



Market Roundup

April 5, 2002

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CRM: One Piece of the Pie

By Jim Balderston

A number of CRM vendors issued earnings warnings in recent weeks, the latest coming from PeopleSoft, which said it would have earnings slightly below expectations. Other CRM vendors, like Epiphany and Onyx, issued warnings as well. Even CRM vendor Siebel Systems felt the pinch, as investors dumped the stock despite the notable lack of earnings adjustments from Siebel, which is standing by its numbers.

Whither CRM? Once considered the bulletproof sector of the software industry, these hard economic times are hammering enterprise CRM expenditures along with every other category of software. While Siebel — which dominates the CRM space — is sitting pat with its aggressive forecasts for the quarter, we have to wonder if something more fundamental is at work here than just a sag in enterprise IT spending. Let's consider the basic premise of CRM: providing sales and marketing staff with a "360 degree" view of the status of leads, orders, and ongoing customer needs. In other words, CRM is about providing access to important enterprise information to people (or at least some of the people) who need it, when they need it, and in the format they choose. Recent forays by CRM vendors to deliver information to handhelds and wireless devices are a logical extension of this pattern, as these devices are becoming the interface of choice among many sales professionals.

So why the slowdown? Enterprises bought (and continue to buy) the idea that access to important information regardless of format and form factor is a powerful concept indeed; one we believe will come to fruition as the Service Computing model takes hold in the marketplace in the coming years. Essentially, Service Computing is all about access to vital information from any device anywhere. But the requirements for a Service Computing environment go far beyond narrowly focused software applications; they encompass every element of the enterprise IT environment: storage, bandwidth, security, redundancy, network management, and applications. These needs, the building blocks of the Service Computing environment, are what enterprises are seeking. We believe most CRM installations

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(many of which failed miserably) were bought in the hopes of delivering on this much more complex and essential holy grail. This is not to say that CRM does not have an important role to play; it does. But CRM, like any form of enterprise resource management software, is a modular part of the Service Computing environment, one that is often more tactical than strategic. The siren song of CRM, we believe, fell on ears that are searching for the sweet music that the Service Computing environment will ultimately provide.

Dell Goes Modular in New Servers/Software

By Charles King

Dell Computer has announced a trio of new enterprise servers, along with next generation server management solutions. On the hardware side, Dell launched the PowerEdge 1655MC, a “blade” configuration aimed at processes including server consolidation, thin clients, and high performance clustering. The 1655MC can accommodate up to six server blades in a single 3U enclosure, with each server containing up to two 1.25GHz Pentium processors with 133MHz front side bus, two SCSI hard drives, and up to 2GB of memory. Dell also introduced the PowerEdge 6600 and 6650, Intel Xeon-based tower, and rack-optimized servers that offer up to four-way configurations and are designed for a variety of corporate data center applications. The 6600 offers twelve internal hard drives (up to 876GB maximum), while the 6650 includes five internal hard drives (up to 356GB maximum) and eight PCI-X/PCI slots. The PowerEdge 6600 and 6650 will be available in May 2002 with prices expected to start at \$5,499 and \$5,199, respectively. The PowerEdge 1655MC will be available in Q3 2002, but no pricing details were included. Dell next generation server management solutions include additional features in Dell’s OpenManage software. The company’s new OpenManage Server Administrator provides advanced remote management of functions including asset and inventory information, audit trails and online diagnostics. Dell’s OpenManage portfolio is available immediately and supports Windows 2000 Server, Windows 2000 Advanced Server, Windows NT, Red Hat Linux, and Novell Netware environments.

Dell’s move into modular servers is both very predictable and absolutely necessary. Dell made headlines early in 2001 by seizing the top spot in PC sales from long-time market leader Compaq by combining competitive pricing with an aggressive sales force. But the prize has been more of a hot potato than might have been expected since it coincided with commodity pressures that drove PC profit margins and manufacturers ever downward. Dell decided the best way out was in leveraging its sizeable presence on business desktops into a foot in the door of corporate data centers. Has this strategy worked? Too early to tell, is the best we can say, since the company’s efforts have been hindered by continuing softness in demand for business technology and increasingly cutthroat behavior among server vendors with higher profiles and deeper product portfolios than Dell. Does that mean the company is down for the count in its battle for a bigger piece of business computing? Not quite yet. Overall, we believe Dell might eventually see some daylight due to a trio of IT alliances. Dell’s longtime partnerships with IT behemoths Intel and Microsoft leave it well positioned to reap benefits as these two players press their own high end computing efforts. Additionally, the strategic alliance Dell announced last September with enterprise storage leader EMC could pay off handsomely, since it provides both companies entries to markets where they had less than optimum penetration. Given this, it makes sense for Dell to continue to expand its business product lines into hot areas like blade servers and data center functions. Will the road to success be easy? Not at all, but combining its own market and technology skills with those of its well-chosen pals, Dell should be able to field a competitive or even winning team.

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We Don't Need Any Stinkin' Windows — CodeWeavers Announces Crossover Office

By Clay Ryder

CodeWeavers has announced the release of CrossOver Office, a software solution that allows enterprise-level Linux users to install and operate Microsoft Office and Lotus Notes on their PCs without the Windows operating system. CrossOver Office eliminates the need for both a Microsoft Windows operating system license and a Windows emulator when running Microsoft Office or Lotus Notes in Linux. The company is marketing the product to enterprise customers migrating to the Linux OS, IT consultants specializing in desktop management, VARs, and Internet appliance and thin client users. CrossOver Office expands the CrossOver family line started by CrossOver Plugin, which provides Linux desktop users access Web content previously only available on Windows PCs, including QuickTime, Shockwave, and Windows Media Player. CodeWeavers indicates that it plans on introducing support for several more major Windows productivity applications during 2002. CrossOver Office is priced at \$54.95 per user, with workgroup, site, and enterprise license discounts available.

Throughout modern desktop computing history, there has been ongoing quest to bring Windows-based applications to non-Windows-based desktops. To reconcile these applications with the minority (although a sizable one) of non-Windows desktops in the enterprise, there have been numerous approaches. Perhaps one of the most notable of these was Sun's WABI, Windows Application Binary Interface (aka What A Bad Idea) which sought to provide a Windows emulator inside of the Solaris operating environment. WABI's lack of success was in large part driven by the tremendous hurdles faced in certifying that applications would in fact truly work in this emulated environment just as they would natively. Of course, even if this tall task was successful, all that was needed was a revision in the application or operating system, and the house of cards could come tumbling down. CrossOver Office appears to be circumventing some of the difficulty in providing a complete Windows emulation but it still faces the daunting task of ensuring that potentially thousands of APIs, application function, and system calls will correctly interoperate between the application and the permutated world of Linux.

However, for the user this solution does address cost considerations, as the Linux PC user no longer needs to install a Windows emulator and a licensed copy of Microsoft Windows, but rather just Microsoft Office or Lotus Notes. For the present, this may seem like a winner, but we do question the long-term viability of this solution. Given the inevitable upgrade path Microsoft will drive for both the application and operating system, will the relatively small market for this solution fail to support the upgrade R&D cost to be borne by CodeWeavers? If the answer is for CodeWeavers to grow a base of CrossOver users, does this not run the risk that by growing the number of Linux-based Office users, Microsoft may decide to port and support Office on Linux directly? Although this would likely be the best scenario for the end user, it is one that spells a finite opportunity for CodeWeavers. So while CrossOver Office may find a receptive audience in the present, it could ultimately become a victim of its own success should it start flying above the radar of the Redmond Giant.

Web Users Maturing? New Studies Offer Unique Views

By Charles King

A benchmark study led by Penn State University Associate Professor Amanda Spink examined the behavior of 200,000 users of the Excite Web search engine by comparing data collected in 1997, 1999,

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and 2001. As part of the study, a random sample of sites was classified into eleven general topic categories such as "Entertainment and Recreation," "Sex and Pornography," and "Commerce, Travel, Employment or Economy." Over the period studied, Excite users' searches shifted markedly from entertainment and sex to business and travel. Particularly, in 1997 about one in six Web queries were about sex. By 2001, the ratio was one in twelve, and many queries concerned human sexuality rather than pornography. The study noted that users' interest in ecommerce queries coincided with an 80% increase in commercial content on Web servers by 1999. Additionally, study data suggests users are spending less time on their Web searches. In 1997, fewer than 30% of Excite searchers examined only one page of results per query. By 2001, single page searches accounted for more than 50% of queries, and 70% of Excite users failed to go beyond the second page of results. In an unrelated announcement, the Pew Internet and American Life Project announced the results of a 2001 survey that polled regular Internet users about their use of government agency Web sites. The Project estimates that the number of American adults who have used government sites has risen from 40 million in 2000 to 68 million in 2001. About 42 million users have used sites to research public policy, while 23 million used the Internet to send comments to public officials. Roughly 14 million used sites to gather information about upcoming elections, and 13 million participated in online lobbying campaigns.

A shallow reading of the Penn State study summary might suggest that Web searchers' queries have switched dramatically from sexual to commercial subjects, but does that translate into dramatic drops in the audience for carnally oriented Web sites? Hardly. Most every Internet user graphically understands that there has been an increase rather than a diminution of online sexual content since 1997. In fact, porn Web sites continue to be one of the few notable success stories in commercial online content distribution, though it is not a subject well-known ISVs care to dwell on. But if that is the case, why is sex apparently falling off the Web search map? One answer may be that individuals who are interested in sexual online content hardly need Excite (ironically enough) to find it. Links to sexual content abound on a wide variety of well-traveled sites, and show up regularly in unsolicited email. What this means, simply, is that while the behavior of Internet users has likely changed since 1997, so has the terrain of the Internet itself. In fact, a challenge we see in the Penn State study is in extrapolating reliable conclusions about Web search behavior unless one also factors in the evolution of the Internet. The result, we believe, is analogous to taking an accurate photograph of an earthquake while the ground is shifting beneath your feet.

That said, some details of the study are of interest, such as the coinciding increases in commercial content on Web servers and ecommerce queries, suggesting that Internet users are responding to online commercial efforts even as they might go shopping after watching a television commercial or receiving an advertisement in the mail. Not a big deal, one might say. But for those with short memories, it was not so long ago that pundits regularly expressed serious reservations about the viability of ecommerce efforts of any kind. The Penn State survey suggests instead that both the Internet and its users remain responsive to the demands of an evolving market/medium. That same point is driven home by the Pew Internet and American Life survey, whose findings indicate that as online users and usage mature, material including relevant government documents and policy information will be seen as increasingly valuable, as will the Web's capacity for supporting communications to and from political constituencies. In all, we believe these studies suggest that with the end of the commercial Internet's first decade in sight, the Web and its users continue to be dynamic and flexible. We believe that is good news by any measure.

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Easing the Flow: Getting from Here to There

By Jim Balderston

MQSoftware has announced the arrival of its latest offering, DataFlow Studio, an integration suite for managing and executing enterprise dataflow. DataFlow Studio uses middleware messaging and broker technologies to tie multiple data forms in a “one-to-any” application integration. MQSoftware touts DataFlow Studio as a means to provide a means to tie disparate custom solutions to a single dataflow environment, leveraging IBM’s WebSphere MQ message brokers. The company positions this product for companies with merger-related data integration issues, or for those deploying new ecommerce, Web, CRM, or supply chain management offerings. The product is offered starting at \$25,000.

This kind of uber-geek technology bores marketers to tears. How in the world does one make this kind of thing sexy? It certainly doesn’t have the pizzazz that, say, buying pet food online seemed to once possess. But, of course, that’s the point. Here and now, boring is good. However, we think that the folks at MQSoftware may have understated their claims a bit. If the DataFlow Studio delivers as promised, we believe its market goes far beyond post-merger companies, or those tinkering around with Web sites or CRM. In fact, the problem that DataFlow Studio purports to address is one of the core challenges of the Service Computing environment: How do we get all these different machines to talk to one another so we can access the information we need? Essentially any company, post merger or not, with or without CRM, ecommerce, SCM, or any other of the host of buzz-acronyms out there, are going to have to find a path to integrate their legacy information and systems so that employees have access to the information in a format they can actually use. Data integration is a key element of the Service Computing environment; tools that ease the pain of this integration will become increasingly valuable going forward. While we never expect data integration — or Service Computing for that matter — to garner sex appeal beyond that now enjoyed by, say, telephone network infrastructure, we suspect both Service Computing and data integration needs will be around for quite some time, which is quite sexy in its own, boring kind of way.

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