

April 10, 2008

Hewlett-Packard Enters The ECM Race

How Small But Smart Acquisitions Affect Your ECM Strategies

by **Kyle McNabb and Craig Le Clair**

with Connie Moore and Shelby Catino

EXECUTIVE SUMMARY

With its acquisition of Exstream Software and announced acquisition of TOWER Software, Hewlett-Packard (HP) has finally put to rest any doubt that the company is targeting enterprise content management (ECM) for enterprises. While it's not the splashy acquisition of a single, larger ECM pure play, HP's recent moves make sense, both for the vendor and for the many information and knowledge management (I&KM) professionals looking at document output managed services options, tackling risk and compliance needs, and keeping their Microsoft Office SharePoint Server 2007 implementations humming as a part of their ECM strategies.

HP CONFRONTS THE FOUR HORSEMEN OF ENTERPRISE CONTENT MANAGEMENT

HP's recent acquisition of Exstream Software, along with its plans to acquire TOWER Software, gives HP the opportunity to compete in ECM with EMC, IBM, Microsoft, and Oracle — the four horsemen.¹ For years, many industry watchers have held that HP would enter the ECM market to complement its storage hardware and software management portfolio by acquiring a large, well-established ECM vendor. We believe that this opportunity ended with IBM's 2006 acquisition of FileNet.² Although the remaining ECM vendors, such as Interwoven, Open Text, and Vignette, offer good ECM technologies, they either don't fit HP's go-to-market strategy or they present too much of an integration challenge.³ As a result, HP:

- **Acquired Exstream for document output management (DOM).** Recognizing the strengths IBM and EMC have in transactional-content-centric areas — such as document imaging and business process management (BPM) in support of claims processing or new account opening — HP chose instead to buy complementary technology that helps to create and distribute transactional content. The Exstream acquisition primarily targets print channel support and focuses less on the interactive and on-demand DOM segments.⁴ This acquisition puts HP in a position to extend transactional content processes — even those powered by IBM or EMC technology — inside major banks and insurance companies by focusing its DOM technology on marketing communications, statement generation, and transactional print and proactive marketing (TransPromo) output.
- **Plans to purchase TOWER Software to strengthen its eDiscovery and compliance offering.** TOWER offers HP-proven, Microsoft-friendly document and records management support.⁵ While it doesn't give HP a complete ECM suite, TOWER does provide HP with ECM support where it matters: It provides necessary functionality to the large segments of I&KM pros looking to manage and mitigate content risks associated with compliance and eDiscovery. To offer IT organizations broader tools to address records and retention management needs, HP plans to combine TOWER's technology with its HP Integrated Archive Platform (IAP).

NO SINGLE VENDOR — INCLUDING HP — CAN MEET ALL YOUR CONTENT NEEDS

HP's move into ECM represents another major milestone in the development and maturation of the ECM market. But don't expect any one vendor to be in a position to address the business context — the varying ways business people and business processes use content — of the content within your enterprise, even with major infrastructure vendors like EMC, IBM, Microsoft, Oracle, and now HP selling ECM.⁶ We believe that HP won't pursue an ECM suite or specific ECM product-based go-to-market initiatives. Instead, HP will focus on how ECM fits into the broader business process transformational solutions HP has to offer — such as linking HP's output, infrastructure, and software assets to address TransPromo or eDiscovery and compliance needs. While HP's acquisitions may seem minor, they're significant and will affect how I&KM pros develop their ECM strategies. Specifically:

- **Document processing services will become richer and more relevant to ECM.** HP's acquisition of Exstream helps to immediately address the lack of market share and presence HP has in document processing services compared with IBM, OCE, and Xerox. With Exstream, HP now has a leading enterprise software technology at its disposal to better compete with these document processing service vendors. HP also now has the technology to fill a gap in its document output automation capability, which previously largely consisted of HP Output Server — known more for infrastructure output management than for high-value customer communications and correspondences. Exstream will become an integral part of HP's overall Imaging and Printing Group, and it will link office and print devices to core business processes. Outsourcing, or offloading, specific ECM concerns related to office automation or marketing fulfillment is an inevitable trend that will become more commonplace with these established vendors.
- **Risk, compliance, and archiving content will move to infrastructure vendors.** The proven records management functionality offered by TOWER strengthens HP's message archiving support in its IAP.⁷ Risk and compliance spans more than just records management and archiving software. Storage hardware and storage management software, coupled with records management and archiving, provide IT operational roles with a strong starting point to tackle pervasive records and retention management needs. As a result, I&KM pros looking at point solutions for records management and archiving from the likes of Autonomy ZANTAZ and Open Text will find themselves increasingly working with their IT infrastructure and operations professional peers to evaluate the broader footprints from EMC, HP, and IBM.
- **Confidence in Microsoft Office SharePoint Server (MOSS) 2007 deployments will rise.** Enterprises in North America and Western Europe have aggressive plans for MOSS 2007.⁸ We've spoken with numerous I&KM pros concerned about the long-term performance and stability of their MOSS deployments as more and more content is being managed by Microsoft's answer to ECM, collaboration, business intelligence, and enterprise search. We believe that HP's approach

to MOSS will comfort many I&KM pros concerned with MOSS's long-term performance. Many ECM vendors — including EMC, Hyland Software, IBM, Open Text, and Oracle — offer integration with MOSS. In addition, most of these vendors also offer competitive products to MOSS, such as EMC Documentum eRoom for collaboration, IBM Lotus for collaboration, Open Text RedDot for Web content management, Oracle Web Content Management, and Oracle Collaboration Suite.⁹ However, HP presents a different approach — it has no competitive collaboration products and, with TOWER, offers a proven strength in records management, archiving, and office device integration that MOSS doesn't have.

RECOMMENDATIONS

CONSIDER HP FOR OUTPUT MANAGEMENT AND ECM COMPLIANCE

No single vendor can address the varying ways in which business people and business processes use content, let alone the specific objectives related to transactional, business, and persuasive content initiatives.¹⁰ HP is no exception; it should be considered by I&KM pros with DOM and risk-and compliance-driven ECM needs. I&KM pros should:

- **Look to HP for DOM support.** Exstream's DOM product line, Dialogue, proved itself by addressing structured and interactive document output needs in financial services and insurance markets. HP will use Exstream's technology to connect business processes — such as correspondence management and those related to marketing communications — to its output devices and related software. The result will give many I&KM pros a broad portfolio of options to address their varying document output issues — including managed services for document output processes.
- **Keep TOWER on records management evaluation lists.** TOWER customers can rejoice. HP doesn't just get a customer base — more than 1,000 customers — with TOWER. It also gets a proven records management product to add to its software portfolio, something that does not exist in HP's current software portfolio.
- **Compare HP's compliance archive capability with EMC, IBM, and other platforms.** TOWER adds much-needed records management support to the bundle of software and storage hardware in HP's IAP. HP's storage hardware and storage management software, coupled with records management and enhanced archiving, can now provide a strong starting point to tackle records and retention management. These provide a compliance archive capability that is on par with major platform suppliers.
- **Put HP on the list for filling gaps in MOSS.** I&KM pros can now look to HP to help fill gaps in SharePoint, such as functionality gaps in records management, document imaging, report archiving, and document capture — particularly for distributed capture using HP office devices. And HP's generally complementary MOSS approach with TOWER and IAP will benefit I&KM pros looking to keep their MOSS implementations optimized for performance.

- **Look to HP to help link office devices to core content-centric business processes.** HP primarily plans to integrate TOWER with its IAP to address eDiscovery and compliance needs. TOWER also addresses broader ECM needs for document management, imaging, and document-centric business processes. Expect HP to use TOWER, integrated with proliferating office devices, to provide productive on-ramps to common office workflows, such as expense management and invoice processing. Look for HP to build more complete content management solutions on top of its Open Extensibility Platform to reduce cycle times for office business processes.

ENDNOTES

- ¹ On March 31, 2008, HP announced that it had signed a pre-bid agreement to acquire Canberra, Australia-based TOWER Software. Source: “HP to Acquire Tower Software, Expanding Capabilities in Fast-growing e-Discovery and Compliance Software Market,” HP press release, March 31, 2008 (<http://www.hp.com/hpinfo/newsroom/press/2008/080331xb.html>).
- ² With its 2006 acquisition of FileNet, IBM made a move to consolidate the ECM market. This acquisition added the largest independent ECM software company — and the chief ECM thorn in IBM’s Information Management group’s side — to IBM’s software portfolio. See the August 16, 2006, “[Whoa! IBM Acquires FileNet](#)” report.
- ³ Remaining ECM suite vendors, like Interwoven, Open Text, and Vignette, offer potential acquirers suitable ECM technologies. But for HP, Interwoven and Vignette both focus heavily on Web-based customer experience needs, differing from HP’s strategy of compliance and eDiscovery support. And Open Text likely presents too much of an integration challenge, given the vendor’s history of acquiring multiple overlapping products. See the November 9, 2007, “[The Forrester Wave™: Enterprise Content Management Suites, Q4 2007](#)” report.
- ⁴ Document output management (DOM) refers to technology helping I&KM pros drive improvements in structured, interactive, and on-demand output of correspondences, statements, bills, welcome kits, and other similar customer documents. See the February 8, 2008, “[Market Overview: Document Output Management](#)” report.
- ⁵ TOWER Software, recognized as a records management contender, offers a strong central repository approach to managing documents and records. This vendor has strength outside North America and can be found widely deployed in Australia and Asia Pacific. See the March 14, 2007, “[TOWER Software Is A Contender In Records Management, With Good Physical RM](#)” report.
- ⁶ Enterprises with successful ECM strategies note that their strategies reflect the varying ways in which their business people and business processes use content. Understanding how business people and business processes use content, in addition to understanding how they manage content, leads to developing strategies with business context in mind. See the December 27, 2007, “[Business Context: A Better Way To Define An ECM Strategy](#)” report.

- ⁷ Forrester used 85 criteria to evaluate nine message-archiving vendors and found that HP's IAP offering provides strong scalability via a differentiating appliance-based approach. See the February 14, 2008, "The Forrester Wave™: Message Archiving Software, Q1 2008" report.
- ⁸ In March 2008, Forrester surveyed 259 IT decision-makers in North American and Western Europe regarding their Office 2007 adoption plans. We found that 87% of enterprises plan to deploy or upgrade to MOSS 2007 within the next 12 months. See the March 31, 2008, "The State Of Microsoft Office 2007 Desktop Adoption" report.
- ⁹ In Q4 2007, Forrester evaluated 11 ECM vendors across approximately 60 criteria, including core ECM capability criteria and extended capability criteria. The extended capability criteria included collaboration, enterprise search, business process management, and enterprise rights management support. See the November 9, 2007, "The Forrester Wave™: Enterprise Content Management Suites, Q4 2007" report.
- ¹⁰ Content varies based on its usage, and Forrester introduced a framework to help I&KM pros segment their content needs based on content's usage. Content originating outside an enterprise but driving an internal process, such as a claim, represents transactional content. Content that is created internally, such as a business case or financial plan, and used primarily by internal audiences to help improve a business decision, represents business content. And content created to influence or change a customer's behavior represents persuasive content. See the December 21, 2005, "Transactional, Business, And Persuasive Content: A Better Way To Look At Enterprise Content" report.