Can Ashton-Tate come back?

Ashton-Tate

Ashton-Tate Chairman and President Esber: 'We're just catching our breath. We'll be back.'

Software ex-champ loses its punch: president says it's still a contender

By Carla Lazzareschi Los Angeles Times

TORRANCE – Ed Esber is sick of comparisons and snide asides about his previous stint at a failed software publishing house. He is tired of Wall Street analysts who have made an art of second guessing his management of software publisher, Ashton-Tate.

And he has no patience for those who automatically assume that just because a company has lost nearly $40 million in six months and is

Ashton-Tate

3 qtr. sales	$53.9 million
3 qtr. loss	$19.4 million
per share	$0.74
Headquarters	Torrance
Employees:	1,400

Description: Markets and develops microcomputer business applications software for DOS and Macintosh operating systems.

Source: Ashton-Tate

being squeezed by aggressive competitors, its days are numbered.

"It's true we've been hit hard and we're down on the mat," concedes Esber, Ashton-Tate's 37-year old chairman and president. "But don't you dare for a minute think we're knocked out. We're just catching our breath. We'll be back."

It's going to take more than Esber's tough talk and promises to persuade a growing number of skeptics that Ashton-Tate isn't a punch-drunk champ down for the count. There are just too many faded software superstars offering ample precedent.

VisiCorp, the now-defunct software publisher where Esber worked as a marketing manager in the early 1980's, dominated the early market for personal computer financial spreadsheets with its VisiCalc program, only to lose it all to rivals, notably Lotus Development Corp. of Maynard, Mass. MicroPro's WordStar was a leader among personal computer word processors until more aggressive and sophisticate programs stole the market, leaving the company to limp along.

Ashton-Tate, a 10-year-old company that pioneered what is now a $500 million-a-year market for personal computer database management software, has recently slopped to fourth place among persona computer software publishers, and its share of the data-base market, once an enviable 80 percent or more, has dropped to 60 percent, analysts say. Sales last quarter fell to $53.9 million, 28 percent below those of the year-ago quarter.

Ashton-Tate must overcome 'bugs,' mounting competition

"Ashton-Tate is retelling the classic story of high-technology companies," says Peter Rogers, an analyst at Robertson Stephens & Co., a San Francisco brokerage. "A company has a good, solid franchise and then gets complacent. It doesn't serve its customers well and doesn't keep up with technology. Then the competition gets in, and it loses big.

"The way I see it, Ashton-Tate has neglected its franchise, and the competition is closing in," Rogers adds. "The future is very uncertain."

Although many analysts say Ashton-Tate's problems have been building for years, events of the past year touched off its current woes.

It started with dBASE IV

It started last Halloween with the release of dBASE IV, an updated version of the data-base management program that has been the company's bedrock and source of the vast majority of its revenues since its inception. The program, initially released in 1982, allows personal computers to sort, index and store vast quantities of information.

Although complaints about "bugs" — mistakes — seriously undermined acceptance of dBASE IV, the company continued to push the product on distributors on the mistaken idea that it would eventually gain a strong following. Instead, about six months worth of overstock piled up on distributors' shelves, where some remains. The result: losses of $39.2 million in the past six months and no immediate sign the red ink has stopped.

Compounding the company's problems is an increase in competition among data-base programs, particularly from low-cost imitators, and a slowing of the once-torrid sales pace of personal computer software. And at the same time, the introduction of more powerful desk-top computers is creating a need for more sophisticated data-base management software.

‘Declining Player”

"I think they are becoming and will continue to be a slowly declining player in the data-base market," says Jeffrey Tarter, publisher of Soft Letter, a software marketing newsletter published in Cambridge, Mass. AAnd I don’t see how they can turn it around."

The problem; as Tarter and others see it, is that Ashton-Tate does not have the in-house technology to fend off competing products, which are either cheaper or more sophisticated, or both. Several analysts note that the company has never developed a new product from scratch in its labs. Its entire product lineup, including the original dBASE program, has been purchased from outside developers.

"They do not have a technology development operation," Tarter argues. "They talk a good game, but it just isn't there, They are a marketing-driven company. Now they have some real competition, and their technology weaknesses are really showing."

Other analysts suggest that Ashton-Tate, whose stock closed Monday on the Over-the-Counter market at $10.25, up 13 cents, might be an ideal merger partner for another software publisher. David Bayer of Montgomery Securities in San Francisco notes that the company's assets include $80 million in cash and 3 million dBASE users.

Esber, a Harvard-trained MBA who joined Ashton-Tate in 1984 and successfully steered it through similar problems three years ago, dismisses merger talk as meaningless speculation.

"Who cares if you develop your products in-house or you buy them from others, so long as they are successful?” he said. “What we have to do is better market our software and help our customers understand what our products do and what our competitors' products don't do."

Esber is betting heavily that company fortunes will rebound early next year when it releases an improved version of dBASE IV. The program is currently undergoing extensive quality control testing and evaluation, a step the company acknowledges was omitted in the push to get the first dBASE IV program out the door.

The company is also stepping up efforts to increase sales of its other software products, to reduce the company's reliance on dBASE, which routinely accounts for 60 percent to 70 percent of sales.

Esber also notes that the company has already laid off about 300 employees and cut spending. Further, he says the company's $80 million bank account can tide it over until his strategy takes hold.

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