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Dynamic Content Software Strategies Consulting Service

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Perspective on the War for e-Forms

Introduction

This report adds CAP Ventures' DSS Service's perspective to the Production Workflow Solutions document entitled "The War for Forms," which was published on November 4, 2003. The original piece is presented in its entirety, and a DSS Perspective section is added at the end.

Microsoft is no stranger to shaking up entrenched markets, starting small and rapidly achieving status as a player with an overwhelming majority of market share. From operating systems to Web browsers, when Microsoft enters a market, it plays to win. With its announcement of the InfoPath initiative (as part of its Office 2003 package), the company is bringing its "embrace and extend" philosophy to the e-forms marketplace, with an eye towards establishing its Office 2003 suite as the preferred e-forms environment for enterprises of all types.

At first glance, InfoPath is Microsoft's new collaborative data management, distribution, and organization architecture. It is based on the XML (eXtensible Markup Language) standard and supports any customer-defined schema. InfoPath is designed to accommodate any collaborative content-based business process task through close integration with the latest version of Microsoft Office, as well as direct links to existing customer Web services and XML applications. In less technical terms, the concept transforms the ubiquitous Microsoft Office platform into a collaborative authoring and entry environment for electronic forms, using Windows file sharing standards to ease creation and sharing of data.

In terms of market adoption to date, multiple vendors have committed resources to the concept. Most notably, Hewlett-Packard and Xerox have announced complementary software, hardware, and services solutions designed to enable deployment of e-forms architectures.

A Battle for the Low and Mid Range

Microsoft's goal is clearly to dominate the electronic forms market in the low and mid range, driving other major players to the high end of the market. The company is leveraging several aspects of the InfoPath concept to accomplish this goal:

- The ubiquity of Microsoft Office, making it a "stealth vehicle" for online electronic forms that exists, in some form, on virtually every desktop in corporate environments
- The ease of deployment, since InfoPath can utilize simple Windows

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Headquarters
CAP Ventures, Inc.
600 Cordwainer Drive
Norwell, MA 02061
Phone: (781) 871-9000
Fax: (781) 871-3861
E-mail: info@capv.com
www.capv.com

Europe
CAP Ventures, Ltd.
3rd Floor, Sceptre House
7-9 Castle Street
Luton, Bedfordshire,
United Kingdom LU1 3AJ
Phone: +44 1582 400120
Fax: +44 1582 411001
E-mail: euro.info@capv.com

Japan
G.S.M. Corporation
Hiroo Office Building
1-3-18 Hiroo
Shibuya-ku
Tokyo 150-0012 Japan
Phone: +81 3 5475 2663
Fax: +81 3 5475 2710
E-mail: info@gsm.to

shared folders and e-mail as a distribution medium

- The up-front cost of deployment, since InfoPath technologies will be able to be deployed with little marginal cost in terms of new software licenses

Adobe and IBM, both major players in the e-forms marketplace, quickly countered by integrating their competing solutions to offer a more robust end-to-end offering. The alliance combines the former IBM's DB2 database technology and WebSphere Web services platform with Adobe's own Form Server, Form Designer, and Reader. The alliance will integrate development, marketing, and sales resources from the two companies to create a broader, end-to-end offering. IBM's Global Services unit and Adobe will also collaborate to facilitate deployment of forms-based solutions for key vertical market applications.

IBM's content management technologies will serve as the "engine" of the solution with Adobe's forms technology serving as an interface (parallel to Microsoft Office in InfoPath). The format of choice for transit of information within the new joint offering will be optimized PDF files. The two companies envision substantial deployment within content management-centric applications, such as financial services business processes.

While this solution is likely technically superior to the InfoPath approach, Microsoft's sheer volume of developer partners, low up-front costs, and ubiquity on the corporate desktop will prove to be a daunting challenge for competing solutions, even those that are best-of-breed. Nevertheless, Microsoft is not without its own challenges in implementing this strategy, and these challenges represent a substantial opportunity for competitors to blunt Microsoft's offensive.

Chief amongst these is the limited deployment of Office 2003. Microsoft's new licensing model has made purchasing Office 2003 less attractive to many IT departments, who prefer a single payment-for-license approach to a recurring yearly charge (Microsoft's new approach). This higher cost of initial acquisition has served as an entry point for Microsoft's competitors in the office environment, including Corel, Sun, and IBM's Lotus unit. At the same time, however, it remains to be seen whether any of those competitors can gain sustained growing market share as a result.

In addition, Microsoft's record as an open development partner and open standards purveyor is mixed at best. This has created a substantial credibility gap for the company in the developer community. While Microsoft has clearly embraced XML as an open standard for the development and deployment of solutions within the InfoPath system today, the company has also embraced other proposed standards such as Java and HTML, only to create proprietary incompatible offshoots later. When contrasted with major competitors such as Adobe and IBM, Microsoft will have a challenge convincing developers of its long-term commitment to open standards and its willingness not to "eat its young" (i.e. releasing its own versions of popular applications to capture developers' revenue when its developers experience success in a particular area).

Looking Forward

Microsoft's entry into the e-forms marketplace creates substantial challenges for every player in the market, including Microsoft itself. The company must make its Office 2003 platform near ubiquitous within an IT market that is hesitant to increase investment in office software (and which often views Office 97 as sufficient for desktop productivity). It also must convince developers that it is committed to open standards and a healthy third-party developer community for the future.

If Microsoft can do this, Adobe and other major competitors will face a substantial challenge in ensuring that their existing e-forms infrastructure is competitively priced and ubiquitous. In addition, those competitors will have to decide how key the low and mid range of the e-forms market is to their businesses, and whether allowing Microsoft to assume majority share will hurt their businesses in the future. Reduced pricing and changes in solution component positioning, with some components being given away for free, are likely as a result.

In any event, this battle for share is unlikely to mirror prior battles, such as the much-fabled Netscape-Microsoft browser war (where the former was handily defeated). This time, end-users of e-forms technology are savvier about solution economics and more invested in existing technologies than they were in prior situations.

It seems likely that InfoPath represents Microsoft's opening shot in attempting to dislodge PDF as the dominant production-ready document format, but Microsoft competitors in this marketplace have credible technological and marketplace positions that will be difficult and expensive for the company to try and dislodge. After its successful seeding as a consumer technology, PDF has also become the accepted standard within the production environment, and has grown over the past decade into a format with ubiquity in print comparable to Microsoft Office on the desktop.

Dynamic Content Software Strategies Service's Perspective

One of the most interesting aspects of this e-forms discussion takes us to the Microsoft and Adobe battlefield. This is clearly one of the first of what might be multiple frontal assaults between the companies.

It is true that IBM and Adobe's announcement of their alliance came quickly after a build-up of InfoPath press in early 2003. At the same time, however, it is not fair to say that Adobe countered Microsoft. Adobe has been working in the e-forms area at least as long as Microsoft, as witnessed by its acquisition of Accelio, which was announced in February 2002.

There is no argument that Microsoft becomes a major player in virtually every market it decides to enter. Microsoft Office is no exception, owning 94% of the office productivity software market according to Giga ("More PC Makers Try Alternatives to Microsoft Suites," EWeek, September 2, 2002). Nevertheless, the ever-increasing presence of PDF should not be discounted. CAP Ventures research on multi-channel communication (which will be published in the near future) clearly shows that PDF mindshare is equally impressive. As Adobe continues to add more collaborative features into Acrobat, it will increasingly be seen as more than just a convenient document viewer. Whether Microsoft or Adobe holds the technology edge to win the e-forms battle may not matter in the end. Pervasiveness of the technologies, ease of use, and the ability to integrate into the enterprise environment and desktop will probably be the deciding factors. As a result, this battle is far from a rout and it is definitely too early to predict a winner.

Certainly, effective use of standard such as XML and PDF directly speak to the market challenge. It may be fair to question Microsoft's commitment to standards in general, but the XML case is a bit different. It can be argued that one of the main reasons that XML was able to get off the ground in the first place and become the standard it is today is because of the marketing muscle that Microsoft threw into it in XML's nascent days. Clearly, the company continues to support it not only from a marketing perspective, but also from increased support across its product lines. This stands in contrast to the cases of HTML and Java, where Microsoft was a relative latecomer and had no vested interest in the success of the products.

What is probably most interesting for Microsoft and Adobe is that neither company's e-forms technologies should not be taken strictly at face value. Longer-term, the opportunity goes beyond e-forms as the technologies provide a bridge between the structured (data) and unstructured worlds (documents). The ability to provide a product that can easily generate an electronic interface that maps data (in and out) with documents escalates the level of interactivity provided through business communications.

This battle will be one to watch, with both parties offering interesting solutions. While Microsoft may be the 800-pound gorilla in most of its markets, there is no clear leader in the e-forms contest at this time. Microsoft and Adobe have previously squared off to a virtual draw in the smaller-than-expected e-books reader software market, which both companies entered in 2000.

As Jim Wager stated in "XDocs: An Adobe Wake-up Call" in October 10, 2002, "There's no reason for panic yet. This isn't the first time that Microsoft and Adobe have squared off over electronic file types. When e-books were gaining popularity in 2000, Microsoft pulled a similar move with its Microsoft Reader software, in an area dominated by Adobe Reader. Adobe still holds the edge in e-book market share." (*Source:* internetnews.com, http://www.internetnews.com/dev-news/article.php/1479851)

Clearly, Microsoft and Adobe have battled before. Nevertheless, we believe that the companies come better prepared this time because they have more to win from this fight.

Jon Franke, Mike Maziarka, Brian Miller