

**Are Installed ECM Systems Suffocating Your Business?**  
*New On-Demand Web Content Management Platforms  
Offer a Compelling Alternative to On-Premise  
Enterprise Content Management Systems*



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## ECM Customers at a Crossroads: Bleed More Cash or Cut Losses Now?

For more than a decade, companies have developed a passionate love/hate relationship with their Enterprise Content Management (ECM) systems. They've been thankful to abandon antiquated systems in exchange for technology that allows them to capture, store, preserve, share and deliver their documents, images and video. But they have come to loathe ECM's associated burdens. Installing on-premise systems can take years – and millions of dollars in consulting fees. Ongoing maintenance requires investments in staff training and megawatts of wasteful power usage. Updating systems involves time consuming software and hardware upgrades, resulting in more unforeseen consulting fees. Traditional ECM software development cycles (sometimes as long as two-and-a-half years) can't keep up with the rapid pace of Web innovation.

So, it's not surprising that the emergence of agile new on-demand Web Content Management (WCM) systems is being greeted with mixed feelings.

Customers have two choices:

- 1) **Pay Up** - Continue making high investments in all aspects of the existing system: hardware, software, training, consulting fees and upgrade licenses. **Price tag:** Unknown
- 2) **Move On** – Invest in a platform that will offer better long-term value, rapid innovation and wider adoption by non-technical business users. **Price tag:** Predictable, scalable

When business and IT managers research the options and find out how rapidly these new on-demand WCM systems can be deployed and how transparent the cost structure is, the decision is often easier than they expected: It's time to move on and stop throwing good money after bad.

Read on to find out why so many companies are stopping the madness by making the rational leap to WCM.

### **A Brief History of ECM: “Consultingware”**

Vignette is a classic example of an ECM company that has run its course. When Ross Garber and Neil Webber set up the company in 1995, they said they had a simple goal: to find ways to make Web publishing easier and more personalized. Within three years, Vignette's client roster included online publishers such as the Chicago Tribune and CBS Sportsline, tech leaders such as National Semiconductor and financial services companies such as Citibank and Chase. But by then the founders had changed course, steering clear of customization and production tools for the masses to focus on tapping the lucrative enterprise market. As the company prepared to go public in 1998, a reporter by the name of Om Malik wrote of Vignette in the October 14 issue of Forbes Magazine<sup>i</sup>: “Its strategy is to sign up as many customers as it can. Then eke out profits by providing consulting services to its clients, a la International Business Machines.” Garber agreed, adding “We are like the PeopleSoft of the Web-application business.”

### **The Market is the Mirror**

You have to give them credit – Vignette has always been honest about their business model's dependence upon professional service fees. A decade after the Forbes article, Vignette is still relying on consulting revenues rather than product innovation to drive their business. In April and July 2008, Vignette president and CEO Mike Aviles had to break the news to Wall Street that it had posted back-to-back losses.<sup>ii</sup> First quarter net income was down a staggering 74 percent<sup>iii</sup> year-over-year. Of the \$90 million in revenue for the first six months, less than a quarter came from licenses. “License revenue fell short of expectations,” Aviles admitted. “On the positive side, services revenue was strong.” Not strong enough to impress Wall Street: Vignette's share price dropped from \$21 in April 2007 to \$13 in August 2008. Roth Capital downgraded their “buy” recommendation, initiated in mid 2007, to a “hold”.<sup>iv</sup>

Interwoven, another of the old-line ECM providers, saw better results, with total revenues in the second quarter of 2008 up 16% from the same time in 2007. The increase was driven by strong sales in support

and service fees, which are 75 percent larger than license fees and growing faster. This doesn't necessarily mean customers are paying to improve their systems. In many parts of the installed software industry, higher bills are being caused by price hikes. In June, Oracle – which now owns the ECM product formerly known as Stellent – announced that it was raising maintenance fees on some of its products by 15-20%.<sup>v</sup>

### **Stunningly Expensive, Staggeringly Complex**

Why does revenue from services remain strong as license revenues are relatively weak? The reason is obvious: drawbacks in installed technology platforms may be bad for users, but provide lucrative opportunities for charging existing clients for modifications and maintenance. Licensing fees represent just a fraction of the total cost of an installed implementation – as little as 10-20 percent in some cases. The rest of the money comes from added fees that begin with the signing of the contract and then stretch out for years. While implementations may start at \$75,000, paid pre-installation “assessment” periods can cost \$500,000. “Test” sites can take 9-18 months to get up and running, with full implementation cycles stretching out over two years. One Vignette media client reported investing \$10 million over three years for a Vignette system.

Jupiter Research conducted a survey of companies using WCM systems. Their report<sup>vi</sup> concluded that complex WCM systems require technological investments that can often send payroll costs skyrocketing. “Overcomplicated, end-to-end packages can as much as quintuple site operational costs over human labor alternatives,” the report said. “Unfortunately, the breadth of many vendors’ all too-inclusive ‘silver-bullet solution’ vision has left these companies struggling with platform lock-in, over-engineered site infrastructures, exorbitant technical maintenance costs and per-business-user costs averaging as much as \$25,000 per year.” In many cases, companies felt they had overspent for functionality that was never used.

### **Great Briefings, Outdated Technology**

CMS Watch founder and lead analyst Tony Byrne has been following the CMS market for 10 years. In a posting at his blog on Intelligent Enterprise ([www.intelligententerprise.com](http://www.intelligententerprise.com)) he says Interwoven product management's true industry leadership is in giving briefings and demos. “They perpetually tell what analysts call a ‘great story,’” he says. “What we've uncovered on the ground is a rather different story: a set of very expensive WCM tools running off a highly dated technology platform, often requiring excessive customization that can be detrimental to your long-term website health.”<sup>vii</sup>

### **Little Enthusiasm for Innovation**

Perhaps because of the complexity of their systems, traditional ECM vendors have been surprisingly slow to introduce innovation. Analyst reports have noted that Interwoven's technology is more than a decade old which is making it increasingly difficult to reach the latest standards without major engineering work. Vignette is weak in managing XML content and handling content reuse. To many, its purchase of Vidavee in May 2008 was a delayed attempt to add rich media functionality. Vignette's client base has been historically wary of Vignette “improvements” that appear in upgrades. Some former customers report previous upgrades took a year or more to implement and required extensive (and expensive) professional services interactions.

Why stick around? Many enterprises have stayed with these products because of the huge historical investment already made in terms of time, money and aggravation. Introducing an enterprise-wide technology platform almost always requires the involvement of a wide range of employees, and trying to scope out the company's needs at the end of a two-year implementation cycle can leave even the most visionary CFO reaching for a crystal ball. As companies evolve and management changes, the original solution plan may seem woefully outdated. So it's less than surprising that analysts report some customers never end up using the system at all.

### **Web 2.0: Agile SaaS Competitors**

Companies now have a much wider range of viable options than they did a few years ago, and new reasons to expand their RFPs to include SaaS solutions. Salesforce.com brought SaaS into the spotlight

nearly a decade ago with a radically different approach to customer relationship management. Today, Salesforce.com has more than 41,000 customers around the globe who rely on the flexibility and scalability of its on-demand Web delivery system.

Analysts say Web 2.0 is providing companies with compelling reasons to consider new hosted solutions, which tend to be less expensive and faster to configure, as well as easy to maintain, and reliably stable during unexpectedly high traffic spikes. In March 2008, CMS Wire reported: “One does wonder if the traditional in-house installed products are at risk. Vendors like Clickability are definitely seeing huge increases in their market penetration. And with the new pricing options ... it makes sense that a hosted solution would work for so many companies - both large and small.”

The cost savings of a SaaS solution are increasing with the cost of fuel. A 2006 study by HP and the Uptime Institute found that the power and associated costs to cool the datacenter can be as much – or more – than the cost of powering the IT equipment, such as servers, storage and networking.<sup>viii</sup> Each enterprise CMS installation requires approximately 20 servers, while new versions of installed software can require even more. And when companies host their own data centers, there aren’t any Service Level Agreements guaranteeing their uptime.

## Conclusion

The decision to transition to a new Web content management system is not an easy one—particularly when it means abandoning an existing system that was time consuming and costly to implement. But more and more companies are discovering the advantages of the SaaS model and an on-demand WCM system: Financial companies such as Cantor Fitzgerald. Technology companies such as NetApp. Major broadcast companies such as Gray Television.

As technology evolves from outdated installed systems to more on-demand platforms, IT managers can look to a much brighter future: Shorter deployment periods. Rapid innovation. More predictable costs. Easier training. A system that will grow with their business and evolve quickly with future technological improvements. But that aside, the fundamental question still remains: When will prudent and visionary IT leaders, “locked” into traditional ECM solutions, stop throwing good money after bad?

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<sup>i</sup> Forbes Magazine, October 14, 1998. <http://www.forbes.com/business/1998/10/14/side1.html>

<sup>ii</sup> Austin Business Journal, April 23, 2008.

[http://www.bizjournals.com/austin/stories/2008/04/21/daily31.html?ana=from\\_rss](http://www.bizjournals.com/austin/stories/2008/04/21/daily31.html?ana=from_rss)

<sup>iii</sup> Vignette Investor Relations. <http://ir.vignette.com/phoenix.zhtml?c=77858&p=irol-financialnewsArticle&ID=1134157&highlight=>

<sup>iv</sup> Yahoo! Finance. <http://finance.yahoo.com/q/ao?s=VIGN>

<sup>v</sup> Wall Street Journal, July 17, 2008

<sup>vi</sup> Jupiter Research, February 2003. Referenced in [www.internetnews.com/bus-news/article.php/1690881](http://www.internetnews.com/bus-news/article.php/1690881)

<sup>vii</sup> Intelligent Enterprise, July 14, 2008

[http://www.intelligententerprise.com/blog/archives/2008/07/interwoven\\_and.html](http://www.intelligententerprise.com/blog/archives/2008/07/interwoven_and.html)

<sup>viii</sup> HP, Christopher Malone, PhD, Christian Belady, P.E., “Metrics to Characterize Data Center & IT Equipment Energy Use”, Digital Power Forum, Richardson, TX (September 2006) and “How to Minimize Data Center Utility Bills”, HP, C Belady, P.E. September 2006,

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