

# Market View

## In Retrospect: Q2 2005

### Summary

The market of online presence — Web content management, search/categorization, personalization/behavioral marketing, and Web analytics — continues to consolidate, as proven by 13 acquisitions. Management turnover was average. The number of updated products during the quarter was twice that of new products — a further indication of the sector's emphasis on the status quo rather than innovation.

### Funding, Mergers, and Acquisitions

Funding and M&A activity is slightly more robust than it was a year ago. In Q2 2005, there were 14 funding and M&A "events"; in Q2, 2004, there were 11.

Eloqua received \$5 million in funding from JMI Equity Fund; otherwise, VC funding was nowhere to be seen. No companies announced funding injections, while 13 acquisitions were announced:

1. Aprimo purchased DoubleClick's Enterprise Marketing Solutions business unit.\*
2. Autonomy bought etalk Corporation, a contact center solution provider.
3. CheetahMail acquired Harvest Solutions, a Web analytics company.\*
4. DoubleClick was acquired by Hellman & Friedman LLC, a private equity firm.
5. Hummingbird announced its intention to purchase RedDot Solutions.\*
6. Inxight, a search company, acquired federated search and alert technology from Intelliseek.
7. I/PRO acquired the technology of Accrue Software/Datanautics.\*
8. Mediasurface, a content management company, bought Class-Act BV, a Dutch content management vendor focused on the SMB market.
9. Oracle acquired the intellectual assets of search supplier TripleHop Technologies.\*
10. Progress Software announced it was buying EasyAsk, an e-Commerce focused search company.
11. Stellent acquired financial compliance solutions company e-Onehundred Group.\*
12. Watchfire acquired COAST Software.\*
13. WebAbacus and The Usability Company, two UK-based companies, merged.

Half of these acquisitions (those marked above with an asterisk) occurred in the last two weeks of the quarter. The acquisitions fall into three categories. The first category is, "one man's trash is another man's treasure." DoubleClick wants to get back to online marketing, so it sold SmartPath and Ensemble to Aprimo, a company in the MRM (Marketing Resource Management) space. Accrue (eventually named Datanautics) was a Web analytics powerhouse in 2000, but because the dot.bomb debacle decimated its installed base, Accrue sold its technology to I/PRO, which plans to use it to help media buyers optimize their buys. Intelliseek has decided to perform marketing buzz analysis, and so sold its search technology to Inxight.

The second grouping is called, "working your way upstream in the ecosystem." Autonomy bought etalk Corporation, a contact center solution provider. Oracle wants to get into the Enterprise Content Management space, and so bought TripleHop, a search supplier. Progress Software bought EasyAsk, also a search vendor. Stellent is going more vertical — the e-Onehundred Group offers compliance solutions. Meanwhile, Watchfire also got into the compliance act by purchasing COAST Software. To recap, with the infrastructure providers going after horizontal platforms, the platform companies are scrambling to offer applications.

The third and remaining category is, "solidifying your position." Hummingbird, a content vendor in the broadest sense -- it offers ETL for structured data and has the PC DOCS technology for managing documents -- acquired RedDot Solutions, a content management provider that had been a partner for some time, while WebAbacus and The Usability Company decided to band together.

### **Management Appointments**

Three companies appointed new leaders. Intelligent Results named John Moscicki to be its CEO; Plumtree appointed Paul Ciandrini as President; and Siebel Systems named George Shaheen as CEO. Financial positions were also hot: Attensity named Robert Howells to be its CFO; SPSS promoted its U.S. Controller to Corporate Controller; and Watchfire appointed William Gerraughty to the CFO position.

### **Product Releases**

Twenty-two companies — ATG, Convera, Coremetrics, DeepMetrix, Documentum, EasyAsk, Ektron, EMC Documentum, iPhrase, ISYS, Mediasurface, Nedstat, Omniture, OpenText, Percussion, Plumtree, RedDot, Siebel, SPSS, Thunderstone, Vignette, and WebTrends — announced product updates.

Ten companies released new products: Claria, Compete, comScore, Convio, Endeca, Google, InStranet, Manticore Technology, Mondosoft, and RedDot. These included:

1. *Eloqua Conversion Suite* — a mix of hosted software and outsourced services that helps companies generate prospects, measure their interest, and pass the results to CRM systems.
2. *Google Earth* — free software that lets users search for satellite views of locations and literally zoom over the landscape, highlighting Google's insight that combining information gathering with entertainment is the wave of the future.
3. *Manticore's Virtual Touchstone* — an ASP-based service that takes three disparate technologies — ad tracking, e-mail, and Web analytics — and integrates them to track prospect interest and thus improve sales lead generation.

### **Ballardvale Conclusions**

Two quarters ago there were two funding injections; last quarter there were none; this quarter there was one. While VC money is available, it's circling around companies about to IPO — not startups. The sector is clearly now in a consolidation phase — good for enterprises that want to deal with fewer and more well-heeled vendors, but not so good for the acquired employees, who are typically laid off.

The sector continues to emphasize integration — of both products and companies — rather than innovation. While less exciting than the go-go years of five years ago, it also means that the cutting edge technologies and practices of yesteryear are becoming the ho-hum standards of today. In short, it's becoming increasingly easy and inexpensive for companies to optimize their online presence.