Peter Eisenburger

NetObjects, Inc.

Web Software Company

1995–2011/17

Essays. Reviews.

NetObjects, Inc.

Web software company

An overview by Peter Eisenburger

NetObjects, Inc. was a software company founded in 1995 by Samir Arora, David Kleinberg, Clement Mok and Sal Arora. The company was best known for the development of NetObjects Fusion, a web design application.

NetObjects, Inc. was based in Redwood City, California, and ceased operations in 2001 after selling its assets to Website Pros (later called Web.com) and a portfolio of patents to Macromedia.

Introduction

The founders of NetObjects, Inc. From left: Sal Arora, Clement Mok, Samir Arora, David Kleinberg.

From 1992 to 1995 the founders of NetObjects, Inc. had worked at Rae Technology and before that in part at Apple Computer investigating prototypes of web browsers, information navigation and web design tools.

In 1995 NetObjects, Inc. was founded to market NetObjects Fusion, a new design tool to build web sites. The term “web site”, well-known and widespread today, was then still on the rise and is connected with the work of Samir Arora, David Kleinberg, Clement Mok and Sal Arora.

Initially NetObjects, Inc. was as a privately held company with Series A venture investment led by Rae Technology, Series B by Norwest Venture Capital and Venrock Associates, followed by Novell,[1] Mitsubishi and AT&T Ventures and the last round by Perseus Capital, L.L.C. In April 1997 IBM invested $100 million to acquire a majority of the company. The deal had a valuation of $150 million.[2]

Key positions

NetObjects staff celebrating the election into 25 Cool Technology companies of Fortune for the year 1996.

Key positions in the company were as follows:

Chairman and Chief Executive Officer: Samir Arora who held executive positions at Apple Computer and Rae Technology.

Executive Vice President, Products and Marketing: David Kleinberg, who co-founded Rae Technology with Samir Arora.

Chief Creative Officer: Clement Mok, well known as an interactivity designer.

Vice President of Product Development and Chief Technology Architect: Sal Arora, who was the lead engineer at Rae Technology.

Director of Product Design: Victor Zaud[erer], who had been focusing on developing and designing online systems solutions.

Additionally, Susan Kare, who had built many of the interface elements of the Apple Macintosh, was a consultant to help design the user interface of NetObjects Fusion.[3]

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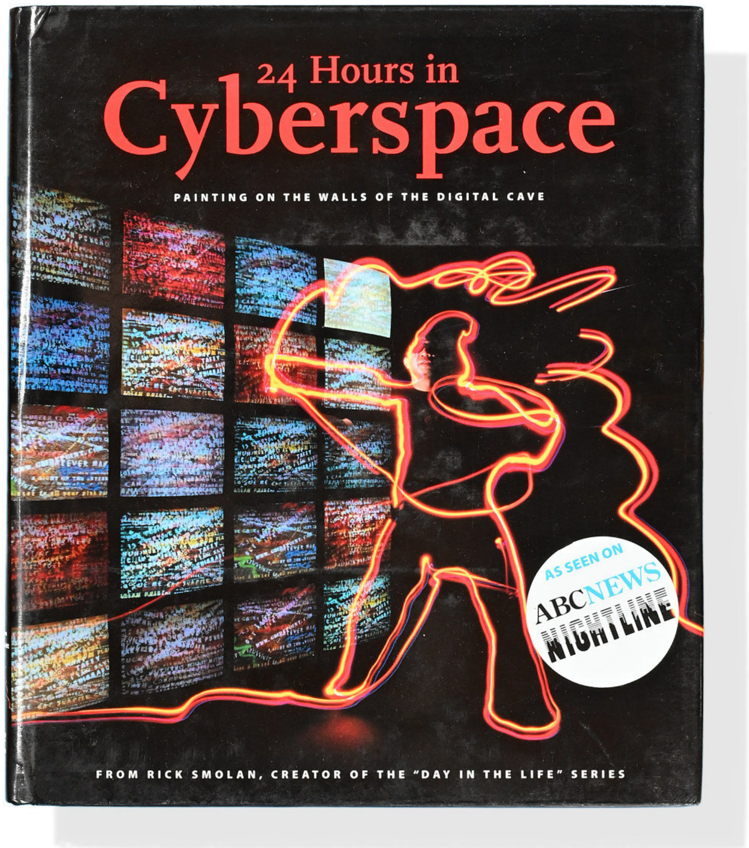
[1] Novell Makes Equity Investment in NetObjects. Novell, Inc. / NetObjects, Inc.
URL: http://www.novell.com/news/press/pressroom/presskit/brainshare99/netobjects.html

[2] I. Satya Sreenivas: NetObjects chooses Big Blue fusion. San Jose Business Journal.
URL: http://sanjose.bizjournals.com/sanjose/stories/1997/05/19/smallb4.html
IBM completes investment in NetObjects. NetObjects, Inc.
URL: http://www.netobjects.com/company/html/pra16apr97.html
IBM Archives 1997. URL: https://www.ibm.com/history/history/year_1997

[3] NetObjects Enhances Unique, World-Class Design Team. NetObjects, Inc.
URL: http://netobjects.com/company/html/pra27jan97b.html



Rick Smolan et al.: 24 Hours in Cyberspace: Photographed on One Day by 150 of the World`s Leading Photojournalists. Que Macmillan Publishing 1996.

Successful launch of NetObjects Fusion and IPO

NetObjects Fusion 1.0 was released in 1996. NetObjects, Inc. was elected as one of 25 Cool Technology companies of the year 1996 by Fortune Magazine,[4] also in 1996 NetObjects Fusion won PC Magazine's Editors' Choice award. As the first complete web design tool it was seen as groundbreaking by technology observers.[5] CNET's Builder.com elected Samir Arora one of the Web Innovators of the Year 1997[6], and in 1998 NetObjects, Inc. received the prestigious Gold award from IDSA (Industrial Designers Society of America).[7] An InfoWorld review cited the cons for the product as insignificant.

NetObjects Fusion was also used to build the website of the well-known global event "24 Hours in Cyberspace"– as the only software tool which could master the requirements of this task.[8] The website is on the CD which the book encloses.

[4] Janice Maloney: NetObjects. Web publishing software. Fortune July 1996. P. 96. 1996 25 Cool Technology Companies.
Clement Mok: On Record. URL: http://clementmok.com/onrecord/article.asp?ArticleID=21&d=1990

[5] NetObjects Automates Website Authoring, Publishing and Management. Business Wire, 30 January 1996.

[6] Dan Shafer: Web Business - The 1st annual Web Innovator Awards - Samir Arora, NetObjects Fusion. CNET Builder.com. CNET Networks, Inc.
URL: http://builder.cnet.com/webbuilding/pages/Business/Innovators97/ss03.html

[7] Gold Industrial Design Excellence Award (IDEA) Winners 1995-1999 (PDF). Industrial Designers Society of America (IDSA). URL: https://www.idsa.org/whatsnew/sections/dh/idea_winners_95-99.pdf
Gold Industrial Design Excellence Award (IDEA) Winners 1995-1999. Industrial Designers Society of America (IDSA). URL: https://www.idsa.org/whatis/seewhat/idea98/winners/netobjects.htm

[8] Janice Maloney: NetObjects. Web publishing software. Fortune July 1996. P. 96. NetObjects provide core technology for '24 Hours in Cyberspace': Database, tools and templates enable largest online publishing event. Business Wire 2 February 1996. Rudolf Ammann: Rick Smolan, Dave Winer, Jorn Barger and the Genealogy of Blogging as Network 2000.
URL: http://tawawa.org/web-history/smolan-winer-barger-blogging-network/

In 1998 NetObjects, Inc. received the prestigious Gold award from IDSA Industrial Designers Society of America.

Eleven US patents were granted for Internet-related technologies (design and utility).[9]

Releases 2.0 (1997) and 3.0 (1998) of NetObjects Fusion again gained positive reactions by the PC press as well as commercial success on the market. In 1999 IBM brought NetObjects, Inc. to the stock exchange with initial public offering while staying the major shareholder. The IPO on NASDAQ raised $72 million.

The board of directors consisted of 6 people: Samir Arora as Chairman of the Board, Chief Executive Officer and President, and five directors including John Sculley from Apple Computer, three representatives from IBM and one from Novell.

Success on the market and the stock exchange

In the following years numerous bundling deals[10] were made with nearly all the big PC sellers like Dell and HP,[11] and with Internet service providers like UUNET, Earthlink or 1 & 1 (Germany). The company itself said it licensed the distribution of more than 15 million copies of NetObjects Fusion. In addition, the company sold over 500,000 copies of NetObjects Fusion directly through retail. In 2001 a number of 5 million users worldwide was published.

In 2000 the stock price of NETO (ticker symbol) reached its record high of $45 11/16 making NetObjects, Inc. worth $1.5 billion.

Revenue had started at $7.2 million in 1997, reached $15 million in 1998, $23.2 million in 1999 and peaked at $34.2 million for fiscal year 2000 (October, 1999 - September, 2000). In that year NetObjects, Inc. had about 240 employees.

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[9] NetObjects, Inc.: NetObjects Files Patent Applications for Innovative Features of NetObjects Fusion Web Site Building Application. URL: http://netobjects.com/company/html/pra08aug96.html.
Method and apparatus for implementing web pages having master borders. United States Patent 6311196. Google Patents. URL: http://www.google.com/patents?vid=USPAT6311196.
Hierarchical structure editor for web sites. United States Patent 5911145. Google Patents.
URL: http://www.google.com/patents?vid=USPAT5911145.
Draw-based editor for web pages. United States Patent 5845299. Google Patents.
URL: http://www.google.com/patents?vid=USPAT5845299.
Hierarchical drag and drop structure editor for web sites. United States Patent 7246307. United States Patent and Trademark Office. URL:
http://patft.uspto.gov/netacgi/nph-Parser?Sect1=PTO2&Sect2=HITOFF&p=1&u=%2Fnetahtml%2FPTO%2Fsearch-bool.html&r=1&f=G&l=50&co1=AND&d=PTXT&s1=%22samir+arora%22&OS=%22samir+arora%22&RS=%22samir+arora%22

[10] Samir Arora: Bundling discussions. netobjects.fusionmx.gen-discuss (Newsgroup).
URL: https://groups.google.com/g/netobjects.fusionmx.gen-discuss/c/ZuVWMsklp1U

[11] Chris Kraeuter: H-P, NetObjects to unveil 3-year deal. CBS.MarketWatch.com. URL:
http://www.marketwatch.com/News/Story/Story.aspx?guid={A0B9E29C-FF54-4388-A850-B9A4E0D48FAB}.

On March 3, 2000, TheStreet.com's Adam Lashinsky praised NetObjects financial performance and its early adoption of e-business:

> "And, more so than many start-ups, NetObjects has managed to deliver on what it has promised. It has slightly beaten the expectations of the friendly analysts who follow it. And quarter by quarter, it has steadily reduced its operating losses. Plus, it got lucky. It was firmly entrenched as a business-to-business software company before the term gained currency and B2B companies took off."[12]

Challenges and crisis

However, several factors led NetObjects, Inc. to a crisis starting in the year 2000.[13] Tough competition by companies with huge resources like Microsoft, Macromedia and Adobe put pressure on market share.

Falling prices of web design applications affected revenues.[14] Also, long-term revenue effects of bundling deals in the software industry are controversial.[15] In a proven strategy Microsoft was even going to give its competing product FrontPage away for free by bundling it with versions of Microsoft Office.[16]

NetObjects, Inc. slashed prices for NetObjects Fusion from release 1.0 to release 4.0 by more than 50 %. Older versions stayed in distribution for even lower prices.

Technical demands for large business web sites changed and required direct access of programmers to HTML code—which NetObjects Fusion was not designed for.[17] Its target market were designers who need complete control over page layout and a similar user interface as desktop publishing applications.

[12] Adam Lashinsky: NetObjects Defies Prediction. TheStreet.Com.
URL: http://www.thestreet.com/comment/siliconstreet/904775.html

[13] NetObjects, Inc. announces fourth quarter and fiscal year-end 2000 results. PR Newswire Europe Ltd.
URL: https://www.prnewswire.co.uk/cgi/news/release/?id=57873

[14] Claire Tristram: Crowded House. ZDNet.
URL: https://www.zdnet.com/zdnn/content/pcwk/1410/pcwk0039.html

[15] Samir Arora. netobjects.fusionmx.gen-discuss (Newsgroup). URL:
http://groups.google.com/group/netobjects.fusionmx.gen-discuss/browse_thread/thread/66e55632c925a755

[16] Ibid.

[17] NetObjects: Another Upgrade. URL:
http://groups.google.de/group/netobjects.fusion30.gen-discussion-windows/browse_thread/thread/da47321c078354c2/b9212481a8bd5853

Shift in strategy

In 1998 the company had developed and since then successfully distributed NetObjects Authoring Suite[18] and the related „Collage"[19] product, which as modern content management solutions were aimed at big businesses and ranged at much higher price levels than NetObjects Fusion.

However, IBM and NetObjects, Inc. decided that its target market was the sector of small and medium enterprises. So it would focus on its flagship application NetObjects Fusion which would fit within the scope of these customers.[20]

At the beginning of the concept of "software as a service", the company secondly made a bet on its ability to recognize technological trends[21] and coined a strategy shift to a subscription model.[22] To this end NetObjects Matrix[23] was developed and GoBizGo.com, an e-commerce solution,[24] was started. Subscribing web and online services would help small businesses keep pace with the Internet.[25]

To finance this shift of strategy the NetObjects Enterprise Division with 40 employees along with two applications, Collage and NetObjects Authoring Suite, was sold for $18 million to UK-based Merant[26] (merged in 2004 with Serena Software, Inc.), based in San Mateo, California).

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[18] Ted Brockwood: NetObjects Authoring Server Suite 3.0. Web Developer's Journal.
URL: https://www.webdevelopersjournal.com/software/netobjects_authoring_suite.html
Gordon Benett: NetObjects Authoring Server & TeamFusion Client 3.0. Intranet Journal.
URL: http://www.intranetjournal.com/reviews/noas30.shtml

[19] Serena Collage. Serena Software, Inc. URL: http://www.serena.com/products/collage/index.html

[20] Mark Vernon: Eliminating risk is key to SME success: Interview: Samir Arora of NetObjects. FT.com Financial Times. URL: http://globalarchive.ft.com/globalarchive/article.html?id=010620001434.

[21]NetObjects' Samir Arora to Speak at Internet World Chicago. iSource Online.
URL: http://www.isourceonline.com/article.asp?article_id=48

[22] Adam Lashinsky: NetObjects Defies Prediction. TheStreet.Com.
URL: http://www.thestreet.com/comment/siliconstreet/904775.html

[23] Kevin Newcomb: IBM Selects NetObjects Matrix. Jupitermedia Corporation.
URL: https://www.internetnews.com/xSP/article.php/3411_809171

[24] Heath H. Herel: GoBizGo. Reviews by PC Magazine.
URL: http://www.pcmag.com/article2/0,2704,42537,00.asp

[25] Mark Vernon: Eliminating risk is key to SME success: Interview: Samir Arora of NetObjects. FT.com Financial Times. URL: http://globalarchive.ft.com/globalarchive/article.html?id=010620001434

[26] Merant to Acquire NetObjects Division. Jupitermedia Corporation.
URL: https://www.internetnews.com/xSP/article.php/559791.
Roberta Holland: Merant to acquire NetObjects division. ZDNet News - Technology News Now.
URL: home.zdnet.com/zdnn/stories/news/0,4586,2674069,00.html

High hopes were based on the NetObjects Matrix platform and its possibilities to position NetObjects as a Business Service Provider. A version for Mac was announced,[27] and a cooperation with IBM Global Services was forged.[28] The share price, which already had fallen below 1 US$, doubled on the news of the IBM deal.[29]

IBM decisions and sale of NetObjects

In 2001 revenue streams decreased sharply,[30] a result of changing markets, price cuts, strategy shift, and absent Authoring Suite / Collage sales. Subscription fees from NetObjects Matrix started coming in but the company had to face losses. Total revenues for the first three quarters of FY 2001 were only as much as $4.22 million opposed to total costs of $7.67 million.[31]

While trying to raise an additional $50 million in a private placement with Deutsche Bank the cash reserves started to fade. In the summer of 2001, the markets plummeted with the bursting of the dot.com bubble. The decision of the NASDAQ to de-list NetObjects, Inc. in August 2001 because the share price had been hovering below 1 US$ for longer than a year made things even worse. Ultimately IBM as the majority shareholder decided to sell NetObjects, Inc. In a message to the user community, CEO Samir Arora had to announce that NetObjects, Inc. ceased operations on September 1, 2001.[32]

NetObjects Fusion, NetObjects Matrix including the MatrixBuilder, GoBizBiz and other assets were sold to Website Pros, Inc. (now Web.com), a web design and services company, based in Jacksonville, Florida, USA, for an estimated amount of $4 million, including instant payments as well as fees from future revenues from NetObjects applications and services within 3 years.[33] This sum of $4 million was based on assumptions about sales in this three-year period. Depending on real sales the price could in fact be lower or higher to a

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[27] Kevin Newcomb: NetObjects To Support Mac OS X. InternetNews.com.
URL: https://www.internetnews.com/xSP/article.php/3411_784291

[28] Kevin Newcomb: IBM Selects NetObjects Matrix. Jupitermedia Corporation.
URL: https://www.internetnews.com/xSP/article.php/3411_809171

[29] Mike Tarsala: NetObjects climbs on IBM deal. CBS.MarketWatch.com. URL:
https://www.marketwatch.com/story/netobjects-soars-on-ibm-deal?dist=yhoo&siteid=yhoo&source=blq%2Fyhoo

[30] NetObjects, Inc. announces financial results for its first quarter of FY2001. PR Newswire Europe Ltd.
URL: https://www.prnewswire.co.uk/cgi/news/release/?id=62055

[31] Securities and Exchange Commission, Washington, D.C. (SEC): Netobjects Inc · 10-Q · For 6/30/01.
URL: http://www.secinfo.com/dsvNq.4f8Nc.htm

[32] Samir Arora: NetObjects Fusion users. netobjects.fusionmx.gen-discuss (Newsgroup). URL:
http://groups.google.com/group/netobjects.fusionmx.gen-discuss/browse_thread/thread/0fd21a433d88902c

[33] Securities and Exchange Commission, Washington, D.C. (SEC): Netobjects Inc · PRE 14C · For 9/30/01.
URL: http://www.secinfo.com/dsvNq.4f8q2.htm

limit of $10 million.[34] $4.0 million was the same price that was agreed upon between IBM and Website Pros in 2001. Additionally a portfolio of seven patents was acquired by Macromedia (now Adobe), the distributor of Dreamweaver, the long-term main competitor to NetObjects Fusion.

NetObjects Fusion

Website Pros (WSP; now Web.com) went on developing and distributing future versions of NetObjects Fusion[35] and offering subscription services based on this application, representing the mixed business model that was invented at NetObjects. In fact the eWorks! and other online services of WSP based on NetObjects technology generated $10.7 million subscription revenue in the second quarter of 2006. License revenue from sales of NetObjects Fusion reached nearly $3.58 million in 2006, $2.4 million in 2007,[36] and $2.5 million in 2008.[37] In May 2009 NetObjects Fusion was sold. In the first six months of 2009 “revenue generated by the NetObjects Fusion software business” reached only $428 thousand compared to $1.5 million in the first six months of 2008. Net income for this period was $228 thousand compared to $302 thousand.[38]

NetObjects as a re-established company

In May 2009 NetObjects, Inc. was re-established as an independent company. It acquired the NetObjects Fusion product line for “approximately $4.0 million” from Web.com. A smaller part of the amount was transferred instantly, while $3.0 million remained payable from future revenue of NetObjects Fusion sales until 2013.[39] $4.0 million was the same price that was agreed upon between IBM and Website Pros in 2001.[40]

In terms of management and staff, there is no overlapping between the old and new companies with the same name. Steve Raubenstine, who was vice president of the NetObjects Fusion division at Web.com (former Website Pros), serves as President and CEO of the new NetObjects, Inc. until the company went finally out of business around 2017/18.

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[34] Ibid.

[35] NOF-Club Deutschland: Interview mit Stephen M. Raubenstine (WSP) (Language: German).
URL: http://www.nof-club.de/werner/interview/wsp/

[36] Website Pros Reports Fourth Quarter and Full-Year 2007 Financial Results.
URL: http://ir.websitepros.com/releasedetail.cfm?ReleaseID=293601

[37] Based on the assumption that “licenses“ in the balance sheet represent only NetObjects Fusion sales. Web.com Reports Fourth Quarter and Full Year 2008 Financial Results. Investor Relations Web.com.
URL: https://ir.web.com/releasedetail.cfm?ReleaseID=364546

[38] Web.com Quarterly Report for the quarterly period ended June 30, 2009. SEC.
URL: https://ir.web.com/secfiling.cfm?filingID=1144204-09-40519

[39] Ibid.

[40] Netobjects Inc · PRE 14C · For 9/30/01. Securities and Exchange Commission, Washington, D.C.
URL: http://www.secinfo.com/dsvNq.4f8q2.htm

Main Applications of NetObjects, Inc.

- NetObjects Fusion, a Web design tool invented in 1996, sold to Website Pros (now Web.com) in 2001, re-purchased by the newly established NetObjects, Inc. in 2009. The latest distributed version was NetObjects Fusion 2015.
- NetObjects Fusion Essentials was introduced by Website Pros in 2007 as a free basic version. Essentials was identical with former standard versions, giving users low-cost update possibilities to current full versions.
- NetObjects Authoring Server, a collaborative Web development and content management solution, invented in 1999, sold to UK-based Merant in 2000, after Merant's merge in 2004 with Serena Software, Inc. still distributed as “Collage”. The predecessor of this was NetObjects Team Fusion, introduced as a client-server application in 1998.
- NetObjects Matrix,[41] an online Web builder and Web services tool, invented in 2000, sold to Website Pros in 2001. Website Pros, now Web.com, relied their website building process for customers on the NetObjects MatrixBuilder platform.[42]

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NetObjects released two more versions of NetObjects Fusion: 2013 and 2015. A later version “2016“, which should introduce “responsive design” (or: “adaptive design”), went into beta testing but proved to be too unstable for further development. Also, there seemed to be a lack of financial resources.

Furthermore, in December 2012, a mobile web design app was released: NetObjects Mosaic. It did not seem to collect a notable user base.

In 2017, NetObjects acquired Koken[43], a growing content management system for photos and images, but stopped developing the software one or two years later.

At some point in the year 2018 or 2019, the company NetObjects went out of business without further notice, though the websites netobjects.com and netobjects.de are still online.

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[41] Kevin Newcomb: IBM Selects NetObjects Matrix. Jupitermedia Corporation.
URL: https://www.internetnews.com/xSP/article.php/3411_809171

[42] Website Pros Annual Report 2007, pgs. 15, 21 (PDF). URL:
http://files.shareholder.com/downloads/WSPI/351433097x0x189105/BED273D3-F558-48EF-9A1B-4248CFBEBEF8/Annual%20Report%20for%20Web.pdf

[43] https://www.koken.me/

Where are they now (i.e. 2010)?

Samir Arora is the Chairman of the venture capital company Information Capital LLC, which invests in consumer media and tech companies; and also leads Glam Media, Inc.

David Kleinberg is CEO of Opelin, Inc., which develops content management tools.

Clement Mok, sold his design consulting service business, Studio Archetype, to Sapient, where he consults with strategic planning on a regular basis.

Sal Arora is involved with the future TV platform efforts at Microsoft.

Vic Zauderer is co-founder and co-principal of Zaudhaus Design Group.

Susan Kare is still one of the world's most wanted independent graphic designers, and is a co-founder of Glam Media, Inc. with Samir Arora.

Other key people involved in NetObjects were: Martin Frid-Nielson, Raj Narayan, Bernard Desarnauts, Mark Patton, Jack Rotolo, Jim Calhoun, Morris Taradalsky and Ernie Cicogna.

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 The staff photos were provided by Mr. Clement Mok. Photo of "24 Hours" by me. Thanks for copy editing to Miss steff and GogoDodo.

In this version, only the text I wrote was used, updated with some additions and corrections regarding text and images.

The URLs have the state of the first publication.

Any updates and additions will only be made here in this version on my website.

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