. SnapLogic, Logi Analytics and ADVIZOR Solutions embraced self-service data preparation in 2015. We expect Datawatch to encounter some of these vendors in future.

Lastly, it is interesting to note Datawatch’s new competitive stance vis-a-vis Tableau, Qlik and other purveyors of data discovery and visual analysis offerings. Where a couple of years ago, the company was seeking to go toe-to-toe with this group of vendors, it is now seeking a complimentary role as the self-service data preparation element.

**SWOT ANALYSIS**

**STRENGTHS**
Michael Morrison and his team have reinvigorated Datawatch, which was languishing on the vine before he took over. And self-service data preparation could be the trend that finally enables Datawatch to take full flight.

**WEAKNESSES**
The company has refocused several times in the past few years. Datawatch’s financials are always under public scrutiny – and they tell a story of a company still looking for accelerated growth.

**OPPORTUNITIES**
Any organization looking for a self-service data preparation tool with a strong document-oriented slant and solid multi-structured data bent will appreciate what Datawatch has to offer. Monarch Classic customers are low hanging fruit for Monarch Complete.

**THREATS**
Self-service data preparation is a crowded sector – and likely to get more so as 2016 unfolds – providing a tough competitive environment for Datawatch. The company could get acquired for its data management and visualization smarts, which could be cause for concern for some of its customers.