

Ashton-Tate Comes Of Age Despite Slump's Hurdles

By *Keith Newman*

CULVER CITY, Calif. —Ashton-Tate president Ed Esber was all smiles when he was informed that the company was being named to the first annual "Slumpbusters" list.

"I guess this means we've really made it," he quipped. Then he quickly added, "But wait, did Lotus make it?"

Esber let out a tempered sigh when he heard that his archrival had made the list, and conceded that the competition between the two companies—particularly between Esber and Lotus chief executive Mitch Kapor—was still quite alive.

The somewhat friendly rivalry between Esber and Kapor goes back to the days when Esber was the marketing and sales vice president at VisiCorp during the VisiCalc heyday, only to later sit and watch the sun go down on the software smash and see a new star replace it—the Lotus 1-2-3 package.

But Esber acknowledged that being put on the same podium with Lotus, in any arena, is considered a type of flattery, since the East Coast developer has consistently garnered more praise from Silicon Valley amid Wall Street executives than has the West Coast developer.

Nevertheless, the company that Esber took over as president last November, amid rumors of a possible takeover and a fragmented marketing focus, has scored some impressive blows in its bottle against Lotus and the overall slowdown in the software-publishing industry.

Truly, Ashton-Tate has realized some major victories in a year marred by missed projections, late products, and complete corporate collapses.

For example, in September, Ashton-Tate reported a 407 percent increase in earnings and a 43 percent increase in revenue compared with the levels from the year-earlier period. The recent figures, coupled with the announcement of Ashton-Tate's \$19 million acquisition of Multimate International Corp., sent shock waves throughout the industry.

The agreement combining the two software powerhouses, which one analyst called "a completely positive move," was considered the largest in the microcomputer software industry.

As a result of the agreement, Ashton-Tate's stock price soared in over-the-counter trading to a 52-week high and institutional investors began calling Esber: Fledgling software companies called too, In an attempt to jump onto the company's expanding bandwagon.

However, Ashton-Tate's strong financial highlights illuminate the decisions Esber and the relatively new management team at Ashton-Tate put into place within the past year.

The most significant decision reportedly was based on the company's continued confidence that despite some minor setbacks, Ashton-Tate could be a leading developer and marketer of software, although the company had only two major products on the market at that time.

That decision was initially more of a posturing—one that made it clear that Ashton-Tate would either rise or subside and that meandering would lead to eventual downfall.

When asked why Ashton-Tate has done well this year, financial analyst Joseph Kapka of Bateman Eichler, Hill Richards, said: "Management."

He expounded on his one-word explanation by saying that Esber "beefed up middle management and shifted the emphasis from product development and technology to marketing and sales."

"I think they are the best managed of all the software companies," Kapka said, adding that "they have really earned their spurs."

The biggest coup Ashton-Tate executed in the past year was its textbook transition from software standard dBase II to software standard dBase III.

Although the company began shipping the data-base upgrade package in late 1984, the continual marketing drive behind dBase III allowed the company to accomplish what no other software publisher has—the evolutionary transition from standard to standard in the same market.

According to Ashton-Tate, dBase III has accounted for approximately 70 percent of the company's revenue this year.

Perhaps Ashton-Tate set the standard not only with its dBase line, but also in terms of how to make the smooth transition that so many other publishers aspire to replicate.

"They established themselves at the right time and then took advantage of their position," said Microsoft Corp.'s marketing vice president, Jerry Ruttenbur.

Microsoft shied away from the data-base market until it signed a recent agreement with Microrim Inc. The two companies now will joint-market products in the international market.

However, Ruttembur stated that the agreement with Microrim will not include a move into the domestic market.

Ashton-Tate Bumps Slump While Coming of Age

"It's very hard to knock off the top guy. (Battling Ashton-Tate is like battling Lotus," Ruttenbur said.

In addition to the product transformation, Esber was responsible for realigning a new management team at Ashton-Tate after the abrupt resignation last year of former president and chief executive David Cole.

Esber's management acquisitions could be as key to the company's success as product transitions and takeovers.

As part of the management changes, Ronald Posner accepted an increase in responsibility earlier this year when he moved from board member to executive vice president of sales and international operations.

Posner, who founded a microcomputer-training company called National Training Systems and served as its chairman, made the development of an international subsidiary at Ashton-Tate a top priority and a beachhead for continued growth.

As a result of Posner's efforts, Ashton-Tate expects to derive nearly 30 percent of its sales from the international market within a year.

If that goal is reached, Ashton-Tate clearly would be positioned atop the list of leading applications developers in the international market. Microsoft is said to be the only company that can contest the revenue Ashton-Tate generates from the international market.

Posner explained that as a result of the way Ashton-Tate has set up its financial records and research-and-development costs for the international division the revenue reported "falls straight onto the bottom line."

The company is effectively pushing more business out of the hands of the distributor and into direct agreements with retailers.

During Ashton-Tate's success overseas, Esber and Posner recruited two more top executives—John Merson and Roy Folk—to fill out the company's ranks.

Merson was lured away from retail powerhouse The Computer Factory Inc. to take the position of vice president of marketing—a position left vacant since Esber moved up to president.

Along with sales vice president Chuck Ellison, Merson spearheaded a bid to sign many of the largest retailers to direct purchasing agreements.

The attempts have proven successful, and the software company is said to be effectively pushing more business out of the hands of the distributor and into direct agreements with retailers.

Posner said the impetus for the moves was the need to diversify distribution of Ashton-Tate's products and gain more direct control over the goods.

One national distributor said the direct agreements force the dBase products into becoming "Lotus-like commodity packages," but he acknowledged that that gives the company tighter control over the products.

In addition, Ashton-Tate has initiated numerous OEM agreements and "strategic alliances" with almost all of the leading computer manufacturers, including IBM Corp., Digital Equipment Corp., Hewlett Packard Co. and Texas Instruments Inc.

Roy Folk, former president of Paladin Software Corp. and former marketing manager at VisiCorp, worked with Esber as a consultant for several months at Ashton-Tate before accepting the title of executive vice president of strategic planning in August.

Folk was a leading advocate of the Multimate acquisition and, along with Posner, is heading up the integration of the two companies.

Ashton-Tate is expecting government approval of the acquisition in November and then will immediately begin marketing Multimate's strong-selling word-processing software.

Kapka of Bateman Eichler Hill Richards said that the Multimate acquisition was a "slam dunk" that will help the company continue to grow over the next few years.

Long-Term Confidence

Concerning Ashton-Tate's recently released Framework 11, Esber is confident that in the long run the package will be ruled the winner against Lotus' Symphony. The

two packages were released at approximately the same time and often are marketed head-to-head.

Although most industry watchers now consider the competition moot, Esber is unrelenting and feels he has more to prove, he said.

In this industry, it seems that executives, like movie and recording stars, are only as good as their last hit.

With that in mind, Esber is closely watching the competition in the data-base market, particularly two new entrants—Ansa Corp. and Symantec Corp.

But, clearly, the company's monitoring will be done from the driver's seat

Furthermore, Ashton-Tate remains confident that it will continue to hurdle the obstacles that follow the software industry and become not a Lotus lagger, but an undaunted market leader. - - - .

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