

Ashton-Tate

Confident Of Position Amid Industry Transition

'By Kathleen Burton, Investor's Daily

A spate of new product announcements from software leaders Lotus Development Corp. and Microsoft Corp. have recently stolen the limelight in personal computer software.

Some say those much-ballyhooed new products have dimmed the luster of rival computer maker Ashton-Tate Co., long the undisputed leader in its niche — PC database software.

Ashton-Tate is now at a critical juncture in its evolution.

Along with other software vendors, it faces a sweeping transition to next-generation PC operating systems. In addition, the company must deal with stiffening competition from formerly minicomputer-only software companies like Oracle Corp., Relational Technologies Inc., Informix Corp. and Unify Corp.

Direct competition in PC databases also is expected from Lotus, from International Business Machines Corp. with its extended OS-2 that has a database component, and even from Microsoft, who some say will soon announce its own generic version of a database.

Ashton-Tate Chief Executive Edward Esber, interviewed at the Comdex trade show in Las Vegas last week, vigorously defended the company's strategy of developing new database products written for current and future operating system technologies. He also said Torrance, Calif.-based Ashton-Tate will continue to be a strong player in the PC software triumvirate.



Edward Esber

Q: Like last year, you're not exhibiting at the Comdex trade show. Why?

A: We don't have a new product ready to show.

Q: People are actively questioning your introduction schedule for next-generation products. Can you give us a rundown?

A: I'll reiterate what we've already said —that Ashton-Tate's next-generation database product, called DBASE IV, will be introduced no earlier than three years after our DBase III product (which was introduced in December 1985). That's still on schedule.

We have also said that DBASE IV will address performance, interface and connectivity issues and have SQL. (SQL stands for Systems Query Language, a next-generation computer language designed to create relationally organized information). We've also said that it will have 400,000 lines of code and 350,000 new lines of code (compared with 100,000 lines of code for the earlier database product.) It will use 380 (vs. 234) commands and be able to fit into a memory environment of 640 kilobytes or less, hopefully a 512 kilobyte memory environment. This is a major challenge.

Q: Besides DBASE IV, your next-generation flagship product, what about other new products?

A: We currently have four product lines —databases, word processing products, integrated software (such as Framework, Symphony and Enable) and graphics products. Each one will have a product that's character-based (under the MS-DOS operating system) and graphics-based, for tomorrow's IBM world, if you will.

Q: Currently, what percentage of revenues are in each product sector?

A: In our fiscal 1987 that ended in January, 63% of our \$210.8 million in revenues were from database sales. Of this total, integrated products represented \$23 million, word processing \$40 million and graphics products \$6 million.

Q: Can you give introduction dates for these new products?

A: No, we won't preannounce introduction schedules for these products.

Q: Why?

A: We announce when we're ready to ship. Because the April announcements by IBM and others described products that were 1 1/2 years away, we prefer to talk about direction rather than to give product names, shipment dates and prices. But we can say we are very confident about product schedules.

It's also hard to preannounce software because products constantly get defined and refined. Software is hard to test. It's done when it's done. It's also hard because our development schedule depends a lot on software development tools (like IBM's OS-2 version 1.1, shipping in October 1988) which we will get from IBM and others.

Q: The PC software industry is currently in a product transition between the MS-DOS and the OS/2 operating systems. With your new products, you plan to straddle both worlds. Is this flexibility a drawback or a strength?

A: Flexibility is our strength. We walk a tightrope between the new and the old. Our agenda is to be in both camps, MS-DOS and OS/2.

Q: What is your strategy for competing with IBM when it introduces its extended OS/2, which will contain a database component?

A: Our strategy is to both complement and compete with IBM's extended OS/2 version, which will contain a database engine. This way, we'll be poised to win whichever way the market votes.

We fully intend to outsell IBM's database, but we still want the opportunity, if IBM's database takes off, to generate revenues by adding report generation and database languages to it.

Q: Will this mean you'll introduce different complementary and competing products under OS/2 Extended Edition?

A: No. Databases have separate components: the interface, the database engine and the languages. We'll mix and match these.

Q: What effect on your bottom line will this spate of new product introductions have?

A: As a result of our commitment to new products, R&D as a percentage of sales in fiscal 1988 will go up, although I can't say how much. (In fiscal 1987, Ashton-Tate's R&D spending rose to \$19.5 million or 9.3% of sales, up from \$11.3 million, or approximately 9.3% of sales in fiscal 1986). We will also grow our sales team and international operations.

Q: Will you quantify this?

A: No.

(According to market researcher Dataquest, the PC database market outside the U.S., increasingly targeted by Ashton-Tate, grew from \$10 million in 1982 to \$60 million in 1986 and is projected to reach \$148 million in 1988. In fiscal 1987, 28% of Ashton-Tate's revenues were from international sales, up from 24% in fiscal 1986.)

Q: With your new products, who will be your target markets?

A: It's always been our strategy to aim our products at two constituencies: programmers and end users: DBASE IV and other new products will continue to serve both groups.

Q: Doesn't this dilute your efforts?

A: No. We try to serve both because we try to avoid typical Silicon Valley myopia of becoming focused only on technology. Technology is only good if it's usable.

Q: What makes you optimistic right now?

A: We've been a magnet for attracting technological database development talent lately.

Q: What's the reason for this?

A: Database talent is increasingly attracted to developing software for microcomputers rather than for mini-computers and mainframes, because they've got more degrees of freedom. Smaller computers are closer to the people. It's almost an altruistic thing.

Q: Are you satisfied with Ashton-Tate's position right now?

A: I could give you the stock answer and say `yes', but a good CEO is never satisfied. I always want faster turnaround and more features. Let's just say I am realistically satisfied.

It's hard to be satisfied because database products never stop evolving. At some point, though, you have to drop a flag and say stop, let's introduce it in this evolution.

Q: Are you afraid the market window will close before you get new products in the pipeline?

A: No. Some people believe that because of the operating system transition we are in, that anyone can enter the market, that the playing field is level. On the contrary, all players are not equal. I believe the transition to OS/2 opens the window a little for new players, but not a lot. Market share doesn't change overnight, and our customers are loyal.

Q: What about new competition from players like Oracle, Informix and Relational Technology?

A: Success breeds competition. Competition keeps us lean and mean. Keep 'em coming.

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