

RFID Line of Business Application Software Provider Vendor Matrix

(Excerpt of Vendor Matrix)

Michael Liard
Practice Director, RFID

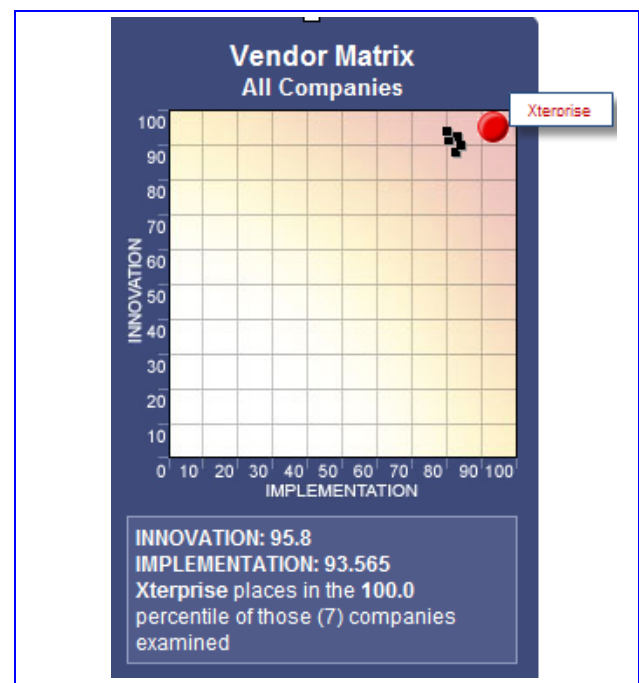
Company Profile from the Vendor Matrix Application

Xterprise is a leading developer of enterprise-class RFID line-of-business software applications, supporting the broadest range of industries. It focuses on enabling the deployment of highly-scalable applications that combine its Clarity application framework technology, Microsoft platform technology, and enterprise systems integration. Although facing increasing competition from its peers, Xterprise remains at the forefront of LOB application software solution innovation and implementation. Analysis of the scoring results reveals that several leading factors helped drive the company to the top of this vendor matrix:

- Clarity Application Framework and LOB application software packages are innovative, robust, and flexible. In addition, these solutions are closely aligned with end-user needs as well as the executive team’s strategic vision of the “High Definition Enterprise”
- Solid experience gained through proven, scalable deployments among a high-profile, diverse customer base
- Xterprise’s depth and strength across a broad portfolio of verticals and applications bolstered scores within higher weighted individual criteria such as “Application and Vertical Market Leadership, Alignment, and Innovation” (under Innovation), and “Breadth & Strength of Application Markets Served” (under Implementation)

Innovation: 96
Implementation: 94

- 1 Xterprise
- 2 OATSystems Inc
- 3 InSync Software
- 4 S3 Edge Inc.
- 5 Vue Technology
- 6 Omnitrol Networks
- 7 Fluensee



Section 1. COMPANY PROFILE

ABI Research believes that overall diversity – diversity of applications, verticals, software packages, solution components, and customers – has been one of the keys to Xterprise's success. Moving forward the company will seek to maintain and expand its lead. Key areas for advancement include expanding the company's international footprint directly or indirectly and enhancing partner collaboration efforts, particularly with resellers and other integrators.

1.1 INNOVATION

LOB applications within Xterprise's Clarity suite have been developed using the Clarity Application Framework, which is based on a Services Oriented Architecture (SOA) platform from Microsoft. Clarity application software solution capabilities are concentrated on the management of assets, inventory and business processes with Clarity Common Application Components (or common shared modules) such as Analytics and Reporting; Event Management and Resolution; SOA and Enterprise Integration, Transaction Management, Workflow Management, and many more.

Xterprise offers a full line of Clarity LOB application software packages. However, the company has identified five priority LOB application areas. These are indicated with an asterisk. Looking ahead, Xterprise communicated plans for expansion into additional applications through aggressive product development. Available Clarity LOB application solutions and software packages include:

- Clarity AGR* (Automated Goods Receipt) for automotive and industrial, aerospace, and high technology
- Clarity ARS* (Advanced Retail System) for fashion retailers, specialty retailers, and vertically integrated retailers
- Clarity EAM* (Enterprise Asset Management) for aerospace & defense, automotive and industrial, consumer goods and retail, high technology, and energy
- Clarity ITAM* (IT Asset Management) for financial services and insurance, telecom, energy, government, retail, and others
- Clarity RTI* (Re-usable Transport Items) for automotive and industrial, consumer goods and retail, transportation and distribution, and energy
- Clarity CCI (Cold Chain Integrity) for pharmaceutical, specialized material, or refrigerated/frozen food manufacturers or third-party logistics providers
- Clarity RST (Retail Source Tagging, Analysis and Promotions Execution) for retailers and consumer packaged goods manufacturers

The company goes deep into applications, developing specific solutions for industries. For example, in May 2009 the company announced the availability of a new software module for its Clarity ITAM suite. The new module, known as Clarity ITAM - Laptop Security System, enables companies to associate tagged assets to specific authorized users, locations and cost centers, then validate the laptops or other IT assets against the identity of individuals entering or leaving security portals to create a detailed event log of all movements. The latest software release showcases Xterprise's commitment to developing highly-specialized application software solutions in that it extends the current ITAM suite further, enabling mobile IT asset tracking.

It is clear that Xterprise has placed an emphasis on developing and marketing a portfolio of LOB applications. The Clarity LOB application suite focuses on solving specific business problems such as asset utilization by leveraging a SAO/BPM approach that couples together components from an established library.

Strong product innovation is being demonstrated at different levels, including application and platform scalability, end-to-end solution enablement, and expanding application software functionality. Near-term product innovation plans include doing more with decision support around data capture and leveraging its close relationship with Microsoft.

In addition, Xterprise has solid IP around the application layer, including N-Tier/Multi-site Architecture, data model/schema, event management & rules engine, heartbeat physical layer monitoring (Clarity Heartbeat), vertical market specific workflows, and task management/verification.

Xterprise scored highly (8.0 to 9.0 points) across all Innovation criteria. Highest scores were received in the following criteria:

- Application and Vertical Market Leadership, Alignment, and Innovation
 - Considered a leader in multiple applications such as retail supply chain, IT asset management and re-usable transport items as well as multiple vertical markets, including specialty retail, finance, automotive, and others
 - Enables new applications such as laboratory rat / mice census used to drive better tracking of rented cages and more accurate service billing at major medical research centers
- Industry Leadership, Influence Factor, and Knowledge Transfer
 - Active participant in leading pilots and deployments (especially multi-site installations)
 - Contributes to RFID and sensor-based technology knowledge expansion efforts
 - Viewed as a key influencer
- Scope of RFID LOB Solution Offering
 - End-to-end LOB application solution provider with broadest application and vertical market support
 - Solution/business model includes enterprise application software licensing/maintenance, software integration services, hardware (reseller), solution implementation and support services as well as Microsoft and third-party total solution financing
- LOB Application Software Innovation I – Offering
 - Highly specialized capabilities and offerings across multiple applications
 - Broadest portfolio of dedicated LOB application software packages

- Robust Clarity Application Framework coupled with strong application software development capabilities and demonstrated innovation, scalability, and flexibility
- Took a respected risk with early engagement of Microsoft, selecting BizTalk and Microsoft's Server products as their exclusive SOA/BPM platform partner

1.2 IMPLEMENTATION

Key in helping Xterprise secure the leading Implementation position is the breadth and depth of applications and industries served. Further elevating the company's ranking is a diversified customer base that enables Xterprise to showcase its multi-site deployment capabilities. The Implementation score is also being positively influenced by the company's strong history, especially in terms of experience, revenue growth, and brand promotion.

The management team is cognizant of the challenges facing the company and has been working to address them. For example, the company made well-received customer service, support, and implementation improvements based on feedback. Another area for increased improvement is becoming more receptive to integration partners. While Xterprise offers integration services and integrates its products, the company's growth strategy demands increased collaboration with integrators as projects scale and the customer base expands. In response, the company has potential plans to outsource services in the future. And, since Xterprise's software solutions are turnkey, software resellers (especially vertical market specialists) should also be targeted as potential partners and sources of revenue.

While Xterprise supports customers across the globe, the company has enjoyed its largest success in North America. To remain competitive and maintain its leadership position, the company will need to expand its international market presence and penetration, especially through its reseller and integrator partner ecosystem. This will be critical moving forward as Xterprise does not have the expanded global reach and resources of competitors such as OAT or Vue which immediately benefitted from being acquired by much larger international companies.

Xterprise also benefits from a strong go-to-market partnership with Microsoft that enables the company to deliver high-value, low total cost of ownership (TCO) solutions across a wide variety of industries. Xterprise was recognized as the Microsoft RFID Partner of the Year, announced by Microsoft in August 2008.

Xterprise scored very well across most Implementation criteria, especially within higher weighted criterion. Among the highest scores are in the following criteria:

- Breadth and Strength of Vertical Markets Served/Targeted
 - Aerospace & Defense, Automotive, Consumer Goods, Energy, Finance/Banking & Insurance, Government, Healthcare, High Technology, Industrial, Retail, and Transportation & Distribution
 - Acknowledged as a market leader and application specialist within multiple industries, including Finance/Banking (IT asset management), Retail (in-store and source tagging), and Transportation & Distribution (re-usable transport items)
 - Established strong alliances with key industry associations

- Breadth and Strength of Application Markets Served/Targeted
 - Targets and serves the broadest portfolio of applications. Primary applications include multiple flavors of asset management, supply chain-related, and in-store retail applications. LOB solutions are backed by clear marketing, branding, and software packaging
 - Very comprehensive library of application functions to support LOB application software packages and solutions
 - Established strong alliances with key industry associations to advance specific applications – for example, Xterprise recently announced an expanding collaborative relationship with the Financial Services Technology Consortium (FSTC) centered on IT asset management
- Installed Base/Customer Deployments
 - More than 70 customers worldwide with 100's of sites running Xterprise applications
 - Key customers include: American Apparel (Retail), Bank of America and Wells Fargo (Finance), Bell Helicopter and Boeing (Aerospace), Continental and Toyota (Automotive), ExxonMobil (Energy), Intelligent Global System, and TNT Express (Transportation & Distribution), Pooling more than 40 consumer goods manufacturers, and many others
- Overall Perceived Market Leadership, Strength, and Experience
 - Strong management team and industry experience
 - High level of visibility and solid brand recognition
 - Privately held, VC funded with strong historical revenue growth

Xterprise is working on improving in several aspects of implementation. These challenges were reflected in the scoring; however, the impact on the overall ranking was minimal as the impacted criteria were among the lowest weighted. Nonetheless these criteria (International Market Presence and Penetration, Partner Collaboration Quotient, and Partner Ecosystem – Hardware Vendors, VARs, and Integrators) are areas where Xterprise can advance its Implementation lead.

Although supporting global deployments, the company has the strongest direct presence and customer base in North America. Expanding the company's global reach through its partner ecosystem is a key strategic goal. In fact, Xterprise's current go-to-market strategy has a strong channel development focus. In order to broaden channels and increase the international footprint, Xterprise needs to become more open to partners, especially resellers and integrators. Xterprise leadership is keenly aware of its challenges in this area and the need to become a more partner-friendly company. Xterprise recently signed its first reseller and is considering outsourcing services in the future to focus on providing LOB application solutions as an independent software vendor.

Section 2. METHODOLOGY

Line of Business (LOB) applications are ultimately where business transformation and value are created. LOB application software vendors can be described as those who offer application software packages that enable turnkey solutions for verticals. These are end-to-end solutions requiring no additional development, only on-site configuration during deployment (such as entering reader information, work cell name, database details, etc.).

ABI Research has prepared this vendor matrix to offer an unbiased rating of leading RFID Line of Business (LOB) application software solution providers on the basis of each company's perceived "Innovation" and "Implementation." An increasing number of RFID software and solution providers are promoting and providing LOB applications; however, the focus of this vendor matrix is on a select group of leading, highly-specialized vendors who offer innovative turnkey LOB application-software solutions targeting a broad range of asset and item management applications within verticals. ABI Research selected the profiled vendors based on interviews with industry participants, including hardware vendors, integrators, and end users – and feedback received from them.

2.1 Criteria

Criteria used to develop this Vendor Matrix are related to product and company characteristics that serve as proxies for vendor performance in the areas of Innovation and Implementation. Numerical scores are aggregated, weighted, and analyzed to provide overall rankings that are assigned to each vendor on the Innovation and Implementation axes.

2.2 Innovation

The eight (8) Innovation scoring criteria and their associated weighting are as follows:

1. Scope of RFID LOB Solution Offering (10% weight)
 - Evaluates the breadth of RFID LOB solution offerings and capabilities (narrow, partial, complete solution)
 - Evaluates breadth of application support (broad or limited)
2. LOB Application Software Innovation I – Offering (25% weight)
 - Evaluates degree of specialization (narrow or broad)
 - Evaluates software packages considerations (number of offerings, packaging)
 - Evaluates strength of internal software development capabilities
 - Additional consideration for awards/recognition for software development and/or products
 - Slow product launches or upgrades have negative impact on
3. LOB Application Software Innovation II – Solution and Partner Enablement (15% weight)
 - Evaluates ability of LOB software solutions to enable full solutions
 - Evaluates ability of LOB software solutions to enable partners (such as software/application development tools for ISVs)

- Evaluates system architecture “fit” for seamless system integration with middleware/edgware, platforms, etc.
 - Additional consideration for additional software solutions/offerings (middleware/edgware, platform, etc.)
4. Enterprise Deployment Friendliness/Flexibility (10% weight)
- Evaluates level of robustness and ability of LOB application software solutions to scale
 - Evaluates demonstrating flexibility, extendibility, and ability to scale in real world environments (proof points/use cases are critical considerations)
 - Additional consideration for strong vendor core competencies and LOB solutions skill set
5. Application and Vertical Market Leadership, Alignment, and Innovation (20% weight)
- Evaluates thought leadership within vertical and applications; depth and breath of application focus and specialization; and innovation in multiple application and vertical markets (weak, moderate, or strong)
6. Overall RFID Strategy, Vision, and Approach (5% weight)
- Evaluates strategic for RFID LOB application software development, delivery, and overall approach to RFID applications
 - Additional consideration for clear vision and strength of management team
 - Additional consideration for clear vision and product alignment with market needs
 - Additional consideration for synergy between expressed vision and offered products/solutions
7. Industry Leadership, Influence Factor, and Knowledge Transfer (10% weight)
- Evaluates involvement in leading trials and deployments
 - Evaluates involvement in industry groups/associations (both RFID and end-user)
 - Evaluates participation in RFID education and awareness campaigns
 - Evaluates length of time in RFID space
 - Evaluates perceived level of influence in the space
8. New Application Enablement (5% weight)
- Evaluates focus on developing new application areas/enabling new application areas with products and solutions
 - Evaluates capabilities to enable turnkey solutions for new applications
 - Evaluates development tools/programs available to partners to enable new applications

2.3 Implementation

The ten (10) Implementation scoring criteria and their associated weighting are as follows:

1. Breadth and Strength of Vertical Markets Served/Targeted (10% weight)
 - Evaluates vendor specialization within vertical markets as well as number of vertical markets served/targeted
 - Evaluates strength/leadership position within those verticals
 - Additional consideration for alliances with key vertically aligned industry associations, regulatory bodies, etc.
2. Breadth and Strength of Application Markets Served/Targeted (25% weight)
 - Evaluates vendor specialization within application markets as well as number of applications served/targeted
 - Evaluates strength/leadership position within those applications
 - Additional consideration for strong ability to shift seamlessly vertically or horizontally with LOB application offerings
 - Additional consideration for alliances with key application aligned industry associations, regulatory bodies, etc.
3. Software Integration and Support Capabilities (10% weight)
 - Evaluates software integration capabilities and ability to support customers (weak, moderate, or strong)
4. Installed Base/Customer Deployments (25% weight)
 - Evaluates strength of customer base and customer mix
 - Evaluates types of deployments
 - Evaluates typical size of deployments
 - Evaluates visibility in deals/end-user proposals
5. International Market Presence and Penetration (5% weight)
 - Evaluates vendor presence and penetration in key regional and country markets, including assessment of international footprint via physical presence and partner ecosystem (weak, moderate, or strong)
6. Total Solutions Quotient (5% weight)
 - Evaluates approach to total solutions enablement through partner ecosystem development, overall product offerings (LOB application software and other relevant offerings considered), and LOB application software solution “fit” within system architecture
 - Additional consideration for providing customers with financing support
7. Partner Collaboration Quotient (5% weight)
 - Evaluates overall partnering strategy and approach, including partner “friendliness” (approachability and receptivity)

- Evaluates overall diversity of channels
 - Evaluates partner collaboration efforts such as cross marketing and bringing partners in to deals
 - Additional consideration for partner/potential partner opinions shared with ABI Research
8. Partner Ecosystem – Hardware Vendors, VARs, and Integrators (5% weight)
- Evaluates breadth and strength of hardware, VAR, and integrator partner network
 - Evaluates depth and strength of those relationships – considerations include vertical and application specialization and synergy among partners
 - Additional consideration for cross-marketing and messaging efforts
9. Partner Ecosystem – SOA/BPM Enterprise Platform Solution Providers (5% weight)
- Evaluates breadth and strength of SOA/BPM enterprise platform solution provider relationships
 - Evaluates depth and strength of those relationships – considerations include exclusivity/premier partnership status and associated risk as well as vertical and application specialization and synergy among partners
 - Additional consideration for cross-marketing and messaging efforts
10. Overall Perceived Market Leadership, Strength, and Experience (5% weight)
- Evaluates level of market penetration and leadership through subjective and objective considerations such as:
 - Perceived level of penetration/share in key vertical and application markets
 - Command of LOB application segments
 - Perceived position in market relative to competition
 - Revenue growth (historical and forecasted)
 - Financial strength, health, and backing
 - Company size
 - Positive word-of-mouth/momentum in industry

2.4 Scoring

Vendors receive a 'rating score' for each ABI-defined criterion under Implementation and Innovation. These scores range from 0-9 and are based on available information as well as ABI Research assumptions. Points are awarded in 0.25 point increments. For example, a score of 8.75 is possible within a given criterion.

Each criterion (and its score) is weighted based on ABI's opinion of each criterion's level of influence on and importance to the overall assessment of Innovation and Implementation. The number of criteria for Implementation and Innovation may vary; however, this does not impact vendor ranking. Vendors receiving higher scores in higher weighted criteria will benefit in terms of better overall position via higher Innovation and Implementation scores. Lower scores in higher weighted categories will result in weaker overall placement due to the impact of the weighting.

The rating scores assigned to each criterion are added to determine a 'raw total score' for Implementation and Innovation. A mathematical formula is then applied to adjust for the 0-9 rating system and the number of criteria so that vendors can be positioned along the x- and y-axes (with a maximum score of 100 for Implementation and Innovation). The mathematical formula does not impact vendor ranking.

It is ABI Research's policy not to publicly disclose individual scores for each criterion for each vendor. However, ABI will accept requests to discuss a vendor's individual scores with that same vendor.

2.5

Rankings

After individual scores are established for Innovation and Implementation using the above criteria, an overall company score is established using the Root Mean Square (RMS) method:

$$\text{Score} = \sqrt{\frac{\text{innovation}^2 + \text{implementation}^2}{2}}$$

The resulting overall scores are then ranked and used for percentile comparisons.

The RMS method, in comparison with a straight summation or average of individual innovation and implementation values, rewards companies for standout performance.

For example, using this method a company with an innovation score of 9 and an implementation score of 1 would score considerably higher than a company with a score of 5 in both areas, despite the mean score being the same. ABI Research believes this is appropriate as the goal of these matrices is to highlight those companies that stand out from the others.

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PO Box 452
249 South Street
Oyster Bay, NY 11771 USA
Tel: +1 516-624-2500
Fax: +1 516-624-2501
<http://www.abiresearch.com/analystinquiry.jsp>

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