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Blueprint for Mid-Market Success: The Progress Company

April 2003

"The Progress Company's distinctive spin on the mid-market has enabled it to adroitly maneuver around the heavy footsteps of larger competitors."

—Laurie McCabe

Market Strategy Report

Selling Business Solutions to Small and Midsize Businesses

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**Table of
Contents**

Blueprint for Mid-Market
Success: The Progress Company

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strategies

Blueprint for Mid-Market Success: The Progress Company

Despite the fact that Progress Software Corporation (PSC) competes with IT industry titans such as Microsoft, IBM and Oracle, it has held its own and grown its business.

Referring to itself as the "anti-software software company," PSC develops products and services that help speed application development and ease application deployment, integration and management. The 21-year-old veteran boasts 50 consecutive profitable quarters; and more than 50,000 organizations across 100 countries—including 70 percent of the Fortune 100—use its technology.

The Progress Company (tPC) accounts for approximately 92 percent of PSC's total revenues, and has provided the bedrock for its parent's stability and growth. tPC's OpenEdge platform integrates the vendor's high-performance embedded database, application servers, data servers, application-development environment and framework, Internet-ready messaging and application management tools into a single product—reducing the time and labor required to develop and manage mid-market business applications. Recently, PSC created four complementary businesses (Sonic Software Corporation, NuSphere Corporation, PeerDirect and PSC Labs) to capitalize on new market opportunities, and to extend tPC's integration capabilities.

tPC attributes its success to a few fundamental decisions. On the technology side, tPC has focused on streamlining application development for ISVs, and simplifying application and database management for customers. With tPC's pre-integrated OpenEdge platform, ISVs can create applications more quickly than with alternatives that require them to assemble multiple platform components on their own. Meanwhile, end-user customers can manage Progress-based solutions without a specialized database administrator. Flexibility and integration are also vital components: OpenEdge supports all major industry integration standards and most client interfaces. Applications built on the platform can take advantage of Microsoft .NET desktop-interface tools and methodology.

On the marketing side, tPC has built its strategy around ISV partners with industry-specific and geography-specific applications. Its 2,000 ISVs provide solutions for more than 80 percent of Standard Industrial Classification codes. They generate more than $5 billion in Progress-based applications and services annually, and drive about two thirds of tPC's revenues.

The Progress Dynamics Technical Empowerment program helps ISVs accelerate application development. The vendor also offers the Business Empowerment program to help partners polish their business and marketing strategies. tPC plans to add Empowerment programs in post-sales areas such as support, service, documentation and training. tPC partners can also participate in its ASPen program, which helps them create and market hosted, subscription services. Although tPC has had some false starts, ASPen revenues grew 160 percent from fiscal year 2001 to 2002.

PSC has formulated new sales-compensation plans and joint-planning activities to cross-fertilize efforts of its own direct and indirect sales teams and those of its ISV partners. The vendor is also rolling out a branding campaign to raise end-user customers' awareness about the added value that Progress technologies bring to their business solutions.

These strategies have enabled tPC to maneuver around the heavy footsteps of larger competitors. Though IT industry giants—Microsoft and IBM in particular—are gunning harder than ever for mid-market customers, we believe that tPC will hold its own, for several reasons:

- tPC's pre-integrated environment saves ISVs time and money over alternatives that require them to integrate a number of different products and tools to create a complete development environment;

- The vendor's hybrid OpenEdge platform levels the playing field to a great extent for ISVs—developers aren't locked into a Microsoft-only platform, yet can still take advantage of .NET desktop tools and methodology;

- TPC has no plans to compete against its ISVs with its own business solutions. In addition, the vendor's commitment to help its partners prepare and position for evolving business and market requirements have helped it to cement its ISV relationships; and

- tPC's best-of-breed solution and partner strategy aligns well with mid-market customers' requirements.

With two powerhouses hot on tPC's mid-market heels, however, the vendor must stay agile and execute effectively against its technical and marketing goals. tPC's redoubled energy in these areas should ensure that its value proposition—reduced costs, simpler administration and management, and best-fit solutions—continues to get a warm welcome with no-nonsense mid-market ISVs and customers.

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**Market
Strategy
Report**

Blueprint for Mid-Market Success: The Progress Company

With annual revenues projected to come in at approximately $300 million for its fiscal year 2003, Progress Software Corporation (PSC) is not a small software company. The vendor's database and middleware products, however, compete with IT industry titans Microsoft, IBM and Oracle—vendors that consider $300 million akin to pocket change. But, Progress Software has done an enviable job of holding its own and growing its business despite these wealthy rivals, not to mention the current economic downturn.

Several factors contribute to Progress Software's ability to beat software-industry odds, but its mainstay business, the Progress Company (tPC), has provided the bedrock for parent Progress Software's stability and growth. The Progress Company's OpenEdge integrated database and application-development platform simplifies application development for independent software vendors (ISVs), and offers customers an affordable, easy-to-manage infrastructure—an attractive alternative to more complicated and expensive development platforms. As important, the vendor has forged the marketing and channel strategies, programs and relationships necessary to hold its own against industry gorillas.

In this report, we delve into the product, marketing and channel strategies that have enabled the Progress Company not only to hold its own, but to grow its business in a competitive market—even as larger competitors lean more heavily into its mid-market turf. We start with a quick overview of Progress Software,

Key Findings

The Progress Company (tPC) has competed successfully in the database and applications-development space by continually enhancing its OpenEdge database and application-development environment to give mid-market independent software vendors (ISVs) and customers a highly functional, cost-effective platform.

Although IT industry giants Microsoft and IBM are gunning harder than ever at the mid-market, we believe that tPC will hold its own because of the following:

■ tPC's pre-integrated environment saves ISVs time and money over competitive mid-market platforms;

■ OpenEdge integrates .NET desktop tools and methodology, and supports major industry integration standards and most client interfaces, providing ISVs and customers with flexibility;

■ tPC's best-of-breed solution strategy is in synch with mid-market customers.

and discuss how the Progress Company fits into its family of businesses. We discuss the Progress Company's product-design philosophy, as well as the key marketing and channel programs that have enabled it—and its ISV partners—to increase revenues and profits. Then, we look at the Progress Company's plans for the future and the potential synergies that Progress Software can create between the Progress Company and some of its other businesses. We wrap up with Summit Strategies' assessment of the opportunities and challenges that this nimble company faces as it moves forward.

Section 1   The Progress Company: Bedrock for Progress Software

Progress Software likes to refer to itself as the "anti-software software company." Founded in 1981, and headquartered in Bedford, Massachusetts, the vendor's mission is to develop software products and services that help its partners speed application development, and help partners and their customers deploy, integrate and manage business applications more easily.

That formula has served the vendor well. In an industry in which many companies fail to make the five-year mark, Progress Software is now a 21-year-old veteran, boasting 50 consecutive profitable quarters. More than 50,000 organizations across 100 countries, including 70 percent of the Fortune 100, currently use Progress technology.

PSC's ability to remain profitable during the current economic slump, as illustrated in Figure 1, is enviable, considering that gloomy financial conditions

Figure 1   Progress Software Revenue and Earnings

Progress Software has grown revenues and profits during the past three years.

Total Revenue

	Q1	Q2	Q3	Q4
$80	$61 $64 $72	$66 $68	$67 $69	$70 $72
$0	FY01 FY02 FY03	FY01 FY02 FY03	FY01 FY02 FY03	FY01 FY02 FY03

$Millions

Source: Progress Software

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have pushed many of its IT vendor peers into the red. For its fiscal year 2003, which ends in November, the company projects total revenue growth of 10 percent, and operating income of 10 to 11 percent in its fiscal year 2003.

PSC started life as a database company. In 2000, after growing and expanding its core business, the vendor decided to restructure to respond to new technology, product and market opportunities in a more agile fashion. To that end, PSC created separate operating companies to cater to different product and market opportunities, including:

- *The Progress Company,* to house its legacy database and related application-development products. tPC's flagship OpenEdge platform integrates the vendor's high-performance embedded database, application servers, data servers, fully integrated application-development environment and framework, Internet-ready messaging and enterprise-class application-management tools into a single product to make it easier and less costly to develop and manage business applications. tPC accounts for approximately 92 percent of PSC's total revenues;

- *Sonic Software Corporation,* to develop middleware based on Web-services and Internet-messaging standards, to help companies more easily share information internally and with external partners, suppliers and customers. PSC expects that, in 2003, Sonic will account for almost 8 percent of its total revenues;

- *NuSphere Corporation,* for development tools. Although the unit's average sales numbers are small, relative to sister units, NuSphere has several hundred customers. (PSC merged NuSphere's database components into PeerDirect's replication technology); and

- *PSC Labs,* to focus on new business development, research and strategic investments for Progress Software.

In 2001, the company acquired PeerDirect, which rounds out PSC's current roster of five business units, as shown in Figure 2. PeerDirect's heterogeneous database-replication system enables "anytime, anywhere" access to business information. Although PSC does not disclose revenue and customer numbers for its PeerDirect products, it has indicated that the average deal size for PeerDirect ranges between $50,000 and $100,000, and forecasts good growth potential for the line, both in terms of customers and average deal size.

PSC also acquired application service provider (ASP) infrastructure and tools vendor, Allegrix, in 2001 to supplement tPC's ASPen Program, which it began in 1999 to help ASP-enable independent software vendors using Progress's application-development tools.

At the end of 2002, the vendor purchased eXcelon, an XML and data-management software developer whose acquisition provides PSC with

Figure 2   **Progress Software Business Units**

Today, Progress Software is composed of five business units.

The Progress Company
core database and related application-development products

Sonic Software Corporation
Internet standards-based messaging products

NuSphere Corporation
Internet Application Platform based on open-source components

PeerDirect Corporation
distributed business-application-deployment platform

PSC Labs
new business development, research and strategic investments

Source: Summit Strategies, Inc.
www.summitstrat.com

expanded XML database, XML tools and object-database capabilities. These capabilities provide tPC with a ready-made integration platform, and equip its Sonic XQ product with new functionality, such as eXcelon BPM orchestration capabilities, which supplies persistent integration capabilities for extended transactions that take one or two days to complete.

As part of this deal, eXcelon's ObjectStore—a $20 million business—went to Progress Software's tPC unit. ObjectStore allows customers to pump vast amounts of data into the database very quickly. Delta Airlines, for instance, uses ObjectStore to rapidly populate its pilot-scheduling system. tPC currently sells ObjectStore as a standalone product; but, in the future, it may assimilate it into OpenEdge.

As part of PSC's strategy to embed all requisite integration capabilities into its Sonic platform, it has also partnered with iWay Software to use iWay's industry-standard adapters to enable tPC ISVs to easily integrate their applications with customers' disparate enterprise-resource planning and external supplier systems.

Given the industry's penchant for all things shiny and new, it's not surprising that Progress Software's more recent ventures and acquisitions tend to get more press attention than the established Progress Company—despite

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the fact that the unit accounts for the lion's share of PSC's total revenues. But, that doesn't mean that tPC is standing still; as with its parent company, tPC believes that agility—in technology and business matters—is vital to its longevity. In Sections 2 and 3, we discuss how tPC keeps its products and value proposition fresh for partners and customers.

Section 2	**The Progress Company Edge for Mid-Market Customers and ISVs**

All technology vendors seem to have their own unique spin on the best way to delineate the blurry mid-market sector, but the Progress Company defines midsize organizations as standalone companies or departments of large corporations with the following characteristics:

- 100 or more employees;

- Business complexities similar to that of a large company; and

- An operational and transactional orientation.

Midsize businesses have specific characteristics and requirements that distinguish them from both small businesses and large corporate counterparts, as shown in Figure 3. Some of these differentiating traits include the following:

- Predilection for business and industry-specific functionality in business software;

- Little or no in-house IT infrastructure; and

- The need to produce quick return on investment from business applications.

To meet midsize customers' distinct business and technology needs, tPC focuses on three chief objectives:

1. To enable developers to create "best-fit," industry-specific applications tailored to midsize businesses' specific requirements;

2. To provide standards-based application-integration capabilities for developers and end users to simplify integrating the typical morass of applications from multiple vendors that most midsize businesses have amassed; and

3. To give developers and customers a cost-effective platform that bests competitive solutions on both performance and value.

In contrast to alternative solutions for application development, which require that developers and customers piece together multiple platform components on their own, tPC packages its high-performance

Figure 3   **The Progress Company Perspective: Application Market Characteristics**

Midsize businesses have specific characteristics and requirements that distinguish them from both small businesses and large corporate counterparts.

Shrink-Wrap	Enterprise	Mid-Market
Mass market	Corporate standard	Operationally oriented
One size fits all	Customization is the norm	Business-specific functionality
• Low cost • No service expectations	• Costly large IT infrastructure • Extensive service requirements	• Little to no IT infrastructure • Self-maintaining; reliable, dependable
Throw-away investment	Long-term implementation Career implications	Quick ROI Bet-your-business decision

Source: Progress Software

embedded database, application servers, data servers, fully integrated application-development environment and framework, Internet-ready messaging and enterprise-class application management into a single product: its OpenEdge platform (see Figure 4). Because tPC has done the difficult work of pre-integrating these components, developers can get right to the core of application development—building business logic and workflows—quickly and easily. And, from an end-user customer's standpoint, the tPC database is much easier to manage than other high-performance databases, as evidenced by the fact that customers don't need to hire a specialized database administrator to care and feed its database.

OpenEdge's service-oriented architecture also provides core integration capabilities that allow application components to perform like services, enabling customers to easily integrate best-of-breed application modules from tPC's application partners. Furthermore, OpenEdge supports all major J2EE, JMS, Web services and XML industry integration standards, as well as most client interfaces, including Web browsers and Microsoft and Java user interfaces.

Figure 4   The OpenEdge Platform

The Progress Company pre-integrates the essential components necessary to develop, deploy, integrate and manage business applications in its standards-based, services-oriented OpenEdge platform.

Applications		
Application Framework		
Client Processing	Business Processing	Analytical Processing
Integration Services		
Application Server		
Data Management		

Development Tools · App. Mgmt. · Security

Source: Progress Software

Keenly aware of Microsoft's desktop dominance, its .NET strategy and its voracious appetite for the mid-market, tPC has taken care to insure that developers won't have to make an either/or decision between itself and the software powerhouse. The vendor's unstated, yet unmistakable, strategy is that "if you can't beat 'em, join 'em." By designing OpenEdge with a hybrid architecture that allows applications to take advantage of both the OpenEdge back end, and the Microsoft .NET desktop-interface tools and methodology, tPC offers the best of both worlds to its developers.

OpenEdge, for instance, adheres to the Windows Forms framework, the .NET programming model for developing Windows-based graphical user interface applications. This enables business logic implemented in OpenEdge to be exposed as a series of .NET objects that .NET applications can access directly. Likewise, data retrieved from OpenEdge is exposed as .NET data objects that can be bound to .NET visual controls. This approach means that developers can seamlessly integrate OpenEdge applications with Windows Forms clients, giving end users the familiar Microsoft user interface on the front end of their applications, while retaining the robust, open Progress platform on the back end.

In addition to incorporating Sonic as the core integration layer for OpenEdge, tPC has also recently integrated PeerDirect with its database. This advance enables ISV customers to provide distributed database management, enabling developers to distribute, update and maintain their applications consistently across many instances—and provide their end-user customers with improved data-sharing capabilities.

Section 3   **Putting Partners in the Spotlight**

The Progress Company has built its business on the assumption that midsize businesses prefer best-of-breed applications tailored to their own industry needs over more generic, horizontal solutions. To this end, the vendor focuses its business-development efforts on recruiting and retaining ISVs with industry-specific and geography-specific solutions.

tPC's ISVs typically both develop and sell their solutions to end-user customers, and cater to a wide range of industry segments and subsegments. tPC estimates that its ISVs provide vertical solutions for more than 80 percent of Standard Industrial Classification codes, and has partners worldwide that develop and deliver multiple solutions for the same vertical, targeted to localized market needs.
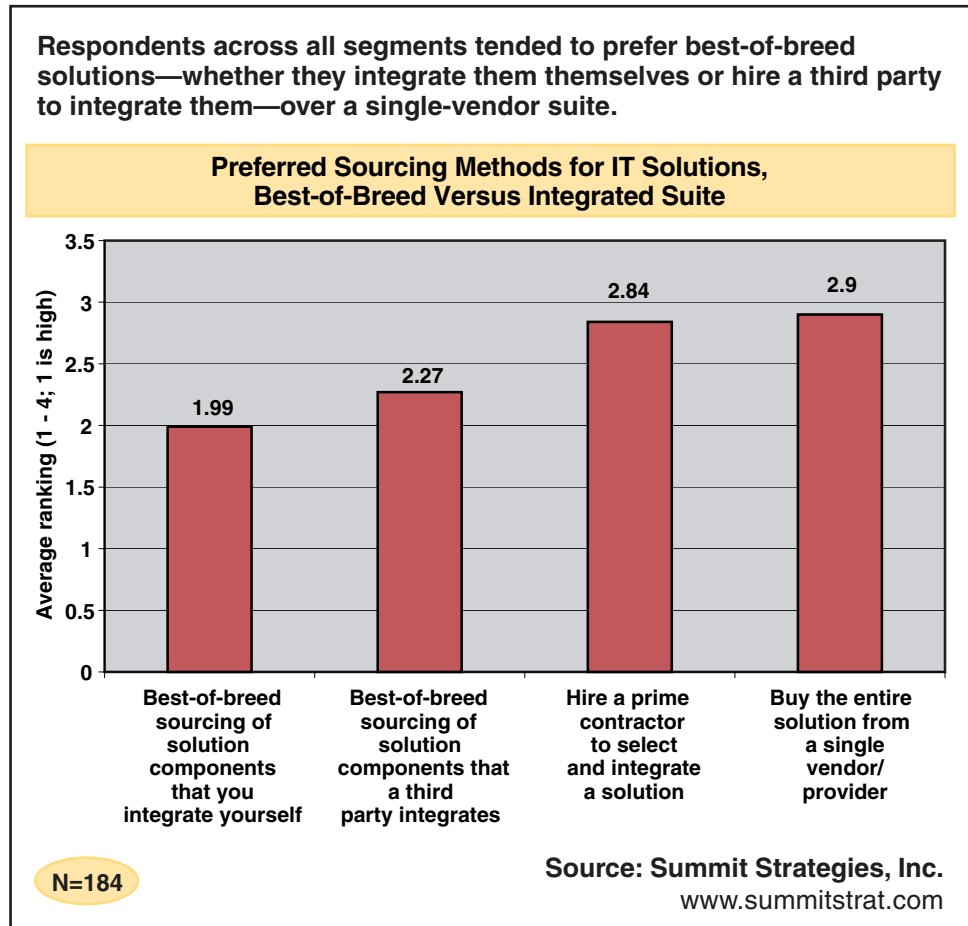
In total, the vendor has relationships with more than 2,000 ISVs and ASPs, which generate more than $5 billion in Progress-based applications and services annually, and drive approximately two thirds of the company's revenues. In conjunction with Progress, partners pitch attributes such as vertically tuned applications and industry-specific functionality, measurable return on investment, quick deployment and easy integration.

This best-of-breed positioning has worked well for tPC in the mid-market—especially when contrasted against monolithic "enterprise" suites that require customers to spend lots of time and money for deployment and maintenance, and which may not easily integrate with other solutions. While the debate over the benefits of single-vendor, integrated suites versus best-of-breed applications continues to rage, results from Summit Strategies' *Applications Hosting and Management Services Survey: Enterprise Adoption, Perceptions and Plans:* Market Watch Analysis (April 2003) indicate that tPC's strategy aligns well with current market preferences, as shown in Figure 5.

The Progress Company has taken many proactive steps to help its ISV partners respond and adapt to changing market and competitive conditions and requirements. As we discussed in Section 2, tPC has integrated OpenEdge with Microsoft .NET, so that its ISVs don't need to "choose" between Progress and Microsoft development platforms. tPC has also incorporated technologies from its sister companies to help partners gain a competitive edge. For instance, Epicor, a tPC partner since 1992, has leveraged OpenEdge, SONIC MQ middleware and PeerDirect to create a

Figure 5

How Likely Is Your Company to Use Each of the Following Methods of Sourcing for Information-Technology Solutions?

Respondents across all segments tended to prefer best-of-breed solutions—whether they integrate them themselves or hire a third party to integrate them—over a single-vendor suite.

Preferred Sourcing Methods for IT Solutions, Best-of-Breed Versus Integrated Suite

Average ranking (1 - 4; 1 is high)

Best-of-breed sourcing of solution components that you integrate yourself	Best-of-breed sourcing of solution components that a third party integrates	Hire a prime contractor to select and integrate a solution	Buy the entire solution from a single vendor/ provider
1.99	2.27	2.84	2.9

N=184

Source: Summit Strategies, Inc.
www.summitstrat.com

separate business-logic layer that enables it to easily and cost-effectively support both Web-browser and rich-client interfaces from the same back-end code.

tPC formed the Progress Dynamics Technical Empowerment program to help partners accelerate development of new applications, or re-architect older solutions with updated Progress Software technologies and methodologies. The program provides developers with a repository-based framework that enables them to abstract their application definition and deploy their solution on different platforms and client interfaces without rewriting source code. The company has two Empowerment Centers, located in Bedford, Massachusetts and in Rotterdam, the Netherlands.

tPC added the Business Empowerment track in 2002 to help partners create more effective business and marketing strategies for their new applications. The program helps partners evaluate their business requirements, and provides co-funding for lead-generation and marketing activities—such

as advertising and public relations, collateral and direct-marketing campaigns—and affords access to tPC's PR and design firms.

tPC reports desirable results from these initiatives: In January 2003, it announced that participants increased sales revenues by at least 25 percent. During the remainder of the year, tPC plans to expand Empowerment assistance to help ISVs enrich their post-sales operations in areas such as support, service, documentation and training.

tPC is also encouraging partners to integrate newer PSC technologies into their solutions. As more partners incorporate these capabilities into their applications, tPC intends to facilitate the creation of best-of-breed suites, tailored to specific industry niches. To help fuel these partnerships, the vendor has restructured its internal sales compensation programs to motivate tPC representatives to better understand partners' competencies, and introduce them into other partners' accounts when their solutions might satisfy end-user customer requirements.

In support of this initiative, the vendor is pulling together a program that will use SONIC integration technology, OpenEdge enhancements and iWay adapters to create a common integration platform. This platform will make it easy for tPC partners to plug their solutions into customers' existing infrastructures, and add other Progress applications, as the customer requires them. Although it's still early in the development cycle, tPC expects to have concrete examples of how ISVs are using this platform in customer situations within three to six months.

The vendor is also planning to launch new channel relationships with regional and local small and midsize business (SMB) resellers and systems integrators. tPC envisions serving as a conduit for pairing complementary resellers and systems integrators with its ISV partners. The vendor believes that its ISVs, with their domain-rich applications and technical expertise, can forge win/win partnerships with resellers and systems integrators that want to provide SMB customers with cost-effective, vertical solutions.
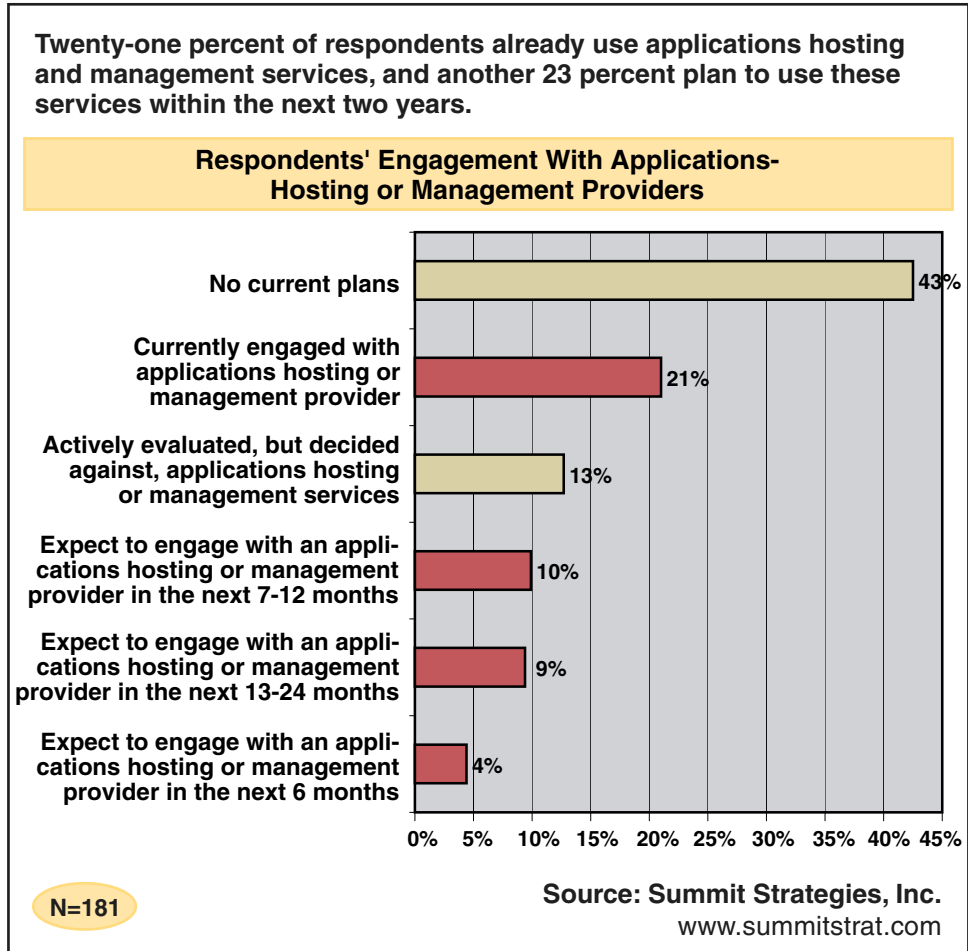

Section 4   **Staying the ASP Course**

As an early advocate of the ASP (or software-as-services) model, tPC formed its ASPen program in 1999 to help partners more easily create and market hosted, subscription, application services. In 2001, the vendor acquired Allegrix to directly provide managed-hosting services to its partners. In the ASPen model, ASP partners charge customers a monthly subscription fee for applications hosting and management services. In turn, ASPen charges its partners a percentage of their subscription fees for using its platform.

As with other vendors in the ASP space, tPC has had its share of false starts. For instance, when the vendor acquired Allegrix, its strategy was

Figure 6   **Which of the Following Best Describes Your Engagement
With Applications Hosting and Management Providers?**

**Twenty-one percent of respondents already use applications hosting
and management services, and another 23 percent plan to use these
services within the next two years.**

**Respondents' Engagement With Applications-
Hosting or Management Providers**

No current plans	43%
Currently engaged with applications hosting or management provider	21%
Actively evaluated, but decided against, applications hosting or management services	13%
Expect to engage with an applications hosting or management provider in the next 7-12 months	10%
Expect to engage with an applications hosting or management provider in the next 13-24 months	9%
Expect to engage with an applications hosting or management provider in the next 6 months	4%

0% 5% 10% 15% 20% 25% 30% 35% 40% 45%

N=181

Source: Summit Strategies, Inc.
www.summitstrat.com

to create a Progress-centric managed-hosting environment with which its
partners could easily get their ASP businesses up and running. But, it found
that it couldn't deliver managed services to its partners as cost-effectively
as volume providers, and consequently scrapped its managed-hosting ser-
vices business. Since then, tPC has joined forces with NaviSite to offer
U.S.-based partners a packaged "WebSpeed" Progress database deploy-
ment, starting at $250 per month. By the third quarter of 2003, the vendor
intends to have a similar offering through PSInet in Europe.

tPC is also still on the learning curve in terms of the revenue and settlement
arrangements between itself and its ASPen partners. Until recently, ASPen
operated on the honor system, relying on partners to accurately report their
software-as-services revenues and, in turn, pay tPC its agreed-upon per-
centage. Although many of its partners provide ASPen with regular usage
metrics and payment, others are either failing to report, or are underreport-
ing, software-as-services revenues—and short-changing ASPen. To fix this

problem, ASPen is working with program participants to cooperatively establish achievable minimum-revenue targets for each partner's ASP offering that will, in turn, stipulate a minimum annual royalty payable to tPC.

Despite these issues, ASPen revenues grew 160 percent from fiscal year 2001 to 2002, and the vendor projects that revenues will grow by at least 100 percent in 2003. This projection is in line with broader industry trends, which show that customers increasingly consider the option of having a third party host and manage their business applications. According to our recent Summit Strategies survey, 21 percent of respondents already use applications hosting and management services, and another 23 percent plan to use these services within the next two years (see Figure 6).

| Section 5 | **Integrating PSC's and Partners' Sales and Marketing** |

In addition to cross-pollinating its ISV base through both technical and business integration initiatives, PSC has been re-aligning its sales teams to better meet its objectives. During the past year, Progress Software has formulated new compensation plans, and joint-account planning and targeting activities, to drive more joint business between its own direct and indirect sales teams and those of its ISV partners.

The vendor's more than 300-member sales organization consists of tPC's sales representatives, which are roughly split 50/50 between direct-sales representatives that sell to end-user accounts, and indirect representatives that manage partner and channel relationships. PSC also has smaller specialized sales teams for SONIC and PeerDirect products. During the past couple of years, the vendor has taken steps to synchronize these teams to drive additional sales of PSC products. tPC sales representatives, for instance, concentrate on cross-selling SONIC and PeerDirect to existing tPC customers, while the SONIC and PeerDirect teams focus on selling to net-new PSC accounts. Across the board, Progress Software has invested to help its teams develop a higher-level-solution sales approach, advising customers on how to get better data quality, reporting capabilities and data distribution by upgrading their infrastructure.

tPC's indirect-sales organization's charter, in particular, has evolved significantly during the past three years. In the past, tPC's indirect-sales team was focused heavily on technology, and representatives worked primarily with ISVs, to help them adopt and use new technologies. Although the team still provides some technical expertise, its new charter has shifted to become more business-consulting oriented by helping partners to create strategies to build their businesses.

tPC is also ratcheting up marketing initiatives targeted at end-user customers. Historically, the vendor hasn't done much direct advertising and promotion to end-user customers; it has relied primarily on its applications partners to market and sell to end users. More recently, however, tPC has

begun to invest in a higher-level end-user-customer branding campaign. The campaign's mission is to drive home the message that Progress technologies supply the "secret sauce" that enables ISV partners to develop and deliver cost-effective, robust, industry-specific solutions for end-user customers. Continuing to build on these efforts, tPC will launch additional brand and marketing initiatives later this year, which will target specific industries and highlight mid-market customer and partner successes.

Section 6   Dancing With Giants

The Progress Company's distinctive spin on the mid-market has enabled it to adroitly maneuver around the heavy footsteps of larger competitors.

The vendor's fancy footwork is evidenced by the following:

■ Continual enhancement of its OpenEdge platform to give partners and customers a highly functional and cost-effective platform. Because tPC pre-integrates all of the necessary components into a single platform, OpenEdge developers can quickly get to the business of creating true added value, without becoming mired in pesky technology and integration issues;

■ By integrating critical new PSC integration and distribution technologies from SONIC, PeerDirect and eXcelon, tPC continually provides its partners with fresh technologies that they can use to rapidly develop and deliver pragmatic customer solutions;

■ Designing OpenEdge with a hybrid architecture that integrates with Microsoft .NET desktop-interface tools and methodology. This enables tPC's ISVs to simultaneously take advantage of Progress's strong platform and Microsoft's rich—and ubiquitous—Windows interface;

■ Commitment to help its partners prepare and position for evolving business and market requirements;

■ Successful recruitment and retention of ISVs that cater to specific vertical and geographical markets. tPC's partnering model—in which customers buy not only the application from the ISV, but also its expertise in deploying it—gives customers markedly added value as well;

■ Staying the course with ASPen, which, despite the hiccups in the ASP industry, should pay off for tPC and its partners, as market consideration and adoption of applications hosting and management gels; and

■ Cross-fertilizing SONIC, PeerDirect, tPC indirect and direct sales teams and partner sales organizations to foster attainment of joint business objectives.

There's no question, however, that IT industry giants—Microsoft and IBM in particular—are gunning hard for mid-market customers. As discussed

in Summit Strategies' November 2002 report, *Does Microsoft's Business-Solutions Strategy Add Up?*, and as will be explored in Summit Strategies' upcoming report on IBM's software strategy for the mid-market, these vendors have taken dramatically different tacks from each other—and from tPC—in their quests to reap mid-market fortunes.

How will tPC fare as these vendors intensify their efforts? As the volume platform leader, Microsoft holds tremendous sway with SMB developers and customers. But, we believe that tPC will hold its own against the giant, for several key reasons:

■ There's no doubt that Microsoft owns the desktop market, and is the volume leader in the SMB database and application-server markets. But, tPC's hybrid OpenEdge platform levels the playing field to a great extent for Progress developers versus Microsoft-centric ones. By working with tPC, developers aren't locked into a Microsoft-only platform;

■ Microsoft is aggressively pursuing its own mid-market business-application agenda. While publicly stating that it will stick to broad-market, horizontal solutions and seek to partner for industry solutions, its forays into retail and professional services are enough to cause some consternation among vertical-market ISVs. In stark contrast, tPC has no plans to compete against its partners with its own business solutions; and

■ To a great extent, Microsoft depends on its reseller channel to sell its solutions, and the infrastructure products on which they rest, through to end-user customers. Its Great Plains and Navision resellers typically have expertise in specific horizontal business functions, and the broader Microsoft channel has technology expertise. This means that many customers still need to bring in another vendor for industry-specific solutions and expertise. In the tPC model, ISVs supply both the vertical solution and the expertise, delivering Progress technology as an almost seamless component of the greater solution.

Meanwhile, on the surface, it might appear that IBM's middleware and platform pitch might turn some tPC partners' heads. After all, IBM has pledged not to compete with ISVs in the business-application arena, and its application development and database platforms also allow developers to traverse both .NET and Java environments. The vendor has also created a number of Express-branded infrastructure offerings geared to mid-market developers and end-user customers, designed to meet the pricing, management, simplicity and integration requirements of midsize businesses. In addition, Big Blue has created significant incentive programs to lure new ISV partners to its infrastructure platform.

Despite these substantive steps, an ISV still needs to integrate a number of different Express products and WebSphere tools to create a complete development environment. Cognizant of this problem, IBM is developing a runtime proof of concept that would compact the key components of its

middleware lineup into a complete, reduced footprint. Sound familiar? Though it would be a mistake to underestimate IBM's potential to deliver this solution, OpenEdge provides a complete pre-integrated platform today. tPC's pragmatic mid-market ISVs are unlikely to stray from the tried and true OpenEdge platform in favor of something that has yet to make it out of the labs.

These dynamics significantly diminish the odds that current tPC partners will defect to another database and application-development camp anytime soon. But, although tPC has held its own so far, Microsoft and IBM have really only just begun their crusade for the mid-market. There's no question that these rivals are investing heavily in marketing campaigns targeted at both developers and end users.

This makes it vital that tPC stay agile, and execute effectively on its strategies—particularly those designed to raise its profile with end-user customers. Although tPC's ISV programs have already gelled, it is just starting to bolster its positioning and brand with end-user customers. But, as discussed in Section 4, the vendor plans to devote considerable energy this year to help mitigate this potential vulnerability. The vendor's redoubled energy in these endeavors should enable its partners to strengthen their value proposition—reduced costs, simpler administration and management, and best-fit solutions—and continue to get a warm welcome in no-nonsense mid-market businesses.

What's your opinion? E-mail the author:

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Appendix

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