
The Changing Landscape of the ECM Market

*What every
Reseller needs to know*



Clearview

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Background

The Enterprise Content Management (ECM) landscape has dramatically shifted. In order for Value-Added Resellers (VARs) and System Integrators to be successful, they must closely examine where the market is today and the trends that are surfacing. Increased consolidation among vendors has put VARs and System Integrators at risk. Microsoft® SharePoint® has become a hot discussion topic that has delayed and even prevented many deals. Legacy solutions are plagued with interoperability issues and lagging technology. And this is just the beginning.

This white paper has been created specifically for the benefit of companies that are current or future VARs or Systems Integrators within the ECM industry, and related Document Imaging or Document Management segments of the ECM industry. It will highlight the specific elements that are changing in the ECM market, explore the ramifications of those changes, and provide proactive approaches that Resellers can take to maintain successful operations throughout these changing and challenging times.

The Evolving ECM Market

Anyone who has been selling ECM solutions for a moderate period of time will attest that the market is very different today from the market that existed 10 years ago. Successful VAR or Channel Partner organizations that have built their businesses around a set of products with aging value propositions will find it increasingly difficult to maintain or grow their ECM business going forward.

Clearview Software has established that the following key elements will continue to alter the ever-changing ECM market:

1. The Changing ECM Vendor Landscape
2. The Emergence of Microsoft® Office SharePoint® Server (MOSS)
3. The Rapid Evolution of Modern Technology
4. The Measurable Increase of Market Competition

The Changing ECM Vendor Landscape

The ECM industry has undergone a significant number of acquisition and buy-out transactions over the last five to six years. In fact, many industry analysts believe that this segment of the software industry is actually lagging in the normal maturation and consolidation expected over the lifecycle of a software market category. This has undoubtedly had ramifications on the Channel network of each vendor.

- **Future Uncertainty**

While some may argue that the consolidation is good for the ECM market and Customer visibility, there is still a fear of what the future may hold for the acquired companies, their products, and once highly-valued partners; and sometimes for the acquiring organizations as well.

In many cases, the companies making the acquisitions have overlapping or competing products of the companies they acquire. This acquisition strategy is known as “taking out a competitor” or an “industry roll-up.”

Tremendous volatility erupts around an overlapping product consolidation when a decision is to be made about which product will be the prominent product going forward and when the other product line will be put out to pasture. Naturally, this decision leaves Customer investments in jeopardy. The acquiring companies will often incorporate a migration plan in their acquisition financial models to show that by “killing” one product and moving the customer base (for a fee), revenue opportunities will increase and yield highly favorable economies associated with development, support, professional services, etc.

- **Complexity of the Business Relationship**

Successful ECM Resellers and Channel Partners build solid, well-functioning relationships inside of the Vendor organization. This used to be easy to do since most of the “niche” vendors weren’t terribly large in their organizational footprint, and it was easy enough to find and develop relationships that would keep your organization operationally in order. This is one of the most negative aspects of the consolidation impact as not only do the people that

you work with change, but the overall culture of the new company (especially the larger brand names) makes it highly complex and cumbersome to conduct simple business transactions such as placing orders, obtaining product license keys, etc. Don't ask about channel marketing co-op funds or other Partner-oriented elements – there is a history that suggests your pre-acquisition program will not remain intact.

A key contributor to this change in operational models and programs is that many larger companies are direct sales-oriented in their roots and do not understand the role and value that a Channel Partner business model provides to a vendor. This will manifest itself not only in the operational processes and programs, but will also impact the “rules of engagement.” All too often companies will use the acquired Partner-generated revenue to augment direct sales, and not be “pro-Channel” in their rules of engagement. For example, if a direct salesman in your backyard enters one of your customers’ backyards – it is no longer yours for new business. All too often consolidation means increased competition, and many times it comes from within the new or consolidated company.

- **Corporate Focus: Customer or Shareholder?**

There are a lot of very successful niche vendors in the ECM market that played up the “family” approach with their Customers and their business partners, and in some cases, this was sincere and proved highly valuable to all parties involved. Customer satisfaction levels and support reviews were great; however, once the company and its culture are acquired, all bets are off that the legacy company will survive. The question that begs to be asked is, “On whom is my new vendor focused for measured success going forward?” In most cases, you can look to the stock market for the answer. Larger publicly held companies have two missions at the end of the day: keeping the stockholders happy and the stock price on an upward trend. Unfortunately, the best interests of Customers and Partners don't have a line item on the profit statement. You can bet that the alignment of public companies with your business model and success objectives will have measurable gaps.

Furthermore, many organizations that have made acquisition transactions in the ECM market have come from “outside” of the marketplace. In other words, companies that may have proven experience in databases, operating systems, and disk drives – but not ECM – control the future of the ECM product line and the business strategy. Be mindful that post-acquisition retention programs expire in time.

The Emergence of Microsoft® SharePoint® Server 2007

Microsoft’s entrance into a market space is always done on a grand scale, and is backed by substantial marketing and engineering budgets. The ECM focused marketing message behind the launch of Microsoft Office 2007 and SharePoint Server 2007 has been very exciting for the industry at large.

For the majority of legacy ECM software vendors (and their affiliated Partner Channels) the emergence of SharePoint Server 2007 will be a high point in their organization’s history, as it has already caused disruption for many legacy ECM vendor revenue projections in 2007. One can quickly see the vast number of “SharePoint Integration” marketing messages that were launched in the first half of this year.

- **The Microsoft Strategy with SharePoint**

Microsoft did not develop the ECM capabilities in SharePoint to enter a new market, but rather to stave off encroaching vendors (e.g. Google) into Microsoft Office applications. SharePoint originated as a portal and collaboration product for the Microsoft environment. Like many other portal products, part of the product lifecycle was to introduce the ability to store documents and enable collaboration within the enterprise around these documents and other forms of business content. This is the root from which Microsoft’s ECM vision developed.

The strategy of Microsoft is to provide enhanced controls and integration between SharePoint and Microsoft Office so that organizations would be less tempted to use a word processing application that will exacerbate the existing problem of files scattered across file shares and desktops. A real value proposition is that organizations can replace those file shares (network

shared drives) and leverage SharePoint to manage and control documents and files.

Microsoft has begun listening to partners, industry fellows, and analysts in order to narrow the outbound messaging around the “sub-capabilities” of the ECM stack that SharePoint fills. This has helped Customers understand how SharePoint plays a role in an ECM solution framework, but is not a comprehensive solution since it is missing key ECM stack components such as Document Imaging, Report Management (COLD), just to list a couple of examples.

- **SharePoint Elongates Current Customer Buying Cycles**

Because of the interest, appeal, and confusion around SharePoint, most ECM Resellers are experiencing delays in Customer buying cycles. This trend will continue as SharePoint gains more momentum and visibility. Aside from preparing a chart that helps your Customers understand the role that SharePoint will play as a part of an ECM strategy, there is really nothing more you can do. Continuing to market an ECM solution that is not effectively utilizing SharePoint in a meaningful way will impact your sales and Customer acquisition goals.

- **Determining your Vendor's SharePoint Strategy**

Just about every major ECM vendor has made some sort of announcement around SharePoint and how their solution works with it; this is a "co-existence" strategy. Without a co-existence strategy, SharePoint makes a number of ECM products and platforms in the document and content space seem redundant. Consequently, as a "retreat and protect" strategy, most vendors have decided to play nice and become SharePoint friendly. This is all well and good for now, but as the market becomes more acquainted with SharePoint and its rich functionality and capabilities, the next question is: "Why would our Company want to continue to add more disparate silos of information around an organization that is disconnected – both from an access perspective as well as from a control and security perspective?"

Clearview suggests that a co-existence strategy will only provide a short-term window of continued sales opportunities until next-generation ECM solutions that embed or encapsulate SharePoint as a platform make their large introduction into the ECM marketplace. For any reseller who is encountering the SharePoint buzz in your market, you cannot place enough importance on this element, because having the right solution to speak to current market requirements is what can make the difference between winning the deal, or coming in second place.

The Rapid Evolution of Modern Technology

Technology changes have an impact on our market, our companies, and our ability to support our Customers. However, it seems that over the past few years, technology has been changing and evolving at a much faster pace. If you are watching the Microsoft technology wheels turn, you would see that the production machine is generating more and more new releases, products, and technology components each year. In the history of Microsoft product roll-outs, 2007 and 2008 have definitely been peak years.

The problem that is beginning to manifest in the ECM market is an issue of technology lag. This issue will only broaden – by 2009 there will be a significant gap between the current technology elements of a typical IT infrastructure and

the technology used or incorporated as a part of the ECM vendor's system platform.

The problem is that the vast majority of ECM products with a legacy in the market were built on technology platforms that originate anywhere from 10 to 15 years ago. As these products grow in user population and expand in feature functionality, it becomes increasingly difficult to adapt to new technology.

This really starts to wreak havoc on your business effectiveness when Customers ask why they are paying today's premium prices for yesterday's technology model. This is what we refer to as the cost-to-value ratio. With increasing customer savvy around cost-to-value ratios for outdated ECM technology solutions, you will face more and more hurdles trying to adeptly handle cost justification and sales objection.

Most vendors try to address this by using SOA/Web Service wrappers to "modernize" old technology, but this is only on the surface. Customers are already demanding ECM solutions that are built on contemporary technology platforms so they can experience maximum performance, stability, interoperability, and administration benefits.

Challenges from Increased Competition

For Resellers who have a history in the ECM market, increased competition is not news to them; they recognize that there are more and more competitors surfacing on a regular basis. One reason for the continued growth in ECM organizations is that the ECM industry is really hot. Driven largely by increased sensitivity to compliance, corporate governance, and other regulatory driven factors, the market has never been quite so ripe. More and more businesses are viewing ECM solutions as another part of their business application infrastructure.

Just like a telephone, network, or an accounting system, organizations need an ECM solution. This has driven the industry to be considered by most analysts as the largest growth segment of the overall software market. With all of this opportunity, an increasing number of VARs, System Integrators, and other solutions consultants are building specialized practices to capitalize on the growth.

How can you maintain a competitive edge in today's market? Here are some elements that can help you achieve your business growth and revenue objectives:

- **Value-based Selling**

When an industry becomes crowded and the competition grows fierce, price usually becomes the driver for winning deals. If this gets out of control, you might end up winning the business, but losing the war. Do not be afraid to separate yourself from your competition by leveraging your experience, the strength of your technology solutions, and the relative domain expertise that you offer. More often than not, Customers recognize high value and are willing to pay for it. Value-based selling will make a big difference to the bottom line profitability of your business.

- **Product Differentiation**

This is probably the most difficult factor to drive in your competitive deals in today's market. Customers are finding it harder and harder to see visible differentiation in the products that competitive Resellers present to them. Once again, with lagging technology all of the solutions are in close parity with each other, and generally look the same.

One of the easiest ways to separate your solution from the growing threat of competition is to align yourself with a product that offers a contemporary ECM suite built on a modern technology platform. If your Customer sees a visible, material difference during a solution demonstration, it will not only separate you from the competition, but it may also enable you to win the deal at potentially higher, value-based price points.

Summary

As the ECM market continues to grow and evolve, so does the complexity and the ability of an ECM Reseller to drive business growth and success. By staying in tune with the changing landscape and adapting your business profile, product portfolio, and technology alignments, you can maintain leadership in your specialized areas of business practice or market locale. ECM is a great business opportunity and the savvy Reseller will be the long-term successful Reseller.

An Invitation

Clearview would like to extend a special invitation to you to take a closer look at the unique ECM solutions that we have brought to market, leveraging the latest in Microsoft product technology platforms such as .NET, SharePoint Server, SQL Server 2005, XML, and SOA/Web Services. Clearview delivers an exciting, next-generation user experience that quickly differentiates your solution offering from the competition in your markets.

Clearview brings this advanced ECM solution to the Reseller, Systems Integrator, and solutions communities around a program designed to make working with our organization and our people as enjoyable as it is easy. Our team of industry veterans understands the unique elements of the document and ECM Reseller landscape and has built a company with a vision and orientation towards making the partnership meaningful and rewarding for both organizations.

We invite you to take a closer look at our company, the Clearview ECM Suite, and our Global Select Partner Program. We believe that you will quickly see the difference!

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