15.965 Technology & Strategy

Documentum
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What would you do now, if you were Documentum?

• What did Documentum learn from its experience with the first two customers?
  – Boeing
  – Syntex

• What do you think of Jeff's decision to shift the focus to vertical markets from the original platform strategy?

• Which vertical market should Documentum focus on, and why?
  – insurance policy documentation
  – aircraft maintenance documentation
  – pharmaceutical NDA
  – chemical regulation management
  – telecom manufacturing

• Would you accept or reject the Marsh and McLennan deal, and why would you do so?
1993 and 1994

• Documentum customized its software to address the FDA application process
• It targeted major pharmaceuticals Merck and Glaxo
• Once they were customers, other pharmaceuticals bought in
• Documentum increased revenues from $2 million in 1993 to more than $10 million in 1994, 70 percent coming from pharmaceuticals.
1995 and 1996

- Documentum targeted adjacent markets
  - commodity and specialty chemical industry. From there
  - discrete manufacturing sector, customizing its technology for aerospace, electronics, and automotive manufacturers, customers such as General Motors and Sun Microsystems
  - then engineering and construction
- 1995 revenues of ~$26 million, first profit of $1.26 million
- 1996 sales $45 million with profits of $4.5 million.
1996

• Documentum became first of XTV ventures to go public
• In February, raised $43.2 million: 1.8 million shares @ $24
• By early May, it was priced above $45
• Introduced Accelera, which allowed customers to access Documentum's document repository with a Web browser
• Acquired Relevance Technologies for $36.5 million
  – San Francisco content-mining developer
  – Semantic Modeling Architecture, permitted users to locate unstructured text-based information
• “The first mountain we want to climb is to become the undisputed leader in the content management business. ... In a few years that's a $3-$5 billion marketplace, so whoever's going to get the leadership share there is going to be a very large, successful company, and we think we've got a great shot to do that.”

• Net earnings of $8.7 million
• Revenues of nearly $198 million
EMC acquired Documentum for $1.7 billion in December, 2003
Insights from Documentum

• “We didn’t want to create a product that only a vendor could love”
• Early customers who are strongly motivated, and prepared to change their behaviours
  – Boeing - retooling
  – Syntex – in trouble, $1million/day opportunity cost
• Vertical *versus* horizontal markets
• Focus on customers (industry) with a critical job to be done (application), dominate the value proposition