

OutSystems' RAD platform faces stiff competition from big IT's PaaS offerings

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Over the past five years, there has been significant growth in the number of new enterprise-focused rapid application development (RAD) platforms. Vendors such as OutSystems have been around for a while, but, having initially focused on Web development, are broadening out to cover mobile. These platforms aim to sidestep the traditional complexity of custom mobile application development by providing visual, model-based workflows generating single code bases for cross-platform applications. With no long-term incumbents across any part of the enterprise mobile lifecycle, most RAD vendors are looking to spread across the value chain by also offering a range of other lifecycle services. Furthermore, by leveraging public IaaS from the likes of AWS, some vendors are looking to provide more PaaS-like offerings.

There is significant greenfield opportunity here for platform vendors. Over time, the enterprise IT architecture will adjust to the new reality of mobile, social and cloud services integrating with business processes. Commodity IaaS and SaaS applications have been the standard-bearers of these changes so far, with application platforms more immature. However, being able to rebuild highly specific and business-critical processes, along with more generalized workflows into mobile experiences, will become a core enterprise competency. Consequently, it is one that enterprise software vendors see as having a strategic place in enterprises' evolving digital infrastructure, and it is shaping up to be a key revenue battleground.

It is an important time in the platform landscape, with a few models for platform architectures having already come and gone. Newer, more realistic approaches have arisen from their ashes, yet with market adoption still very immature, the case still needs to be made to wary enterprises that now is the time to buy.

The 451 Take

This is an important time in the application platform market, with a proliferation of RAD tools, growing focus from large PaaS vendors, and mobile application platforms all trying to find a defensible space in IT's evolving digital infrastructure. The lowest common denominator between all players here is the challenge they face in trying to educate the market of the need to think and act differently around mobile than they do with Web development. OutSystems is a relative newcomer to mobile, but having been around for more than a decade, and having built some strong enterprise-grade features, it has an opportunity now to combine with newer mobile build tools to give companies a way to more easily understand how to work collaboratively across the lifecycle. The challenge from the large enterprise software players is looming - IBM, Microsoft, Salesforce.com and Red Hat are lining their ducks in a row to take on this market, so OutSystems has little margin for error.

Context

OutSystems provides a platform for the development, deployment and management of enterprise mobile applications. The company was formed in 2001 in Lisbon, and has around 300 employees. Early growth came from Portugal and other markets in southern Europe. Its US headquarters is in Atlanta. The company started as a platform for building Web applications, with the name 'OutSystems' coming from the original company vision of IT departments outsourcing development work to application platforms. The company has more than 450 customers, 140 of which it reports as having added in 2014. These customers are across 25 different countries. The vendor claims to have around 65 channel and VAR partners, the majority of which are in Europe - spread across regional players - including larger global implementation partners like Deloitte and KPMG. We estimate its 2014 annual revenue to have been approximately \$35m.

Consensus on a new architecture

Over the past few years, a new architecture to support mobile app strategies has slowly emerged, with growing support from vendors looking to find a route into the enterprise infrastructure without frightening companies with what is essentially edging toward a PaaS stack. OutSystems is broadly following this trajectory - a visual design and development environment; the ability to model business process logic; a single code base; RESTful interfaces to back-end data sources; internal app-store-like deployment; the responsive rendering of apps on devices; role-based security and governance; separate development and production environments; the ability to run different stages of the lifecycle across public, private and hybrid clouds; and performance metrics on deployed apps. This combination of services and what is essentially lightweight mobile middleware is challenging to incumbent platform architectures, but vendors have a tough job to convince enterprises that this new approach is better than existing approaches, and that there is a migration from old to new that can occur over time that is low-risk.

Landscape differentiation shifts

OutSystems believes one of the ways it can differentiate from the multitude of other platforms is the way it supports a range of open technologies. This evolved over a decade, starting with support for .NET for back-end Web development, adding Java initially as JBoss, and then followed by support for WebLogic. It believes this helps companies avoid the lock-in they may find with other platforms built on more proprietary containers. As a stand-alone player, providing multi-language support and some freedom to migrate off its platform (project IP can be exported as an Eclipse or Visual Studio file) allows it to play against the instinct companies may have to default to incumbent infrastructure providers that are also offering platform tooling, but more restrictive stacks. It can also be used to contrast with newer stand-alone vendors without the engineering resources or vision to provide similar support.

This is a positive for OutSystems; however, other vendors are also wising up to the need to provide greater openness. This realization partly came from the experiences of the early mobile enterprise application platforms that came to market with much 'end to end' fanfare, many of which fizzled out due to lack of scalability, too much proprietary technology and overly complicated workflows. The steadily building groundswell around more open technologies can be seen in momentum around OpenStack and open PaaS platforms like Cloud Foundry, and in accelerating support for open source node.js and in micro-service architectures supporting polyglot languages and environments. Among the breadth of application platforms, much of this is new, but it has not escaped the attention of some of OutSystems' closer competitors, with Red Hat's acquisition of FeedHenry in 2014 and Mendix's support for Cloud Foundry good evidence. There are also plenty of examples of vendors not taking this approach.

A more important differentiator for OutSystems is the degree to which it has built enterprise-grade data integration capabilities and the means to straightforwardly manage dependencies across internal databases, enterprise systems, and external services within the applications built on their platform – both during modelling and in production. This is the core of its offering, around which its other development and deployment tools become valuable in a model it likens to continuous integration. OutSystems knows the case needs to be made to reluctant enterprises for a platform that provides not only lifecycle tools, but also the means with which to organizationally shape workflows across business and technical stakeholders in order to scale the volume of new applications and iteratively improve existing ones.

Companies need persuading

As with all platforms, adoption relies heavily on enterprises being able to envision and align their internal resourcing and workflows around the technology. The reality is that, for many companies, mobile is still too nascent for there to be much of a precedent for collaborative workflows and governance around scaling mobile app projects. OutSystems outlines one of the impediments as being the reluctance of professional developers to embrace tools that, by their definition, are designed to simplify development and remove some of those traditional obstacles that developers have often made it their value proposition to solve. Nevertheless, the nascence and different requirements of mobile from Web give vendors like OutSystems the opportunity to go into enterprises and educate around how to think about scaling production across the lifecycle, but this process isn't a quick one, and restricts the pace at which all platform vendors can grow.

Competition

OutSystems' competition is broad, with a wide range of vendors pitching different ways for companies to build and deploy mobile applications. Perhaps the most direct product comparison comes from the likes of Mendix, which started as a Web development platform, and is growing into mobile and building out many of the same RAD features. Others in this category include the likes of Alpha Software and Magic Software.

From a market competition perspective, the main competition comes from large enterprise software PaaS vendors, such as IBM with its MobileFirst platform (Worklight and Bluemix); Salesforce.com with its Salesforce1 platform (underpinned by the new componentized Lightning architecture); Red Hat with the integration of its FeedHenry acquisition with its OpenShift, Fuse and BPM products; and Microsoft, which (with its recent launch of its Azure App Services) is making a direct play for the multi-channel and mobile enterprise apps landscape.

There are also small mobile-specific RAD vendors like Kony, Catavolt, Mobile Labs, MobileSmith and Modo Labs. Of lesser competition now, although potentially more direct going forward, are vendors that have emerged from the mobile back-end-as-a-service space, such as Kinvey, KidoZen and AnyPresence, while traditional toolsets like Xamarin and Adobe are looking to develop into wider enterprise platforms.

SWOT Analysis

Strengths

Weaknesses

It has the wherewithal to call itself an enterprise-grade platform, particularly in comparison with newer and smaller vendors, as well as a strong case to make around the critical ability to manage dependencies across the data, process, logic and UI components in complex applications.

Opportunities

OutSystems should look to build its channel by appealing to large implementation partners keen to have an enterprise-grade platform for customers that want to build business-critical applications and are wary of the longevity of smaller untested vendors.

While it has been around for more than a decade, OutSystems is a relative newcomer to mobile. It can speak somewhat to the need to build cross-platform, but it will find it harder to build mindshare in an early market unsure of what it wants, but captured by the mobile zeitgeist.

Threats

There is growing competition, especially from the large enterprise software companies that have the market presence to push aside small stand-alone vendors and to spend marketing dollars on building momentum behind their approaches.

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