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Macromedia hums the e-business tune

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Macromedia macr , the San Francisco-based software maker, is ready to embark on a bold new strategy--selling software tools to help build e-infrastructure and e-business. In order to achieve its e-commerce ambitions, Macromedia says it is acquiring another San Francisco-based company, Andromedia, for $275 million in stock. The privately held Andromedia makes web site monitoring and personalization software.

"The merger adds some critical components to our strategy," says Robert Burgess, chairman and chief executive officer of Macromedia, indicating that Macromedia is growing up from a mere seller of content creation software tools to a full-blown e-infrastructure company. So far Macromedia has generated its sales from hit web-only products such as Dreamweaver and Fireworks.

Burgess says the acquisition is an attempt on Macromedias part to become a one-stop provider of the software tools necessary to develop electronic businesses on the web and to unify the patchwork of software necessary to create an e-business. In an effort to give its e-business plans a boost, Macromedia says it has inked several alliances with companies such as USWeb/CKS, a San Francisco-based web consulting and marketing services firm, and Broadvision bvsn , a supplier of a comprehensive system used by web sites to manage e-commerce

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and they are doing the right things."

Nevertheless, investors are not getting too excited about the acquisition.

Macromedias stock--which jumped 18% yesterday on rumors that the company is in merger talks with archrival Adobe Systems adbe --is down $3.22 a share to $51.63 a share. Macromedia is still trading near its all-time highs, though, despite sinking to below $30 this July.

Talk of a possible deal between the software giants emerged following Macromedias decision to pull out of a road show put together by Boston-based brokerage firm Adams Harkness & Hill. Many on Wall Street believe that with this acquisition and new strategy, Macromedia has pulled ahead of Adobe.

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According to US Bancorp Piper Jaffray software analyst Hany Nada, Adobes one pure Internet product, its GoLive web-authoring software, doesnt have nearly the market share of Macromedias Dreamweaver, and Adobe doesnt have anything comparable to Macromedias Flash, Director and Shockwave products.

Nearly 66% of professional web site developers use Dreamweaver while a whopping 75% of developers are using one Macromedia product or another. "They are a step ahead of Adobe," adds Vogel. Macromedias web-related software sales are growing 30%
every quarter. On a year-over-year-basis, the sales are up 170% for four core products--Fireworks, Dreamweaver, Flash and Generator--Vogel estimates.

Macromedia has been focusing on Internet-related software ever since Burgess took over the job in 1996. Prior to this shift in strategy, the company was a macro-loser for investors. Since December of 1995 its market value has dropped by some $2 billion as its stock skidded from $60.38 to a low of

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