

Progress making good on latest strategy with renewed focus on application development

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Progress Software recently hosted its annual global software developers conference in Boston, announcing the latest developments in its business and product portfolio strategies. The firm acknowledged openly and honestly that it had lost touch with its customers and that the new strategy called out in April 2012 was working to turn that around. Free from the technical and business challenges from its prior acquisition strategy, its renewed focus on application development technology delivered via its new Pacific application platform as a service (aPaaS) seems to appeal to its once-neglected midmarket customer base.

The 451 Take

Progress is delivering on what it set out to do a year and a half ago. Its product strategy is streamlined and reasonably well integrated for now, and has much of the technology and capability needed by midmarket channel partners and end users to quickly design, develop and deploy on-premises, cloud and mobile applications. Its acquisition of Rollbase and the retention of the Savvion BPM code help secure the firm's Pacific PaaS and OpenEdge offerings to enable process-oriented applications, cloud and mobile services. Its new EasyI data-integration technology should capture the interest of some fresh prospects. What was needed most, however, was for the firm to expand beyond its ABL roots to include support for JavaScript. This is perhaps the most critical part of the strategy required to expand its customer base and grow revenue, assuming the tactics needed to reach out to the JavaScript development community are pursued with rigor. Longer term, it probably wouldn't hurt Progress to also support Java (and one or more emerging 'cool' languages) as well.

Context

In our last report on Progress, we discussed how the firm called a strategic time-out after realizing that its prior acquisition strategy to attract larger global enterprises was not working. It then reformulated its plans so it could do a better job of solving the problems faced by midmarket firms when developing and deploying applications in the new cloud and mobile era. Its new approach had a two-phase product strategy. Phase 1: 'go back to the future' to focus on the firm's DNA by building out its core application development and deployment platforms; and Phase 2: capitalize on the long-term opportunity presented by emerging cloud and aPaaS markets.

Progress recently held its annual software developer conference where it articulated its progress after six quarters of effort. It introduced a new corporate brand and logo, emphasizing 'the spark of business ideas its software provides to customers and partners' and formally launched its Pacific PaaS offerings. Essentially, the firm is on plan and executing as promised, which is resulting in modest financial performance improvement.

A few weeks prior, Progress announced its 2013 fiscal third-quarter results. Revenue from continuing operations was \$77.6m compared to \$74.4m in the same quarter last year, a year-over-year increase of 4%. On a non-GAAP basis, in the fiscal third quarter of 2013, income from operations was \$21.4m compared to \$17.8m in the same quarter last year; operating margin was 28% compared to 24% in the same quarter last year; income from continuing operations was \$14.7m compared to \$12.4m in the same quarter last year; and diluted earnings per share from continuing operations was \$0.27 compared to \$0.19 in the same quarter last year.

Strategy and products

Progress is rolling out an integrated development and deployment environment for channel partners and midmarket firms that don't have the capacity to discover and deploy all the resources needed for a hybrid on-premises and cloud IT architecture. Its product strategy is based on a new aPaaS it calls Pacific that is built on several 'pillars' that include its recently acquired Rollbase – for rapid cloud-based application development and deployment; Data Direct Cloud – for data access and integration; and OpenEdge – Progress' flagship development platform that also supports business process management (BPM), mobile app development and decision logic based on its Corticon BRMS platform.

Perhaps the shrewdest thing Progress did was to acquire Rollbase; it goes a long way to automating

many of the complex tasks associated with application design and development (e.g., create a new app; structure app settings that include objects and workflows; craft user-interface screen designs, forms, data fields and data types; structure integrations; and install the app). With some training, it is capable of building roughly 80% of an app via its drag-and-drop configuration capabilities. It can then be customized the rest of the way using JavaScript. Currently, it can run on AWS, Rackspace and Pacific and supports MySQL, Oracle and OpenEdge.

Another smart move was to build process orchestration into the OpenEdge development platform. OpenEdge BPM (OEBPM) includes much of the Savvion BPM technology the firm earlier acquired and then divested. Progress retained the right to use and build out the original Savvion source code. OpenEdge 11.3 has fully integrated BPM capabilities based on the most current Savvion 9.0 version. As part of the sales agreement, Progress also retained the rights to acquire the next versions of Savvion from Trilogy and then tailor the code to the needs of the OpenEdge market. Key components of OEBPM include a stand-alone process modeler; a process developer studio for OpenEdge with BPM plugins; a business process server (i.e., a deployment engine and end-user BP portal); and a development version of business process server.

Futures

More integration will be needed for OEBPM. Currently, it can build new BPM processes and link to existing ABL code, and monitor ABL business logic workflow performance. However, Rollbase is still a somewhat simple-state engine and does not enable visual workflow, but it can be called from OEBPM process apps. The two remain different for now, and Progress is likely to draw together the functions and usability of the two in future versions, but no timetable was reported.

New offerings are coming. Progress teased the Exchange conference audience with a new cloud-based data-integration offering it calls EasyI – a catchy name used to describe how data from various sources can be accessed, transformed, synced and stored for use by apps and analytic engines. We expect other offerings through 2014 that are likely to support broader capabilities in big data, analytics and mobile services as Progress continues to advance its product roadmap.

So it seems that the firm is making good on its promise to invigorate its products, partners and customers. The question is how well all of this will work to attract new customers. We think the best thing the firm did was to open up its portfolio to support JavaScript. ABL is a good development language with a loyal but too-small following. The JavaScript community now has a reason to look at Progress and, thus, should open the door to potential growth. The challenge, however, is in the quality and rigor tied to Progress' outreach efforts to the JavaScript market.

Customers

Progress reports that nearly 140,000 organizations use its technology in more than 180 countries (many of which are through channel partners that use OpenEdge). The estimated number of direct customers remains roughly the same as in our last report, with about 2,000 direct customers using various products and roughly 300 OpenEdge customers running in its cloud. Perhaps the most interesting development is the customer base acquired along with Rollbase. Numbers were not reported, but notable Rollbase customers include DMSi Software (business accounting software for building material distributors and dealers) and its oldest customer, Atlantic Highlands (New Jersey municipality that developed roughly 2,000 apps using Rollbase). Indeed, the new strategy and product portfolio has reinvigorated some of Progress' high-profile customers. QAD (supply chain software) is using the new offerings to enhance its supply chain management applications.

Competition

A few rivals have similar aspirations. The most notable are Red Hat with its JBoss Middleware and OpenStack Cloud, and WSO2 with its Carbon middleware suite. Of course, IBM Websphere, SAP NetWeaver and Oracle Fusion have offerings that can compare with Progress, but some assembly will likely be required. Various BPM suite vendors are introducing configuration-based business applications development, which can be considered as suitable alternatives to Progress' OpenEdge BPM offering, the likes of which will include Appian, BonitaSoft, Pegasystems and AgilePoint. Progress has the edge when vendor decision criteria prioritize ease of use and time to value. Its new Rollbase platform offers compelling reasons to buy.

Progress will face a different set of rivals in customer environments that emphasize mobile appdev as a priority (e.g., Pega's recent acquisition of Antenna, Kony Solutions and Adobe's PhoneGap, among others), as noted in our earlier report, and a whole set of PaaS rivals (e.g., AWS, Rackspace, Savvis, Microsoft Azure, CA Technologies' AppLogic, Software AG's LongJump, Google App Engine, Engine Yard, GigaSpaces and OrangeScape) that will cause noise and confusion that Progress could do without.

SWOT Analysis

Strengths

Progress is working hard to reinvigorate a somewhat dismayed customer and channel-partner-installed base with an elegant business strategy and product roadmap that is making good on its promises.

Opportunities

Weaknesses

There is still much work to be done to enable integration across the new versions of each of its platforms. It's also unclear how aggressive a marketing effort the firm will launch to expose its wares to new prospects.

Threats

Most of Progress' direct rivals still see larger enterprises as the trophy market, but midmarket firms have the same needs to exploit cloud and mobile computing. Growth opportunities should result from efforts to appeal directly to this market and by expanding its platforms to the JavaScript community.

Rivals can come from several established markets, and the barrier to entry for new PaaS rivals to Progress' Pacific has been lowered to allow a new set of venture-backed startups to carve niches that can dig into Progress' plans.

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