

# Market View

## In Retrospect: Q1 2005

### **Summary**

The market of online presence — Web content management, search/categorization, personalization/behavioral marketing, and Web analytics — didn't get funding this quarter, but did consolidate, as evidenced by five acquisitions. Management turnover was par for the course; the anomaly was the flurry of European expansion and new management appointments in Europe. The numbers of product updates and new product releases were about even, with all sub-sectors contributing.

### **Funding, Mergers, and Acquisitions**

Funding and M&A activity is about a third as robust as it was a year ago. In Q1, 2005, there were six funding and M&A "events"; in Q1, 2004, there were 19.

No companies announced funding injections, while five acquisitions and one spin-off were announced:

1. Autonomy bought NCorp, a structured data transformation company.
2. comScore Networks acquired SurveySite, a company that conducts market research via the Internet.
3. Google acquired Urchin, a Web analytics company.
4. Keynote purchased Hudson Williams B.V., a privately held e-Business performance consulting firm based in the Netherlands. Hudson Williams B.V. was originally the European subsidiary of Hudson Williams, Inc., which was acquired by Keynote in July 2004.
5. NetIQ spun off WebTrends, its Web analytics division, to Francisco Partners, which took it private.
6. WebSideStory bought Atomz, a supplier of on-demand content management and search solutions.

The big news was in the last week of the quarter, when NetIQ spun off its WebTrends division and Google acquired Urchin. Everyone within the Web analytics sector had been expecting the WebTrends split for months — WebTrends was a separate NetIQ division, with its own set of books, and the expected synergy between IT-oriented security/availability and Marketing-oriented Web analytics had never occurred. The Google acquisition was more of a surprise, but fell in line with Google's penchant for acquiring small technology companies. Urchin sold to ISPs (and some enterprises), so its proven ability to scale no doubt appealed to Google.

### **Management Appointments**

Four companies announced new leaders. Endeca named Jim Baum as its CEO; InStranet appointed John McCoy as President of Americas; Percussion Software named Michael Alden to be its President, Mercado Software named Corey Leibow as

its President and CEO. Other high-profile appointments were Convio's naming of Jim Offerdahl as its CFO, Coremetrics's announcement that Hamid Bahadori would become its Vice President of Engineering, and Omniture's statement that John A. Vandermay would become its Vice President of Engineering.

Europe was a hotbed of activity. ComScore Networks appointed Bob Ivins to be Managing Director of comScore Europe; Coremetrics launched Coremetrics Europe Limited by naming Frank Lombos to be its Regional Vice President; InStranet announced that Alan Barr would join the company as UK and Ireland Managing Director; and Mondosoft named Hans Christian Studstrup to the position of Vice President of Sales, EMEA (Europe, Middle East, and Africa). Entopia created Entopia Sweden, a wholly-owned subsidiary, and opened new offices in the U.K.

### **Product Releases**

Fifteen companies — Convio, Copernic, DeepMetrix, Ektron, EMC Documentum, InStranet, Inxight, Keynote, Mercado Software, Pilot Software, RedDot Solutions, Stratify, Urchin, WebAbacus, and WebTrends — announced product updates.

Fifteen companies — ATG, Attensity, Claria, Clickstream, ClickTracks, Coremetrics, Endeca, FAST, Intelligent Results, Interwoven, iUpload, Mondosoft, Omniture, Plumtree Software, and Thunderstone — released new products. These included:

1. *Attensity Workstation* — an easy-to-use business analyst workstation for analyzing unstructured data (e.g., memos) and turning it into structured data.
2. *ClickTracks Optimizer* — A Web analytics solution positioned between the company's Analyzer and Professional products, featuring easy implementation but including features such as e-mail campaign tracking and a Robot Report.
3. *Endeca Latitude* — software that lets enterprises query a wide variety of repositories — databases, data warehouses, content management repositories, flat files — from a search interface.
4. *Interwoven LiveSite* — a Web content management system that lets business users drag and drop pre-built code/content components within a WYSIWYG interface to quickly create Web sites, intranets, and extranets.
5. *iUpload Perspectives* — business blogging software that lets bloggers add content to their blog and then automatically syndicate it to a variety of sites and communities via underlying Web Services technology.

### **Ballardvale Conclusions**

The sector is finally back in growth mode — perhaps growth “mood” would be a better phrase — as evidenced by all the expansion activity in Europe. As another example, NetIQ spun off WebTrends because both companies ultimately decided that NetIQ was holding back WebTrends' growth. In short, the hunkering down mentality of the past several years has vanished.

The acquisitions by Google (Urchin) and WebSideStory (Atomz) point to continuing consolidation within the sector. As enterprises become increasingly sophisticated at optimizing their online presence, they will demand more integrated solutions to save time and ease support burdens.