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Market Roundup
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The World May Be Poorer Following the Acquisition of Rational by IBM
Would You Like Spam with That?
Microsoft Broadens Its Enterprise Software Definition
Whose Law Is It, Anyway?

The World May Be Poorer Following the Acquisition of Rational by IBM
Jacques Halé

IBM announced this week that it would acquire software development toolmaker Rational Software in Q1 03. IBM will merge Rational into the IBM Software Group as a new division and brand, joining WebSphere, Lotus, Tivoli, and DB2.

For IBM, the acquisition is an important event, reinforcing the strategic push by IBM to be a one-stop shop. In particular, it sees the move supporting its e-business on demand strategy. Rational started in 1980 but cornered the system and software development market in the mid-1990s by bringing together three of the industry's gurus: Grady Booch , Ivar Lacobson and James Rumbaugh. With these leaders in hand, Rational was able to lead the market by creating a Unified Modeling Language (UML) and a whole suite of interoperating methodologies from requirement capture to component design. This made standard their particular interpretation of Object Design, especially when it achieved the blessing of the industry association, the Object Management Group (OMG). OMG took this action because it brought some degree of reason and standards to the fragmented world of software development. Most importantly, it allowed developers to work a long way down the development route independently from the target hardware and operating systems. For example, Rational's eXtended Development Environment (XDE) allows developers to work with Microsoft Visual Studio or IBM WebSphere Studio, and to be compatible with architectures on J2EE, .NET, Linux and other platforms.

There is reason for concern, as Rational moves out from being an honest broker, whether it can continue to be the industry standard. It is our sense that the reason for capturing Rational is to support IBM's e-business strategy. Will the various operating systems and platforms be equally supported by the new division of IBM? History may provide a clue if we look at what happened when Tivoli was acquired by IBM. There were concerns and rumors everywhere that this would herald the end of Tivoli as a multiplatform technology. In hindsight, it's clear that this did not happen. The product suite remains open to the whole market and is crucial to IBM's cross platform services capabilities. However, it does suffer from a high price tag and the unavoidable army of Tivoli consultants. We hope that the IT ecosystem will not be poorer, but in fact become stronger, as a result of the specialization of one of its species.

Would You Like Spam with That?
By Jim Balderston

Spam was a hot topic this week, with several reports discussing its prevalence and the degree to which it affects people's lives. The first report, from email filtering service MessageLabs, stated that email threats, including both spam and viruses, are increasing at what the company called "an alarming rate." In fact,

MessageLabs said that 30% of all email sent in November was spam, and that by July, one-half of all email sent will be spam. It also said that spam will be used to spread viruses, and that spam-based scams — such as the Nigerian advance cash email scam — continue to plague victims. Meanwhile, the Pew Internet & American Life Project released a report noting that few people feel overwhelmed with email at work and that 71% of the people surveyed said only a little of the work mail they receive is spam. Most of the respondents — 60% — said they receive ten or fewer emails a day, and 78% said they send ten or fewer emails per day. The report also said that 73% percent of poll respondents said they spend less than an hour each day managing their email, which includes 23% who spend less than fifteen minutes a day doing so. The report also noted that while most workers use email on a limited basis, there is an increasing number of "power emailers" who make up about a fifth of all workers, with 68% of them spending more than two hours a day reading, writing, and managing email.

Say the word "spam" to those familiar with the inner workings of TCP/IP, HTTP and any other Internet-related acronym and you usually elicit a strong — if not overwhelming — opinion on the merits of bulk email and the purveyors of same. Derogatory references to spammers often include opinions on their ancestry and personal sexual preferences. "Death to spammers" would probably be a moderate opinion amongst such people.

Yet apparently the vast majority of people who use email are less concerned with the unsolicited email; in fact the delete button is — for them, anyway — a reasonable and relatively effective anti-spam tool. These people are less likely to discuss issues surrounding spam, such as its burden on email servers, storage systems, and IT staffs. To many of these folks, such considerations are moot, as email is something that appears or disappears on their computers, and their interest begins and ends right there. IT managers, who have the task of actually ensuring that the blissfully unaware folks who know nothing about email actually get it regularly, and that they are not deluged by spam, may see things a bit differently. But we also suspect that many of the email filtering companies are following a practice well worn by their partners in security, the anti-virus vendors, by touting the threats of spam in a way that can cause companies — or at least executives of companies — to begin asking pointed questions about email filtering of the IT staff. Fear sells. Finally, the gap between the alpha geeks and the average Internet user apparently continues to grow, as the numbers of less knowledgeable Internet users grows both in raw numbers and as a percentage of the total user base. Vendors offering goods and services to prospective customers must remember to not only sell to IT and alpha geeks, but to do so in such a way that actually improves the daily lives of the 80-percenters who make up the bulk of the workforce.

Microsoft Broadens Its Enterprise Software Definition
By Myles Suer

Microsoft announced the availability of Small Business Manager 7.0. The product adds modules for sales, payroll, purchasing, and inventory tracking. Pricing has been set at $995 per user. The product is from the business unit formed from the acquisition of Great Plains and Navision.

With the product's introduction, Microsoft moves away from its previously announced positioning of focusing upon companies with sales between $50 million and $1 billion. Small Business Manager 7.0 is targeted at the market dominated by Intuit and Peachtree: North American companies with fewer than twenty-five employees and less than $5 million in revenue. Intuit's QuickBooks currently has 2 million users within this market segment; an estimated 85.5% market share.

In addition to attacking the market for client software, Small Business Manager also goes after a market pursued by Net Ledger. Net Ledger is the business software maker that delivers its products in application service provider form to SMEs desiring to graduate from Quickbooks but not ready for the IT expenses required to support enterprise level accounting and business management software. Although the ASP business model has to a large degree gone out of favor, Net Ledger delivers an integrated business software suite unlike its desktop software cousins. By doing so, Net Ledger attempts to deliver to truly small businesses a leg up on larger companies by allowing its users to achieve enterprise integration larger enterprises pay dearly for. Large enterprise will have to wait for Web Services and an integrated applications layer to become

standard. We believe that for Net Ledger to succeed (ASP considerations aside), it needs to quickly add Web Services and SCM interfaces. What is most interesting about the Microsoft announcement is the lack of mention of a .NET or Web Services model for this new software division. One would have thought with Microsoft's focus on a future of .Net and Web Services that they would have at least provided lip service to the level of Internet integration that has been achieved by Net Ledger.

Whose Law Is It, Anyway?

By Jim Balderston

The Australian high court, Victoria's Supreme Court, ruled this week that Dow Jones & Company will have to defend itself in Australian court in a libel and defamation suit over content published by Barron's magazine and placed on the Internet from a server in New Jersey and subsequently downloaded in Australia. The case centers on a story about Joseph Gutnick, an Australian mining magnate who believes he was defamed by the story and seeks to have his case heard in Australia, where libel laws are apparently more favorable to plaintiffs than those in the United States. The court rejected claims by Dow Jones that the case should be heard in U.S. courts, and noted that the company was attempting to impose upon Australians American law as it concerns Internet publications and legal protections against libel.

While the idea of the boundary-less Internet is not new, the many steps to resolving the impacts of this stateless medium are still largely in their infancy. This case — not the first and certainly not to be the last — may well settle some of the questions raised by the borderless nature of the Internet and its ability to cross national legal boundaries in a way that physical information — or people — cannot. On the other hand, this case may only muddy the waters. In either instance, it is sure to be one of many such cases that pit the varying local statutes of physical place against a medium that has reduced the importance of such distinctions.

Free speech, including the right to publish, has long been a pillar of the American judicial landscape. Judges, juries, and legislators have been remarkably reluctant over the two-plus centuries of the U.S.'s existence to curtail such rights, and as a result libel law remains an area in which the burden of proof lies largely with the individual who claims to have been wronged. But this case of course represents issues far beyond libel law. For example, nations with much stricter laws concerning pornography, or dissent, or criticisms of religious figures might believe that they too can drag into the dock those who publish thoughts and opinions that locally are considered if not mainstream, certainly not inflammatory or illegal. While we suspect that a certain amount of give and take legally may be the end result of such legal wrangling, we also believe that the North American dominance of the Internet — at least for the time being — may have an impact as well. Of course, legal opinions and wrangling can flow both ways, with not only non-U.S. law impacting behavior in the states, but U.S. law and custom impacting Internet behavior around the world. Much evidence is in place of the impact of American culture world wide; the Internet will no doubt be another medium for such dissemination (or, in some people's opinions, pollution). Either way, the mix of culture and law will continue, with all sides having to face the fact that the pure, clear, water of cultural isolation is going to have to give way, whether through television, telephone, or Internet.