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BEA Takes Aggressive Approach by Targeting New Markets

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BEA Systems is trying to build momentum by extending into new markets. Its new Web services development model and plans for an overseas development center in China represent new growth opportunities.

NEWS ANALYSIS

Event

On 17 January 2002, BEA announced the upcoming launch of its newly demonstrated development software, code-named "Cajun." With Cajun, BEA seeks to simplify Java development and the creation of Web services. BEA also announced it will set up its first overseas development center in China, BEA's fastest-growing market, in 2H03 or 1H04.

Analysis

In the effort to reinvigorate its momentum despite changing market conditions and difficult economic times, BEA, a leader in the enterprise Java platform market, has been looking for new business and technical opportunities for growth. BEA recently identified two such opportunities: the prototype of its forthcoming Cajun platform, and a planned push into the market of China.

With Cajun, BEA is facing up to the inherent problem of all Java platforms: the complexity of Java 2 Enterprise Edition (J2EE) and Java itself. While BEA and its J2EE competitors have made major inroads into the high-end enterprise software projects, the massive market of less technically skilled developers working on smaller projects is less committed to Java software architectures. Given the imminent arrival of Microsoft's .NET framework and Visual Studio .NET development platform, BEA and other Java platform vendors are looking to offer mass-market developers a more attractive, user-friendly environment.

Cajun is the evolution of technology first developed by CrossGain, which BEA acquired in 2001. Cajun is intended as the BEA platform for Java and Web services development. Thus, for the first time in its history, BEA is entering the development tool market directly. To succeed with Cajun, BEA must not only deliver an attractive solution, but also:

- Develop a new business operations model, including building a developers community as well as new sales, marketing and distribution policies
- Find the right balance between maintaining its reputation as a dependable and conservative vendor for high-end software projects and becoming attractive to the new cadre of developers in the volatile low-end software projects market

The direction BEA is taking is well-aligned with the evolution of the market, but success will depend on execution.

In China, BEA has invested in building a relationship with the local authorities, to become both a local business and a local vendor. This approach will give BEA an opportunity far exceeding that which would be possible by simply establishing a sales presence. However, BEA's leading competitors (e.g., IBM, Microsoft, Oracle and Sun Microsystems) also have some initiatives in Asia, including China, and the Chinese government is unlikely to award an exclusive position to any one foreign vendor.

BEA's new initiatives show that its management recognizes the need to change and innovate to grow and prosper. Much still remains to be done, as no single initiative can be a sufficient dependable platform for growth. To face its giant competitors, BEA is likely to attempt to diversify its business through acquisitions by 1Q03, using its $1 billion cash reserve. While BEA's competitors are gaining strength in BEA's core market of enterprise software infrastructure, BEA remains a leader, even as it pursues new growth initiatives.

Analytical Source: Yefim Natis, Application Integration and Middleware Strategies

Need to Know: Reference Material and Recommended Reading

- "BEA's New CEO Will Spark Increased Innovation" (FT-14-6582). BEA's promotion of Chuang to CEO, along with internal restructuring steps, all point to a new, more aggressive and more agile BEA. **By Yefim Natis**
- "Chinese Firms Could Benefit From Microsoft's Loss in China" (FT-15-2027). Gartner believes that Microsoft's failure to win this particular bid indicates the challenges that multinational companies face when doing business in China. **By Louisa Liu**

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