



Market Roundup

May 24, 2002

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Sun Launches Solaris 9 OE

By Charles King

Sun Microsystems has announced the availability of the Solaris 9 Operating Environment (OE), the newest version of the company's signature operating system for UNIX servers. According to Sun, more than 300 enhancements have been included in Solaris 9 OE, including manageability, security, availability, and scalability features. Sun also announced that significant elements of the company's middleware offerings have been integrated into Solaris 9 OE, including the Sun ONE Application Server 7 (Platform Edition) and the Sun ONE Directory Server. Sun is offering users of previous versions of Solaris a guarantee of application compatibility, and has enhanced built-in Linux compatibility in Solaris 9 OE. In addition, Sun offers a suite of services for current customers who implement, upgrade, or migrate to the new OS. Sun includes a Solaris software license in the price of every hardware system shipped, and customers with Sun support contracts receive upgrades as part of the price of support. For all other users, Solaris 9 OE is available for prices starting at \$50.

From a purely practical standpoint, a major revision of a proprietary OS like Solaris is a pretty big deal, but given the continuing softness of the economy in general and the tech sector in particular, Solaris 9 OE is likely to be considered critical to reviving Sun's fortunes by people inside and outside the company. Continuing for a moment in a practical vein, Solaris 9 OE gives Sun customers, shareholders, and employees a lot to feel good about. Features incorporated into the new OS such as UNIX File Systems, Solaris Volume Manager, and Solaris Flash should significantly simplify complex system management tasks. Additionally, Solaris 9 OE's security upgrades such as the SunScreen firewall and Kerberos v5 server could ease the way for enterprise clients to deploy application services across their networks. Sun's new Solaris Containers should allow businesses to run multiple apps on a single server, increasing overall efficiency, but Sun's description of the feature as server virtualization is an overstatement. Considering the significant increases in performance Sun claims Solaris 9 OE delivers, we also wonder if the new OS might offer Sun customers an easier, cheaper way to enhance existing systems than upgrading to new hardware. The two biggest additions to the new product are the integrated application and directory servers, which shift Solaris 9 OE away from a simple (or not so simple) OS to a platform for service delivery. That, after all, is what Sun ONE is about, and Solaris 9 OE should be regarded as a firm step in Sun's effort to press forward its strategic vision of network-based service provision.

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However, the new iteration of Solaris also contains a couple of potential problems for Sun. For a company that prides itself on happy relations with ISVs that provide software for its platform, Sun's bundling of its homegrown Sun ONE Application Server into Solaris 9 OE could be considered a slap in the face to BEA and other vendors. Sun insists that other application servers will work fine with the new OS, but the company's marketing jargon for this product launch spins around the notion that Solaris 9 OE saves customers money by delivering integrated solutions typically provided by third party vendors. That mixture of messages also tars the Sun ONE Directory Server and, in fact, the whole notion of bundling solutions into the OS, a product strategy Sun has long and vociferously attacked when employed by Microsoft. For some, Sun's turning a blind eye to faults that it decries in others may be considered evidence of simple hypocrisy. Others may believe that Sun has merely come to the same conclusion Microsoft has; that deeply integrating applications into the OS is an efficient, effective means for stably delivering complex solutions to its customers. In the case of Solaris 9 OE, we believe the latter point of view is probably closer to the truth.

Xbox Network: Games Only the Beginning

By Jim Balderston

Microsoft has announced Xbox Live, an online gaming network it plans to roll out in the next six months in North America, Japan, and Europe. The Xbox Live network will allow for realtime interactive gaming for broadband users, and will not only feature online gaming, but will also offer users the ability to talk to others online while gaming, download statistics, and add new game levels and characters to their Xbox hard drive. The network will allow gamers to create single identities, so they can log in to different games with a single sign-on and password. Microsoft said more than sixty game companies have signed up to create games for the network and that fifty game titles were scheduled for release by the end of next year. Microsoft is offering a package that includes a year's subscription to Xbox Live, an Xbox Communicator headset, and a free game for \$49.95.

Last week when Microsoft and Sony announced price cuts for its game consoles, we suggested that such cuts were simply part and parcel of a razor handle/razor blades sales strategy, and argued that Microsoft and Sony had plenty of razor blades to sell in the form of content and technology for gaming networks. Microsoft obviously decided that offering a game service for a subscription fee might be a good part of the revenue model as well. For this reason, we see the company putting pressure on other game makers to begin treating game consoles much the way cell phones are treated by wireless service operator — give 'em away and get the annuity in the form of the service subscription. Furthermore, as the Xbox press release notes, online gamers will be authenticated, can download new versions of a game (for free or a fee) and find areas where their skill levels are in common with others — many of the elements of enterprise networks, in the sense that security, application deployment, and business rules (i.e., how like things are aggregated) are present. Only the content is different. Bits is bits, to be sure, but we think we are also seeing a preview to how all media will be delivered at some point in the future. How Microsoft builds out its network and reaps revenue will be instructive to a broad range of media companies, many who seem paralyzed in the face of changing technology.

It is interesting to note that Xbox live is for broadband users only. The Xbox Web site claims that online gaming is too fast for dialup access. We would argue that here we see an application — unlike email or browsing — that is not merely enhanced by higher connection speed, but requires it. Broadband vendors must be very happy with this announcement as a result, but this is not simply about gaming. As the Xbox

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site notes, one can hook up an Xbox to the cable modem, but may also want to get “some other hardware depending on how fancy you want to get with your home networking.” Fancy, indeed. Don’t look for the Xbox Network to stop at gaming, since we see this as the thin edge of the wedge for a whole host of content offerings delivered to the home with nary a shrink wrapped package in sight. Game on!

Kazaa Gone — At Least Officially

By Jim Balderston

Kazaa BV has announced that it is giving into legal pressure from the recording industry and its lawsuits against the file-swapping technology company, and noted that the company was asking for the “terms of surrender” from the recording labels and their attorneys. Kazaa BV said it was giving up its legal battle because it had no more resources to spend on the cases, which have been closely watched since the file-swapping Napster lost its own similar legal battles. News reports indicate, however, that the founders of Kazaa have licensed the underlying technology to a number of other vendors, who have yet to be sued by the entertainment industry.

While the entertainment industry no doubt is cheering Kazaa’s decision to abandon its defense, one cannot help but wonder if the company’s demise might be considered as ongoing evidence that the record labels and movie studios fear they are on the verge of getting a very serious shock to their existing, conventional revenue model. Perhaps all the industry’s legal maneuvering is simply a way to buy time while it figures out some new model that would both appeal to young music fans and deliver the control and revenue streams the industry is used to. Such strategic maneuvering is, in all probability, a most optimistic assessment of the situation. We suspect the industry’s situation is much worse than that.

From where we stand, peer-to-peer networks and file swapping will surely continue to thrive as a means of distributing digital content, even as they are driven further underground. The technology is simply too popular among and convenient to consumers. In short, it is not going away anytime soon; it will only be harder to find and track down as users gravitate toward non-commercial file-swapping communities. In one way, P2P network technology providers are playing the role of an intelligent, adaptable bacterium in the entertainment industry’s distribution network host. Each time the industry legally shuts down a new offering by sending its armies of Goliath lawyers against much smaller P2P foes, a new irritant springs up, slightly changed and perhaps harder to eradicate than the last. So it would seem here, as Kazaa’s technology continues to live on while the entertainment industry makes little or no headway in capturing revenues within the P2P-enabled environment. The genie is out of the bottle, and all the lawyers in the world can’t put it back in. Prediction: David wins.

Microsoft, Verizon Announce New Wireless Services

By Charles King

Microsoft and Verizon have announced “VZW With MSN,” a new wireless service that will deliver MSN services and content to Verizon customers who subscribe to wireless Web services. VZW With MSN services include MSN Messenger instant messaging, MSN Hotmail, .NET alerts, and MSN information services. The new co-branded offering will be the default service for new Verizon customers. Microsoft and Verizon will jointly market the new services with a nationwide advertising campaign, and promotions

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on MSN and through Verizon's dedicated stores and retail outlet partners. In addition, the two companies plan to co-develop new wireless solutions such as location-based services. No pricing details for the new services were included in the announcement.

Despite tons of hype and marketing dollars, wireless Web services have not caught on in the U.S. as they have in Europe and Asia, where tens of millions of wireless-enabled users spend a great deal of time and money exchanging billions of emails and instant messages, and engaging in a raft of other online services and activities. Part of the problem is the historically fractured nature of wireless services (and protocols) within the U.S., a difficulty that should ease as emerging higher bandwidth protocols and solutions take hold. But even with those improvements, stateside Web-based content and services remain paltry compared to those offered overseas, part and parcel of stogy service providers and an economy that has hit the telecom industry especially hard.

Wireless email access is hardly new. On the ISP side, AOL has long partnered with SPs such as AT&T to deliver wireless access to content and services. On paper, at least, the new VZW With MSN (what marketing genius came up with that lugubrious moniker?) service sounds similar to AOL's announced plans last month to offer AOL email and Instant Messenger via AT&T's mMode service, but with a couple of caveats. For one, Verizon's 30 million+ users make it the largest wireless carrier in the U.S. and the company has a sizeable footprint nationwide with 1,200 dedicated stores and thousands of retail partners. Second, Microsoft's free Hotmail and MSN Messenger (which has never been offered as a wireless service) could give the new offering a leg up over America Online/AT&T, which require an existing AOL account for access. Finally, Microsoft's 90%+ desktop market share offers the company a remarkable platform to drive promotions and sales from. Overall, we believe Microsoft and Verizon have the cash, the content, and the market position to make VZW With MSN a success.

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