

Syncsort fortifies data management portfolio with Pitney Bowes' Software Solutions pickup

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Introduction

Data begets more data, but not necessarily meaningful insight. The ability to derive actionable human intelligence from data requires ensuring that it has been integrated from all relevant sources, is representative and high quality, and has been enriched with additional context and information. Those challenges only become more monumental as data volume and variety grows over time.

Syncsort, as a longtime player in the data management space, is further addressing these issues with the acquisition of Pitney Bowes' Software Solutions assets – technology that complements existing data-quality capabilities to provide additional context and enrichment for data, as well as leverage customer data and preferences to drive business outcomes.

Snapshot

Acquirer	Syncsort
Target	Pitney Bowes' Software Solutions
Subsector	Data Management
Deal value	\$700m
Date announced	August 26, 2019
Advisers	Goldman Sachs & Co. (Bowes); Jefferies, Credit Suisse Securities (Syncsort)

Source: 451 Research LLC

The 451 Take

The notion that opposites attract is proven fallible time and again, and once more with Syncsort's acquisition of Pitney Bowes' Software Solutions business. Two organizations with similarly remarkable histories and presence in their respective areas of expertise are engaging in a transaction that leverages the strengths of both. Pitney Bowes, while not originally designed to be a software company, has always had intimate knowledge of consumer behaviors and location data given its heritage in the postal service. Syncsort, deft at integrating data and ensuring data quality, can use this supplementary information as context to help organizations craft leading customer experiences as they increasingly seek more multifunctional platforms and suites of products. The challenge, much as any technology-oriented acquisition faces, will be the integration of products under the hood. Different code bases are messy to merge, yet to ensure a cohesive platform experience, there needs to be a seamless end-user experience. This is Syncsort's challenge moving forward: ensuring that Pitney Bowes' assets are incorporated into the portfolio in a way that is invisible – and effective – to the multiple users of the platform.

Deal details

The Pitney Bowes asset purchase is hardly a shift in strategy for a seasoned acquirer like Syncsort – a company that, according to 451 Research's M&A KnowledgeBase, has made 12 acquisitions since 2013, largely to expand its technology and platform portfolio of offerings. The pickup of Pitney Bowes' Software Solutions business, however, is notable in its magnitude. At \$700m, the deal is Syncsort's largest to date.

Also noteworthy is the relative longevity and presence of both companies in their respective fields. Syncsort traces its technological roots back to the late 1960s, working on the problem of mainframe synchronization. Pitney Bowes, meanwhile, established itself with the first commercially available postage meter in 1920. Just as Syncsort has decades of experience in data integration, Pitney Bowes has nearly 100 years of experience in dealing with consumer and location information, given its extensive involvement in postal services.

The deal will see Syncsort taking full ownership of Pitney Bowes' Software Solutions assets, and incorporating them into the existing Syncsort data management portfolio of offerings. The capabilities being acquired are specific to location intelligence and data, data enrichment functionality, customer information management and customer engagement.

Because Syncsort today divides its portfolio into three primary pillars of capabilities – optimize, integrate, and advance – the Pitney Bowes assets will largely fit into and complement the existing 'integrate' category of functionality, which includes Syncsort's existing Trillium brand (acquired in 2016) that is dedicated to data quality. Syncsort's financial advisors were Credit Suisse and Jefferies, while Goldman Sachs advised the seller.

Deal rationale

The broader scope of data management trends suggests that platforms are getting bigger and more multifunctional. IT trends are cyclical, and the classic full-stack era, defined by purchases from one vendor, gradually evolved into a Wild West era of Lego-brick, best-in-breed point product functionality that organizations attempted to integrate. Today, we're swinging back in the direction of larger, multifunctional platforms provided by one vendor, but with the caveat and risk of lock-in. Data management purchases are no longer simply IT department purchases; they are strategic business purchases with multiple stakeholders. So data management providers today are doing their best to not only expand functionality, but demonstrate value via business outcomes.

Syncsort, given its long-term market presence, is no stranger to these cyclical trends. It is making a measured move to obtain more capabilities around customer and location data to enrich its data-quality capabilities. Ensuring the quality of existing enterprise data is only useful if the organization cannot provide additional context around data sources and sets. With the Pitney Bowes acquisition, it obtains a wealth of capabilities tied to customer and location data enrichment, helping organizations put customer behavior into context, and helping businesses enrich existing data sets – which have been verified for quality via Syncsort's existing capabilities – with location data that might not have been available before.

The single-platform approach has benefits in terms of data management. As regulatory requirements become more complex, one could argue that the 'single throat to choke' approach (with a larger platform) gives organizations an easier way to demonstrate compliance and defensibility. Instead of stitching together loose audit trails or fragmented data lineage from multiple interconnected products, customers can feasibly depend on a single software provider to provide the bulk of the information they need, which is especially important in customer/consumer use-case scenarios.

Functionally speaking, the Pitney Bowes' technology assets will largely complement existing Syncsort data-quality capabilities. These are mostly exemplified by the Trillium brand line that was originally acquired in 2016. However, the foray into consumer-specific and location-specific data is essentially new, and will help existing Syncsort enterprise customers gain further context around their existing data assets via enrichment.

Target profile

Pitney Bowes traces its heritage back to postage machines and meters, having been founded in 1920. Over the last 20 or so years, it expanded its presence in the software market with the evolving nature of commerce, investing in and acquiring a multitude of companies related to digital document management, e-commerce, GIS and location data, web marketing, transportation management and logistics, and CRM. By linking together the interdependent data and functions associated with digital commerce, the company created a more holistic understanding of customers and their needs, allowing businesses to take appropriate actions to better engage potential and existing clients.

Since 2001, Pitney Bowes has spent approximately \$1bn on acquisitions, with an emphasis on software assets. Many of these capabilities, rolled up under the Pitney Bowes' Software Solutions brand, will now go to Syncsort. Moving forward, Pitney Bowes will ostensibly refocus on core competencies of global commerce, and allow Syncsort to leverage data assets that were built out along the way.

Acquirer profile

Syncsort was hatched as concept in the late 1960s, and formally founded in 1971 by Whitlow Computer Systems, with the original Syncsort software that performed mainframe sorting functions. Today, its aptitude in handling and integrating mainframe data remains a strength, although the company is now capable of managing a vast array of modern data sources and varieties.

The last six years have seen Syncsort on an acquisition spree – acquiring 12 companies since 2013 – and expanding beyond its traditional mainframe and data integration capabilities. The company rebranded and streamlined its positioning in 2018, and consolidated its rapidly expanding portfolio of capabilities under three primary pillars of functionality: optimize, integrate and advance. Today, not including the Pitney Bowes acquisition, Syncsort is capable of a broad array of data management functions ranging from data infrastructure availability, security and optimization, to data quality and integration, to hybrid cloud and blockchain.

Perhaps most notable for the Pitney Bowes deal are Syncsort's existing Trillium data-quality assets, acquired in 2016, which are categorized under the 'integrate' pillar of portfolio functionality. Syncsort's heritage in data integration, paired with data-quality capabilities (and now data enrichment and customer data management functionality) will create a more complete workflow for organizations looking to derive insight from enterprise data.

Competition

It would be difficult to create a truly comprehensive list of Syncsort's competitors, given the breadth of its portfolio in the context of this report. However, some companies worth noting because they relate to the Pitney Bowes' deal, and the combined capabilities the technology will deliver.

Given its long-term presence in the data integration market, some of Syncsort's major competitors are also marquee vendors in that space. Informatica is a data integration incumbent that also offers a multitude of other data management and cloud management capabilities – ranging from data quality to data governance, and an enterprise-wide data catalog.

IBM, similar to Syncsort, has data integration capabilities, as well as demonstrated historical experience in working with mainframe data – something many newer providers do not specialize in. Hitachi Vantara, likewise, has a broad data management portfolio with multiple overlapping capabilities, including data integration and data quality (particularly via its Pentaho assets). Other data integration specialists include SnapLogic and Talend. Household names such as Microsoft and Oracle have suites that include data integration, data quality and customer data capabilities.

Data enrichment and data quality are overlapping functions. In terms of data quality and customer/consumer data services, Experian is an established provider, and also offers certain prep and integration capabilities. Many analytics-oriented platforms, such as Alteryx, provide capabilities for data enrichment, and have self-service integration approaches that allow for the handling of geospatial and location data. Location intelligence, specifically, has several specialty providers, such as Carto and Cuebiq.

Location data is often used to augment understanding of the customer experience. Customer engagement and customer information management is a broad category in its own right, and includes large providers such as Adobe, Informatica (primarily via Allsight assets), Microsoft, Oracle, SAP and Teradata. Customer experience specialists include Clarabridge, Genesys and Glassbox.