

Alfresco tackles its 'Dropbox problem' with a hybrid cloud subscription service

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Alfresco claims, with justification, to be one of the world's most successful open source projects. In just seven years, it has gone from being a scrappy startup to regularly competing – and winning – against IBM, Oracle and EMC in the enterprise content management (ECM) sector. The ECM market is now being flooded by a new wave of well-funded cloud-based startups. In response, Alfresco is attempting to take first-mover advantage by offering a hybrid cloud subscription service.

The 451 Take

Alfresco is no longer the new kid on the block; after seven years in the limelight, it is now viewed as one of the established players, an odd position for a still-private VC-backed firm. Competition is now coming from many different areas, not the least of which is from the cloud-based file-share, collaboration and sync startups. Rightly recognizing that these startups represent a real threat – if not today, then certainly tomorrow – Alfresco has moved quickly to offer a new service that aims to deliver all that the startups can and much that they can't, including features that enterprises are looking for. This is potentially a very savvy move and sets the stage for an IPO in the near future.

Context

The UK-based ECM vendor has been around the block a time or two, and in the world of ECM has

been capturing many headlines. Over the past seven years, Alfresco has established a firm foundation to compete head-to-head, and often win, against much bigger rivals like EMC, OpenText, IBM and Oracle. Its open source Java ECM platform has helped level the playing field by pushing its rivals to also adopt open standards and make their products much easier to extend and develop.

Alfresco was a market disrupter, but seven years in this industry is a long time, and the market is now being disrupted by a new generation of well-funded startups that are eschewing on-premises deployments and building their entire offerings in the cloud. Realistically, these startups are more bark than bite right now, but they are setting the agenda for ECM and information management in general. With the sands shifting quickly, Alfresco needs to move beyond aging startup status to an IPO and claim some ownership of – and engagement with – this new wave of interest in cloud-based ECM. Hence, the firm has been working this past year on bridging the gaps between its legacy on-premises ECM system and its more consumer-rooted cloud rivals. This work has resulted in the release of a new service bundling called 'Alfresco One.'

Alfresco was founded in 2005 and is headquartered in Maidenhead, England. It currently employs slightly more than 200 and has 2,800 enterprise customers. We estimate annual revenue at about \$45m, and Alfresco claims that subscription bookings are currently growing at roughly 45% per year. Alfresco is backed by \$19.5m in funding through three rounds from SAP Ventures, Accel Partners and the Mayfield Fund. The firm has openly stated its ambitions to deliver an IPO in the next year, conditions permitting.

Products

Alfresco sells an open source Java-based developer-friendly ECM platform. Until recently, there were only two versions available, a full open source community version and a more traditionally licensed on-premises proprietary system. Like other similar ECM systems, Alfresco offers the full gamut of repository and library services (version control check in/out, etc.), workflow, image and capture management, search, and WCM in a truly scalable package. It's not simple stuff, but, in fairness, it is no more complex or difficult to master than its more traditional rivals. The new Alfresco One product bundle combines four elements into one pricing structure and is clearly aimed at taking on the insurgency from cloud-based file sync and share vendors now targeting the enterprise. These elements are:

- Alfresco Enterprise
- Alfresco Enterprise Cloud Network (released in June 2012)

- Alfresco Enterprise Sync (released Sept 2012)
- Alfresco mobile (released Sept 2011)

The Alfresco One offering combines a cloud-based/on-premises (Using Amazon Web Services to host the cloud service) hybrid model with all the traditional highly secure ECM functions, alongside file syncing and sharing in mobile environments. In theory at least, the experience of using this new system should be fairly seamless, regardless of where a user wants to work or access Alfresco. Central to this is the sync capabilities, of which there are a couple variations: a desktop sync tool (still in beta), which looks and feels much like Dropbox, although it utilizes an Alfresco repository, and Enterprise Sync, which controls the cloud and on-premises sync requirements. This latter enables on-premises content to be available when required for mobile cloud collaboration and access, while keeping the ability to remove from the cloud on demand both content and any associated metadata or audit trail if and when required. It is also possible to connect to Dropbox should one wish via an available open source connector (although not supported by Alfresco).

What differentiates Alfresco, then, is that it has the full ECM functions that many companies rely upon for high-value documents and processes, including integration with business applications such as SAP or salesforce.com. This sits alongside a cloud element that is very fast to deploy and can be self-provisioned by employees. Of most value here for typical employees is the newly released automatic file sync, which provides secure access to any enterprise document on any device – secure access being the operative word because Alfresco's new offering goes considerably beyond the security capabilities of most startups, ensuring full encryption while in the cloud and while on any mobile device, with full and remote override administration capabilities for IT should a device go astray.

Business model

Alfresco has followed the standard open source model of running a completely free community version alongside an enterprise version that comes with upgrades and support. The open source license it utilizes for the community version is LPGL 2 with linking exceptions, whereas the enterprise version is a commercial and proprietary licensed open source system. Revenue is generated from providing recurring support licenses from the enterprise edition. Yearly fees are roughly \$15,000 per server. Although Alfresco does sell direct, it generates a lot of business via its partners, in particular a network of more than 120 SIs around the world that are mainly small and midsized local players, but also some major SIs such as CSC, Mahindra Satyam and ATOL. In addition to this, Alfresco has a healthy OEM business with more than 30 global partners, including Adobe, Progress Software, Kofax and Amdocs.

Customers

Alfresco has, at times, tried to be everything to everyone, and its message has been spread pretty thin. It has positioned itself as a platform offering document management, Web content management, as a Sharepoint alternative, and now a Dropbox alternative – selling to any market sector or geography. It would be good to see more focus from Alfresco in the coming years, potentially building out deeper solutions within one or two specific verticals, because there is a real danger of market commoditizing and becoming a volume business. As of today, Alfresco has targeted larger enterprises and government agencies and has had notable success in winning deals at the likes of Marriott International, Wellcome Trust, NET-A-PORTER.COM and the National Health Service. Hence, we would suggest that sticking with the message of being an open source alternative to major ECM systems makes the most sense, allowing its partner network to hone in on specific vertical industries.

Competition

The 'Dropbox problem' is Alfresco's description, and it is indeed a problem for ECM vendors that want to sell broad large-seat deployments. Because outside of specialist power users, the functional requirements for many users are pretty basic, ergo, why not use Dropbox or a similar product to meet those needs without involving IT or spending heavily? This latest hybrid cloud service appears to be aimed at directly competing with Dropbox, Box, SkyDox, Citrix ShareFile and EMC Syncplicity. Although Alfresco has a solid platform and much more enterprise experience than its erstwhile competitors, that is no guarantee of success. Most of its new competitors are better funded and much 'hotter' brands in the buying public's eye.

SWOT Analysis

Strengths

In a relatively short time, Alfresco has established itself as a viable open source alternative to traditional high-end ECM solutions.

Opportunities

Alfresco may want to consider developing and delivering more vertical-specific solutions and to market strongly into one or two lucrative verticals such as legal, government and healthcare to further separate itself from broader horizontal market options.

Weaknesses

Alfresco often wants to be everything to every buyer; over time, this has diluted its identity to some degree. With an IPO on the horizon, Alfresco will need to stay focused and fully commit to its new strategy.

Threats

Alfresco is currently seeing an emerging threat from cloud-based sync-and-share startups that aim to offer broad user-friendly platforms.

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