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Market Roundup
June 14, 2002

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HP Introduces HP-UX for Itanium-Based Systems

By Charles King

HP has introduced HP-UX11i Version 1.6, which the company described as the first-to-market UNIX operating environment for Itanium-based systems. The new OS offers data, source, and binary compatibility between the PA-RISC and Itanium architectures, providing HP enterprise customers a transition path to Itanium-based systems. HP-UX11i Version 1.6 supports up to sixty-four central processing units, and provides high availability and workload management functionality, as well as integrated security features. Additionally, HP intends to bring features from the Tru64 OS, including TruClusters and Advanced File System capabilities, to future versions of HP-UX11i. As part of the announcement, BEA announced that it will port both its WebLogic Application Server and BEA Tuxedo to the new OS, with a fully supported customer version during the second half of 2002.

This Itanium-friendly version of HP-UX was entirely predictable and necessary, given HP's (along with Compaq's) stated intention to eventually transition all of the company's higher-end computing processes to the Itanium platform. Given that, are there any real surprises here? Not really. After surviving a host of ugly, drawn out battles during the Compaq merger that would have stopped many vendors before they reached the starting blocks, the HP-UX announcement is a figurative line in the sand against anyone who might have doubted the merger and the company's larger Itanium strategy. Migrating Tru64 features into HP-UX11i over time punctuates HP's long term plans, and the support of BEA suggests that the company has gotten at least one of its major IT partners to sign on for the ride. Overall, despite its lugubrious moniker, HP-UX 11i Version 1.6 possesses most of the regulation bells and whistles that should help HP customers believe that the company is serious, on track and firing on all cylinders.

At the same time, it is wise to remember why HP needed to make this announcement in the first place. While the company may be correct to claim that this new version of HP-UX11i is the first UNIX OS for Itanium processors to come to market, it may also be the only such product. Both IBM and Sun have developed Intel-friendly versions of their respective AIX and Solaris operating systems. In fact, Sun has stated publicly that an Intel version of Solaris 9 is finished and waiting for the company to ascertain if there is any compelling commercial demand for it. Compelling commercial demand, in fact, is the rub here, since many vendors appear to have decided that Itanium is a more appropriate platform for Microsoft and Linux solutions rather than UNIX-based applications. As a result, HP's financial, intellectual, and philosophical investment in Itanium is probably more significant than any other vendor, meaning that they have more to gain, and respectively more to lose. We also believe HP-UX11i Version 1.6 may cause some discomfort among Alpha

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platform devotees. HP has been upfront regarding its intentions for the Alpha platform, and included provisions for Alpha application and data migration in its product roadmap. Given the difficulties previous such migrations (DEC Alpha to Tru64 and Sun OS to Solaris both come to mind) caused among end users, we would only caution HP to walk carefully as it advances toward the future it envisions, and to tread lightly on its customers' toes.

Novell to Acquire SilverStream Software

By Clay Ryder

Novell announced this week that it has entered into a definitive agreement to acquire SilverStream Software. The companies indicated that this acquisition is part of Novell's plan to position itself as a leading force in the commercialization of Web services by expanding Novell's ability to enable customers to develop business applications that exploit the latest Web technologies while leveraging existing IT investments. Novell's offerings will be broadened to include capabilities required to serve enterprises seeking to deploy advanced Web applications/ business solutions, Web services, and network infrastructure. Novell will tender a cash offer to acquire all of the outstanding shares of SilverStream common stock for $9.00 each. The acquisition has been approved unanimously by the boards of both companies and is subject to customary conditions, including regulatory and other standard approvals. The acquisition is targeted to close during Novell's fourth quarter 2002 and would result in SilverStream becoming a wholly owned subsidiary of Novell.

It may strike many as odd that a once dominant software powerhouse such as Novell would pay a premium for a much smaller, albeit highly complementary, software vendor; but these are different times, in which most all vendors are under financial pressure (yet SilverStream brings $100 million in cash to this deal). Overall, we think this acquisition is a smart move on Novell's part; one that will help bolster the flagging company's position in the burgeoning Web Services arena, as well as grant Novell a significant opportunity to reinvent its marketplace position. Part of the significant premium paid for SilverStream may represent its existing technical expertise, both in terms of technology and, perhaps more importantly, staff. Given Novell's less than leading position in the Web Services space, the value of integrating this expertise and resource base "off the shelf" could prove pivotal in Novell's redefinition of its capabilities and ultimately the company's market position.

We believe that the events of the next twelve to eighteen months will help determine whether Novell will once again become a significant player or simply another formerly significant player declining to near irrelevance, a la SCO. Despite Novell's notable technological holdings and enviable sales channels, outside of directory services there has been little evidence of a compelling corporate-wide position and market message about its value that Novell could leverage to add partners and customers. Given the relative immaturity of the Web Services market space and the fact that other assets Novell controls are pivotal for successful Web Service deployments, we believe the company has a short-term opportunity to redefine itself as a leading Web Services enabler. Novell's historic enterprise customer base, success in the directory services market, and its consulting expertise of Cambridge Technology Partners offers the company unique competitive advantages. However, since the lull in IT spending and financial markets will not last indefinitely, the time to act decisively is now, not once the markets have recovered. Otherwise, when interest, which is already substantial, becomes high levels of spending on Web services, the last first-class train will have left station carrying, from Novell's perspective, the company's last chance to avoid a future resigned to the second-class carriage.

Displace is Not a Good Place for Media Companies

By Jim Balderston

This week the Cato Institute hosted a panel discussion focused on the battle over digital content rights. On one side the entertainment industry, on the other advocates of the "fair use" doctrine, who claim consumers' rights will be harmed by limiting or restricting how they use or share digital content. The consumer electronics industry, including PC manufacturers, is also hesitant about implementing potentially costly copyright

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protection schemata that may decrease the attractiveness of their consumer products. During the Cato panel discussion media company representatives repeated their longstanding refrain that their products were being used without recompense and defended their efforts to have Congress pass legislation (considered by Senator Fritz Hollings (D-SC)) that would mandate Digital Rights Management (DRM) technology in PC and non-PC devices. Opponents of the DRM scheme noted that the media industry has not proposed investing in a DRM solution themselves, and instead has sought legislation mandating that manufacturers of PCs and other consumer electronics devices implement the solution.

While we suspect nothing at all was resolved during the Cato Institute's little get-together, and that all participants left with their well established points of view still firmly held, we see some tidbits that strike us as most interesting. Let's take a quick trip in the Wayback machine to the time when desktop publishing was first making waves as a viable PC application. Claims against potentially damaging technologies were made back in these early days of the desktop publishing era, not by media companies but by the commercial printing industry, which attempted to have desktop publishing software banned. Commercial printers saw their established way of life threatened by easy-to-use, consumer-friendly solutions that cost a fraction of the price of hiring a print shop. The printing industry was not only losing markets, but was stuck with enormous capital investments that had been suddenly rendered largely worthless by emerging new technologies.

So it is with the music and entertainment industry. Back when the first CDs became available, CD-burning equipment was simply prohibitive to buy, so digital recordings remained safely locked up on their shiny little Frisbees. But technology marched on, CD burners became a commodity, and the genie was out of the bottle, removing control of the distribution network from the recording industry's grasp. Enter the Internet, and control of that distribution network is all but gone for the media giants, who now want it back, of course. We suspect that what scares media industry the most is that, like the commercial printing industry before them, it is sitting on a huge investment that it hoped to pay off over time by means of controlling and reaping revenues from the distribution of its vast (and vastly expensive) catalogue of content. The problem with basing your economic future on long-term annuity streams is that the longer the projected window in recovery of costs, the greater the risk of having that annuity stream disrupted. In other words, a new technology just moved in, and its revolutionary effects — including wholesale industry displacements — are just beginning to be felt.

BEA Announces Offerings with Mercator and HP

By Charles King

BEA and Mercator Software have announced a partnership to jointly sell Mercator Solutions and the BEA WebLogic Platform to customers in the financial services, healthcare, insurance, manufacturing, retail, and distribution industries. Under the terms of the agreement, the two companies will jointly market a number of industry-specific Mercator Solutions, and will also integrate Mercator's EDI and XML technologies with BEA WebLogic to enable out-of-the-box connectivity. No cost or availability information was included in the press release. In an unrelated announcement, BEA declared its support for HP-UX11i Version 1.6, HP's new UNIX operating environment supported on the Itanium processor family. BEA will port both BEA WebLogic and BEA Tuxedo to the new OS, with a fully supported customer version available during the second half of this year. HP-UX11i Version 1.6 will be BEA's first enterprise-class Itanium-supported UNIX OS.

To our way of thinking, BEA's announcements are best considered in both concrete and subliminal terms. On the surface, both depict BEA moving aggressively into essentially new markets. The Mercator partnership should help BEA extend its influence in the vertical industries where integrator Mercator particularly shines, and could also benefit Mercator by raising the company's profile among BEA's stable of Fortune 100 customers. BEA's support of HP's new Itanium-friendly UNIX OS (the first such offering to hit the market) positions the company to benefit from HP's plans for an all-Itanium future. But the substance of these deals is also delicately shaped by other events. A bit less than a month ago, long-time BEA buddy Sun Micro launched Solaris 9, which integrates the company's SunONE Applications Server within the new operating environment. Sun insists that it will continue to support BEA, but the SunONE app server provides obvious

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competition to WebLogic. More recently, rumors regarding HP's middleware division have surfaced, which some say HP will sell in favor of a deeper BEA alliance. If this is indeed the case, it illuminates and energizes BEA's support of both HP's new OS and Itanium-based processing. In any case, the subliminal effect of these events on BEA's Mercator and HP announcements support the notion that the company is nimbly adjusting to changing market conditions.

Good enough. But what do these events suggest about the larger tech landscape, and how will enterprises fare as these evolutions take place? First, the IT industry, driven by continuing soft market demand, is undergoing (or suffering) a remarkable consolidation. Vendors that once flew at stratospheric heights have crashed and burned or sought softer landings within larger companies. At the same time, specialty technology solutions like Web services have matured to the point where much of their gloss and mystery have been eroded by common use. Mixing market uncertainty and product familiarity results in fertile compost for product commoditization, as has been and is being experienced across a range of hardware products. Given recent events, we believe a similar kind of commoditization may be afoot in the middleware space, where specialists such as BEA are coming under increasing pressure from vendors like Sun and IBM who are bundling middleware functionality into their hardware platforms to help expand revenues and account control. Where does this leave end users? For the time being, Sun and other vendors are likely to both continue to support BEA and similar ISVs, but will also expand their own middleware offerings. This, in turn, will force ISV's to band together to drive new synergies or to seek closer alliances with specific vendors. The simple truth is, in a down market, simple economy and reliability tend to trump innovation. That translates to bad news for middleware specialists over the long term.

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