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Summary: Attendance fell at the 2009 PTC User World conference but not as much as at events of competing software vendors. PTC used the event to roll out new initiatives in business information and “social computing” for engineers. Customers swapped tips and war stories. (June 11, 2009)

## PTC Users Tighten Their Wallets

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June 11, 2009—Because of the dreary world economy, attendance at the PTC User 20<sup>th</sup> Annual World Event dropped 27% from last year’s figure to between 1,500 and 1,600 people. The loss pinches the budget of PTC’s independent customer organization, but it could have been worse. Attendance at the April meeting of the CATIA Operator’s Exchange fell more than 40% to about 750.

One reason more people turned out for the PTC event is that Parametric Technology used the venue to brief investors, reporters, and industry analysts as well as customers about its product plans and business outlook. In contrast, Dassault Systèmes’ CATIA group all but ignored COE. Only two reporters showed up at COE, and I was one of them.

Since last year’s PTC conference, former president Dick Harrison kicked himself upstairs to the position of board chairman, retaining the chief executive title as well. Former chief product officer Jim Heppelmann has been endowed with the titles of president and chief operating officer and has clearly taken command of both product strategy and daily operations. Finance chief Neil Moses still reports to Harrison.

Harrison is famous for his knife-edged public commentary about competitors and the direction of his industry. But in a question-and-answer session with reporters and analysts on Tuesday, June 9, he spoke not a word in response to questions, deferring to Heppelmann and other executives on the panel.

### **Insight Strategy**

Heppelmann used the press conference and his appearance at Monday’s keynote address to outline a new growth initiative based on a new product line called Insight. Heppelmann characterized Insight as “a hybrid of a business intelligence system with an analytical engine” and “a multi-faceted executive dashboard.”

Right now Insight consists of two recently acquired products from relatively small companies: Synapsis and Relx. Synapsis, which has been rechristened with the

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Insight moniker, is a database application that stores information about product materials and the environmental restrictions surrounding them.

At present, Insight can be purchased with databases about materials affected by ROHS (a lead-free standard for electronics), WEEE (European regulations governing recyclable materials), and REACH (for Registration and Authorization of Chemicals). The Insight software can compare product material lists against its databases to identify materials that don't comply with regulations in various political jurisdictions. Insight also enables customers to compile their own material databases for checking against product material lists.

Insight generates graphic indicators to alert manufacturing people about products that may have regulatory problems. A green check mark indicates a product design is acceptable, while a red X indicates a rule violation. An orange check mark suggests partial failure; a blue circle with a line through it indicates missing information. The Insight software can generate an e-mail request for missing information and keep a record of when it was sent.

The screenshot displays the InSight Environmental Compliance dashboard. At the top, it says "InSight™ Environmental Compliance" and "Welcome, bgreen | Sign Out | Change Password | Help". Below this is a navigation bar with "Home", "Search", "Upload", and "Manage". On the right, there are links for "Print Page", "Icon Legend", and "Text Size" (A A A). The main section is titled "Company Part Information" and shows details for "Company Part Number - 468850-023-00". The description is "CAP, CERAMIC CHIP, 10PF, .5PF+/-, , , 50V-DC, 0603, COG, , , NPO". Below this is a "Supplier Parts" section with tabs for "BOMs", "Compliance", "Customer Information", and "Report History". A table lists the supplier parts with columns for Row, Document, Supplier Part Number, Description, Supplier Name, Supplier ID, Supplier Part Status, Organization, Reported Date, Disclosure, ROHS (C), ROHS (I), JIG A, REACH SVHC, and REACH SUSPECT SVHC. The table contains one row with a blue circle with a line through it in the Disclosure column. At the bottom, it says "Records [1 - 1] / 1" and "Page 1 / 1". The footer contains "About Us | Contact Us | InSight Environmental Compliance 4.0 | Copyright © 2009 Parametric Technology Corporation and/or Its Subsidiary Companies. All Rights Reserved."

**Figure 1: The Insight Environmental Compliance "dashboard" is a prototype for future Insight applications, such as the Relex reliability analysis tools.**

Relex, whose acquisition was announced on June 8, performs similar analyses for product reliability. The Relex Reliability Studio consists of 11 distinct software products including: Reliability Prediction, Reliability Block Diagram (RBD), Failure Mode and Effects Analysis (FMEA), Fault Tree, Weibull, Markov, Life Cycle Cost (LCC), Human Factors Risk Analysis, Maintainability Prediction, Optimization and Simulation (OpSim), and Failure Reporting, Analysis, and Corrective Action System (FRACAS).

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These products are used primarily by the aerospace and defense industries where product failures can be deadly.

PTC intends to incorporate Relex tools into its Insight product suite, adding more instruments to the executive dashboard. The Insight software products are not low-cost. Relex representatives said software orders range from \$5,000 to \$500,000 depending on the number of software modules ordered and whether or not site licenses are applicable. Andrew Werkin, one of the founders of Synapsis, said that Insight installations of the environmental screening application “start at \$100,000.” With prices like these, it's not surprising that PTC's finance chief, Neil Moses, believes that the market for such analytical software is \$300 million to \$400 million annually.

A prudent investor should probably take a zero off the end of those estimates. PTC's track record of acquiring companies has been mixed. Over the years, PTC has acquired rising stars such as Rasna (maker of the Mechanica analysis software) and more recently MathCAD and Arbortext. PTC executives were initially enthusiastic about these companies, but within a few years their ardor cooled.

PTC integrated these companies into its Pro/ENGINEER and Windchill sales, marketing, and development organizations. PTC's sales force is focused on companies that buy Pro/E. Consequently, it lacks the sales contacts to call on companies that aren't in the discrete manufacturing sector. Such companies include industries such as airlines, pharmaceuticals, utilities, and chemical processing. Moreover, by concentrating on accounts that might buy Pro/E and Windchill, PTC misses opportunities to sell niche software to manufacturers who are committed to the likes of CATIA or Siemens NX. The bottom line is that PTC hasn't gotten the value it might have from its software acquisitions.

Representatives of Relex and Synapsis said their acquisitions would be different. They believe that PTC will run Insight as an independent subsidiary with its own sales force that's free to call on firms that aren't potential Pro/E and Windchill buyers. But in response to questioning, Jim Heppelmann said the independence of these subsidiaries would be short term. He envisions a suite of applications “flying in tight formation” rather than selling open applications to competitors or to firms in industries that PTC has historically not served.

The tight formation vision is unfortunate, because it will prevent many companies that might potentially take advantage of the Insight products from learning about them. The tight formation also flies in the face of current software-industry trends. Buyers of the future want open systems that communicate with all other systems. The idea of picking a single source will seem silly to managers growing up in the post-Google era.

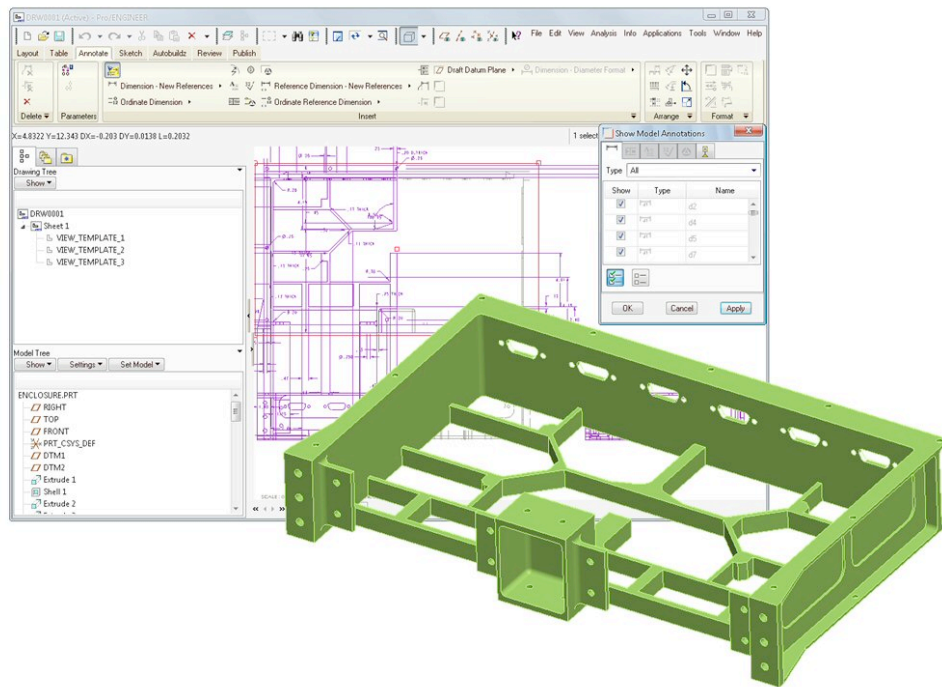
## **Pro/E to the Forefront**

Another interesting development at this year's PTC User conference was the return of Pro/E Wildfire to the limelight. In recent years, CEO Harrison has dissed CAD as a “single-digit growth market.” Now in an era when single-digit growth looks good, Pro/E is getting more attention.

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PTC used the Pro/User event to “announce” version 5.0 of Pro/ENGINEER Wildfire to reporters and analysts even though the beta version has been in customers’ hands for months. Wildfire 5 appears to be a significant release that even normally skeptical Pro/E customers are excited about.

The change in attitude is overdue. Pro/E remains the largest source of PTC’s revenue—Windchill is second—and provides an entry point for the majority of Windchill sales.



**Figure 2: A redesigned drafting interface including a Microsoft-inspired ribbon bar is one of the hundreds of improvements in Pro/ENGINEER Wildfire 5.**

PTC has added more new and improved capabilities to Wildfire 5 than it has in previous releases. That’s not because the company is spending more money on Pro/Engineer but because developer productivity has soared more than 35% in the past two releases.

The cause of the productivity increase is a renewed emphasis on quality. By producing more reliable software, developers are freed from chasing and fixing bugs in previous releases. That free time enables them to add new capabilities to Pro/E or to streamline and modernize existing procedures. Executives of Autodesk, Dassault Systèmes, and Siemens should take note of this cost savings.

## Windchill 9.1

More customers are employing Windchill PDMLink 9.1 in lieu of Intranet 3.X to manage CAD files. But migration from Intranet to Windchill continues to be costly and time consuming for most customers. One issue is that firms with multiple Intranet vaults that attempt to merge them have problems with duplicate files. Large family tables are said to choke the system.

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More successful firms take the migration process slowly and check each batch of files carefully before proceeding. If the data isn't good, they let the schedule slip until it is.

Some customers say third-party integrators offer better service and migration tools than PTC's global services. Firms with much legacy data to migrate have more problems than those that can leave their oldest models in an archival system.

Windchill customers still complain that PDMLink 9.1 responds sluggishly to real-world data loads and still lacks functions found in Intralink 3.X. PTC representatives say Windchill 10 will address some, but not all, of these concerns. In fairness to PTC, buyers of other big PDM/PLM systems, such as Dassault Systèmes' Enovia LCA and Siemens Teamcenter, report similar concerns.

Because of the high cost of implementation, few Windchill customers have realized PTC's end-to-end vision of a product development system. One that has come close is KTM Power Sports of Austria. Harald Plockinger, executive board member in charge of development, purchasing, and production, said his company uses PDMLink to manage Pro/E files and ProjectLink to store and organize product data. It sends data from PDMLink to its ERP software (not SAP, he notes).

KTM is a relatively low-volume producer of racing motorcycles and also makes 300-400 four-wheeled racing cars each year. Product cycles are relatively short, and KTM doesn't have a huge volume of old designs to manage.



**Figure 3: A KTM racing bike.**

Plockinger told listeners that KTM has a standard development process based on Windchill tools for all its vehicles. In response to questions, however, he said that when engineers design and build prototypes of new concept vehicles, they operate outside the Windchill system. In other words, PDM is great for keeping production organized, but it doesn't encourage innovation.

## **ProductPoint Progress**

One year ago, PTC introduced Windchill ProductPoint, a light-duty PDM system based on Microsoft's Sharepoint Portal server. (See ["A Lite Windchill based on SharePoint."](#)) Now Heppelmann reports that sales of ProductPoint are "off to the fastest start of any product since Pro/ENGINEER 1.0."

ProductPoint is the focal point of what PTC is now touting as "social product development." The combination of ProductPoint and SharePoint Server provides a medium of communication that enables engineers to share and discuss designs. For example, if a designer discovers that parts needing to be modified are checked out of ProductPoint, he or she can find out instantly who is working on them and send instant



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messages asking what's being done. ProductPoint working with ProductView will enable engineers to upload models to SharePoint pages and allow them to be viewed by people who don't know how to use Pro/E.

We don't yet know whether engineers will take to these collaborative methods or whether ProductPoint will be an effective medium of communication across long distances and differing time zones. According to Lee Garf, manager of the ProductPoint software, most sales to date have been to small organizations that previously had no PDM software.

ProductPoint appears to be a step in the right direction toward PDM software that is less complex, less costly, and easier to implement. If it can create a sense of teamwork and intimacy among engineers working together over long distances, PTC could have another winner.

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