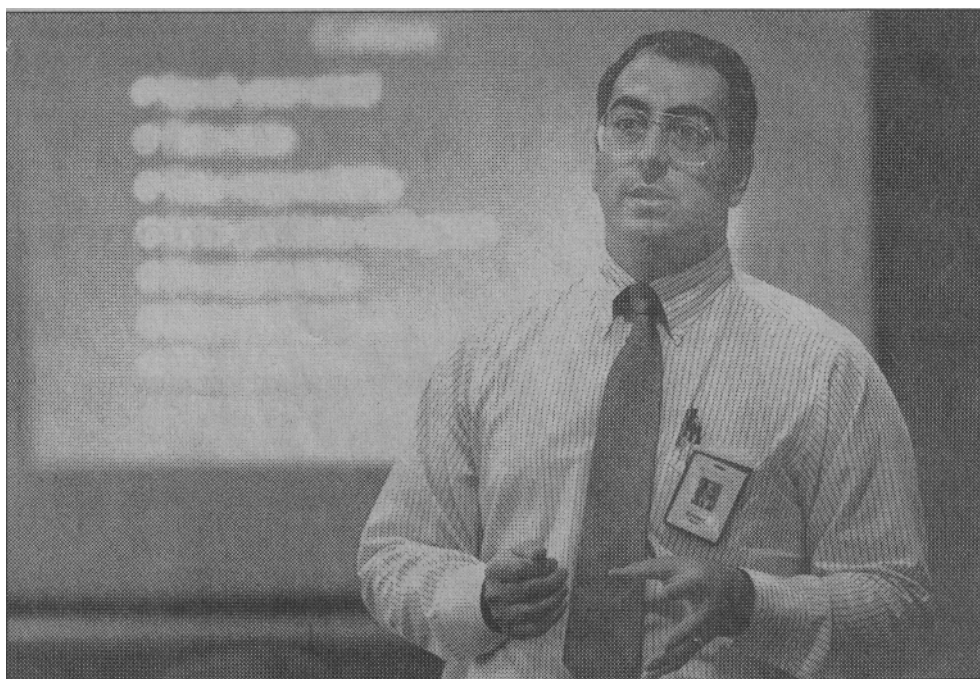


Ashton-Tate Takes It on the Chin but Vows a Comeback

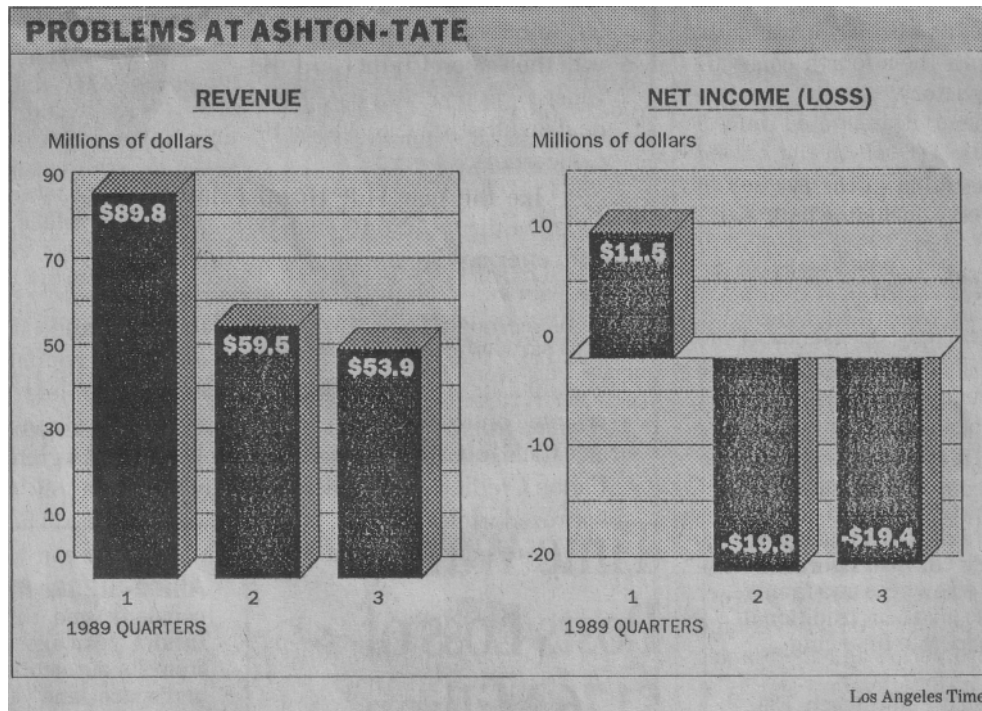
■ **Technology:** Once a superstar in software, the Torrance-based firm is battling to recoup losses from a flawed database management program.

By CARLA LAZZARESCHI
TIMES STAFF WRITER



BRIAN GADBERRY / Los Angeles Times

Ashton-Tate Chief Executive Edward Esber delivers a pep talk to employees.



Ed Esber is sick of the comparisons and snide asides about his previous stint at a failed software publishing house. He is tired of Wall Street analysts who have made an art of second-guessing his management of Torrance-based software publisher Ashton-Tate.

And he has no patience for those who automatically assume that just because a company' has lost nearly \$40 million in six months and is being squeezed by aggressive competitors, its days are numbered.

"It's true we've been hit hard and we're down on the mat," concedes Edward Esber, Ashton-Tate's 37-year-old chairman and president. But don't you dare for a minute think we're knocked out. We're just catching our breath. We'll be back."

It's going to take more, than Esber's tough talk and promises to persuade a growing number of skeptics that Ashton-Tate isn't a punch-drunk champ down for the count. There are just too many faded software superstars offering ample precedent.

VisiCorp, the now-defunct software publisher for which Esber worked as a marketing manager in the early 1980s, dominated the early market for personal computer financial spreadsheets with its VisiCalc program, only to lose it all to rivals, notably Lotus Development Corp. MicroPro's WordStar was a leader among PC word processors early on until more aggressive and sophisticated programs stole the market, leaving the company to limp along.

Ashton-Tate, a 10-year-old company that pioneered what is now a \$500-million-a-year market for PC database management software, has recently slipped to fourth place among PC software publishers, and its share of the database market, once an enviable 80% or more, has dropped to 60%, analysts say. Sales last quarter fell to \$53.9 million, 28% below those of the year-ago quarter.

"Ashton-Tate is retelling the classic story of high-technology companies," says Peter Rogers, an analyst at Robertson Stephens & Co., a San Francisco brokerage. "A

company has a good, solid franchise and then gets complacent. It doesn't serve its customers well and doesn't keep up with technology. Then the competition gets in and it loses big.

"The way I see it, Ashton-Tate has neglected its franchise, and the competition is closing in," Rogers adds. "The future is very uncertain."

Although many analysts say Ashton-Tate's problems have been building for years, events of the past year touched off its current woes.

It started last Halloween with the release of dBase IV, an updated version of the database management program that has been the company's bedrock and source of the vast majority of its revenues since its inception. The program, initially released in 1982, allows personal computers to sort, index and store vast quantities of information.

Although complaints about "bugs"—computer lingo for mistakes—seriously undermined acceptance of dBase IV, the company continued to push the product on its distributors in the mistaken notion that it would eventually gain a strong following. Instead, about six months worth of over stock piled up on distributors' shelves where some still remains. The result: Losses totaling \$39.2 million in the past six months and no immediate sign that the red ink has stopped.

Compounding the company's problems an increase in competition among database programs, particularly from low-cost imitators, and a slowing of the once-torrid sales pace of personal computer software during the past year. And at the same time, the introduction of more powerful desk-top computers is creating a need for more sophisticated database management software, a need, some analysts contend, that Ashton-Tate cannot serve.

ASHTON: Chief Discounts Dour Forecasts

"I think they are becoming and will continue to be a slowly declining player in the database market," says Jeffrey Tarter, publisher of SoftLetter, a software marketing publication. "And I don't see how they can turn it around."

The problem, as Tarter and others see it, is that Ashton-Tate does not have the in-house technology to fend off competing products, which are either cheaper or more sophisticated, or both. Several analysts note that the company has never developed a new product from scratch in its labs. Its entire product lineup, including the original dBase program, have all been purchased from outside developers.

"They do not have a technology development operation," Tarter argues. "They talk a good game, but it just isn't there. They are a marketing-driven company. Now they have some real competition, and their technology weaknesses are really showing."

BACKGROUND

■ This has been a tough year for many software publishers. Fast-moving personal computer technology, a shrinking number of distributors and customer confusion have combined to dramatically slow PC software sales. Ashton-Tate has compounded these problems with some missteps of its own.

Other analysts suggest that Ashton-Tate, whose stock closed Monday on the over-the-counter market at \$10.75, down 12.5 cents, might be an ideal merger partner for another software publisher. David Bayer of Montgomery Securities in San Francisco notes that the company's assets include \$80 million in cash and 3 million users of its dBase products.

"For the right company, you could make the argument that there is value here that could be exploited," Bayer says.

Esber, a Harvard-trained MBA who joined Ashton-Tate in 1984 and successfully steered it through similar problems three years ago, dismisses merger talk as meaningless speculation. He contends that the company has what it takes to remain the market leader, but has merely failed to communicate its message to customers.

"Who cares if you develop your products in-house or you buy them from others, so long as they are successful?" he thunders. "What we have to do is better market our software and help our customers understand what our products do and what our competitors' products don't do."

Esber is betting heavily that company fortunes will rebound early next year when it releases a new, improved version of dBase IV. The program is undergoing extensive quality control testing and evaluation, a step that the company acknowledges was omitted last year in the push to get the first dBase IV program out the door.

As it has in the past, the company is also stepping up efforts to increase sales of its other software products, most of which have generally fared poorly in the market. The goal is to reduce the company's reliance on dBase as a source of revenue. However, similar efforts in the past have flopped; dBase still routinely accounts for 60% to 70% of the company's sales.

Esber also notes that the company has already laid off about 300 employees and trimmed spending in a bid to restore profitability. Further, he contends that its \$80-million bank account can tide the company over until his strategy takes hold.

And when it works, he predicts, the analysts who have been bashing the company for the past several months will reverse them-' selves.

"They'll look back and say: 'Wasn't that a brilliant strategy,' " Esber predicts. But all I ask for now is time. Give me a year. Be patient with me. And don't count me out."

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