

Mark Logic eyes opportunities beyond core markets: Must like XML

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Sector: Enterprise Software

We recently caught up with **Mark Logic** for an update on the company's market strategy. It sells an XML content server product, which is essentially an XML database that supports XQuery and full-text search. The company has had a focused market strategy, selling to publishing and federal government customers almost exclusively to date. The company has some new funding to explore additional markets. Its foray into email search and archiving is particularly interesting.

The 451 Take

We've noted that Mark Logic strikes us as a tightly run company. Mark Logic's XML Content Server could be used for a wide variety of applications, but the company has steered well clear of trying to be all applications to all companies. Its efforts to sell first to publishing companies and then to federal government agencies seem to be succeeding. Now, with some new financing to pay for a bit more exploration, the company is starting to pursue some new markets. We'd wager a continued focus on targeted verticals will be more successful for Mark Logic than trying to do a horizontal sell for SharePoint integration or email archiving.

Context

Mark Logic took a new round of funding in July. The \$15m third-round financing came from existing investors **Sequoia Capital** and **Lehman Brothers**, bringing total funding to date to \$33m. Mark Logic told us earlier this year that it was targeting late 2007 for profitability. At this point, it seems the company has traded profitability for more aggressive investment in company growth, although it claims it has more than \$15m in cash, so it's not really burning the new money to fund operations.

Headcount is up to 91. New hires include Andy Feit, who joined the company as VP of marketing in September. Feit brings a long history in the enterprise search industry, with tenures at **Verity**, **Inktomi** and **Quiver Inc** under his belt. Overall, Mark Logic had 80 customers at the end of the third quarter, up from 55 when we spoke with the company in March.

Federal market

We've discussed Mark Logic's technology in several previous reports, so here we'll look at the company's go-to-market strategy. The federal government was the second market, after publishing, that Mark Logic targeted. Since it is the one seeing faster growth at the moment, we'll tackle it first.

Mark Logic did its first real government project a year ago. When we met with the company in March, it was getting only about 10% of its new business from government accounts.

Now that number is 50%, though it varies from quarter to quarter, as Mark Logic's deals are large, generally in the \$250,000 range, so each quarter is affected by a few deals.

Mark Logic is focusing pretty broadly across government agencies. The customer list includes the **US Patent and Trademark Office**, the **National Security Agency**, the **US Army** and the **Joint Warfare Analysis Center**. The applications themselves vary a fair amount, usually to include elements of custom publishing and search. Government contractors like **Boeing**, **Northrop Grumman** and **Lockheed Martin** are typically involved in the sales and services process. Mark Logic's work with these integrators has increased the amount of revenue the company is getting via indirect channels to 30% (up from 10% earlier this year).

Publishing market

Publishing was the first vertical Mark Logic went after and the one where it has had the most success to date. Traditional publishers are an obvious target for Mark Logic's XML database and query technology because they have high volumes of semistructured content they're trying to move online. Mark Logic allows publishers to slice and dice content for custom publishing and delivery applications. New publishing customers include **Harvard Business Review**, **RR Bowker** and **Simon & Schuster**.

With deal sizes in the \$250,000 range, due in part to the hefty services requirement, Mark Logic has been selling so far to mostly large publishers. There's more repeatability in the publishing apps it builds, though, in contrast to those in the government sector, so now the company is trying to get some repeatability that will allow it to make smaller deals with more publishers. It has rolled out two quick-start packages – one for digital asset distribution and another for custom publishing – in this vein. These quick starts include license fees, services and the first year of maintenance for about \$125,000, with some limits on the volume of content. These could help the vendor expand its target market in publishing to more midsized publishers.

New markets

Mark Logic is investigating what its next target verticals will be, but hasn't yet started to go after another one in earnest. Aviation, manufacturing, financial services and life sciences are all on its radar, but it wants to go after specific applications like **Occupational Safety and Health Administration** (OSHA) content in manufacturing or trading applications in financial services. The one common characteristic it is looking for in these markets, however, is wide and deep use of XML; it is not looking to solve general-purpose, so-called knowledge management problems. It's also exploring more horizontal possibilities like SharePoint integration, where it could possibly provide back-end aggregation across the proliferation of SharePoint instances that many organizations are starting to struggle with.

The company is also starting to dabble in email, with the introduction of MarkMail. MarkMail is a pilot project on the Web to index Web email lists, like those managed by the **Apache Software Foundation**. MarkMail stores each email message as an XML document that is accessed using XQuery. It has a nice UI and analytics of email volume. Right now, Mark Logic is using MarkMail to generate interest in the company generally. It's not sure yet what the enterprise strategy will be for this, but it seems there must be one as it appears to be a pretty effective email search tool. Search is generally not the strong suit of existing email archiving products, but the company will have to decide if it wants to compete in this market

directly or try to partner with existing vendors in this segment, like **Symantec or Mimosa Systems**.

Competition

Mark Logic most often comes up against combinations of relational databases and search engines. Customers use these technologies to build custom apps and, if there is a high volume of textual content, they struggle with retrieval speed and database performance. Still, many customers have all-you-can-eat licenses with **Oracle** or **IBM** for databases and are inclined to at least try this route. And the database vendors are all beefing up XML capabilities. This probably represents the biggest threat to Mark Logic long term, even if these relational databases weren't designed to handle XML, as Mark Logic contends.

Mark Logic takes a different approach to search, as it stores all content in its XML database, which indexes content at ingestion – it's not a crawler-based system for indexing disparate content. But it still competes most often against other search vendors, including **FAST Search & Transfer** and **Autonomy Corp**. Mark Logic may be gaining some advantage from consolidation in the search market. In the federal government, in particular, there may be something of a vacuum now as **Convera's** Retrievalware business went to FAST in April.

There are other vendors with similar XML database technology. **X-Hive** is one; it was acquired by **EMC** in July. EMC's stated plan is to incorporate this technology into its Documentum line to augment the XML capabilities of the Documentum repository. X-Hive also had a technical product documentation application based on Darwin Information Typing Architecture (DITA) for the aerospace industry, so the two may compete more if Mark Logic targets this industry as well. Other competitive XML databases include **Progress Software** (Sonic XML Server), **Ipedo, Ixiasoft and Software AG** with Tamino, though Software AG has been de-emphasizing this product of late.

Strengths	Weaknesses
Mark Logic is taking a targeted approach to the market, rather than trying a horizontal, all-things-to-all-people sell.	Services often account for half its total deal size, as applications using Mark Logic's XML database technology essentially have to be created for specific use cases.
Opportunities	Threats
New quick-start packages could help the company broaden its appeal in the publishing industry. MarkMail is a good public showcase for the company's technology.	Improved XML capabilities and aggressive licensing from relational database management system vendors could be the biggest long-term threat for Mark Logic.

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