Market Roundup

January 17, 2003

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IBM, MontaVista Announce Consumer Electronics Technologies

By Charles King

IBM and MontaVista Software have announced a combination of technologies that the companies claim could significantly extend battery life in consumer electronics devices. Company tests suggest that pairing IBM's PowerPC 405LP embedded systems processor with MontaVista's Linux Consumer Electronics Edition (CEE) 3.0 may reduce processor power consumption by as much as 50%, translating into an estimated 20% overall power savings for consumer electronics devices such as cellular phones and PDAs. The announcement is part of an effort by IBM and MontaVista to develop what the companies call "Dynamic Power Management" techniques. Limited samples of the PowerPC 405LP are available now from IBM and volume production will be available in the third quarter of 2003. MontaVista CEE 3.0 is expected to be available in the first half of 2003. No pricing details were included in the announcement.

There are a couple of interesting things to note in this announcement, the first having to do with the larger role Linux is playing in the embedded systems market and the second concerning IBM's position in that space. On the first point, it is important to remember that the embedded systems market is driven by partnerships, since no one company makes end-to-end solutions. Instead, consumer electronics powerhouses like Sony, Matsushita (aka Panasonic) and Toshiba utilize embedded processors from a range of vendors, and OS solutions from providers including sector stalwarts such as Wind River and relative newcomer Microsoft, who is pitching the embedded version of Windows CE at and into every device it can find. The dynamic (or perhaps fly in the ointment in the competition's view) that MontaVista has introduced to the mix is Linux, which the company is promoting as a flexible, dynamic and secure alternative to the proprietary operating systems that dominate embedded systems. This has proprietary OS vendors gnashing their teeth because consumer electronics vendors are taking a very long look at MontaVista's penguin antics. Panasonic and Toshiba are both equity stake holders in the company, and in December Sony and Matsushita, which are both MontaVista technology partners, announced that they would co-develop a Linux-based embedded OS that looks suspiciously like CEE 3.0.

So what does IBM's involvement here mean in the greater scheme of things? First, it qualifies as a slap at critical vendors who have to one degree or another denigrated Linux and IBM's promotion of it. The

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company's partnership with MontaVista means that IBM is now deploying Open Source solutions across products from tiny embedded chips to mainframe computers, a feat that underscores the company's vocal commitment to Linux and should also help quash all but the most evangelical (or threatened) doubters. Overall, we see this announcement as evidence of an ever-widening door of opportunity for both companies. For IBM, incorporating CEE 3.0 into its PowerPC product line could enhance sales of embedded processors for increasingly popular and pervasive mobile consumer devices. For MontaVista, working and being associated with IBM likely means a higher profile and growing reputation among consumer electronic giants who are already nibbling around the edges of the company's embedded Linux strategy.

Off the Case

By Jim Balderston

AOL Time Warner Chairman of the Board Steven Case resigned this week, ending months of speculation over his fate at the media giant he created with the acquisition of Time Warner in January of 2000. The $106 billion deal — paid for with AOL stock that was priced at $71 at the time — created a company with a combined market capitalization of approximately $350 billion and annual revenues of approximately $30 billion. Time Warner's stock was at approximately $65 before the announcement; it shot up more than 25 points when the announcement was made. The two companies' combined employee numbers were nearly 90,000. At the time, Time Warner President Gerald Levin said that the combination of the two companies would aid in the "digital transformation" of Time Warner. AOL, meanwhile, was looking to get access to Time Warner's cable network, which at the time was the second largest in the nation. AOL had approximately 20 million subscribers at the time; the America Online unit of AOL Time Warner now boasts some 35 million subscribers. AOL Time Warner's stock is presently priced at a little more than $15 a share, and the company's market cap has shrunk to $68 billion. Case will remain on the AOL Time Warner Board of Directors.

Oh, what a difference three years can make. Once heralded as the most significant — and largest — acquisition of all time, the combination of Internet darling AOL and content giant Time Warner was billed as a deal that was going to change the face of media conglomerates for all time. Press reports at the time of the acquisition are rife with words like 'synergy', 'old media', 'new media', and 'historic'. Just three short years later — Internet time still applies, apparently — the merger has been largely defrocked as a nothing more than a massive marketing and PR campaign founded on little more than contemporaneously sexy buzzwords that could not stand up to the erosive effects of the scrutiny of time and financial reality.

Case's resignation as chairman sparked a number of stories, many alluding Case's creation of AOL and implying it was spawned fully formed. The truth is a little more pedestrian, and free of all of the immaculate conception dross that has been draped on Case and his alleged genius. AOL started out as Omnimedia, a private bulletin board service that was designed for people who had not mastered UNIX command line protocols. It was a dumbed-down version of existing BBS technology targeted at the lowest common denominator: newbies. The 1989 renaming of the company to America Online did not change the characteristics of its ancestor, with proprietary content, "ease of use," and a largely closed system. AOL was a gated community in the increasingly wild and wooly World Wide Web. But the company was well marketed. AOL disks arrived in mailboxes across the country: 20 free hours, then 50, then 100, now these never-to-die disks boast more than 1,000 free hours. Ubiquitous television advertising persists to this day, despite the fact that AOL's prime selling point — ease of use — is less and less a value proposition in a world where more than half the Internet users have been online for more than three years. These users not only don't need AOL's handholding to get connected, they increasingly find AOL content too proscribed for their needs These people know what they want and where to find it. Google provides more value now than AOL to these people. This is true now, and will become ever truer in the future. AOL was at its highly inflated peak in both terms of money and value proposition three years ago, but that declining value proposition becomes clearer every day. As Charles MacKay noted in the preface of his 1841 study, "Extraordinary Popular Delusions and the Madness of Crowds, "Men, it has been well said, think in herds; it will be seen that they go mad in herds, while they only recover their sense slowly, and one by one."

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Copyright? Or Copywrong?

By Jim Balderston

The United States Supreme Court ruled this week 7-2 that the Congress acted properly in 1998 when it enacted law that extended copyrights an additional twenty years, giving copyright holders a total of 95 years of copyright protection. The congressional action — the approval of the Sony Bono Copyright Term Extension Act — passed with little debate and with a great deal of lobbying from the Walt Disney Company, whose early Mickey Mouse animations and movies were about to come out from under copyright protection and into the public domain. The 1998 law essentially grandfathered existing copyrighted material with an additional twenty years of protection. The Justices voted 7-2 in favor of the large content holders, and rejected a claim by the plaintiffs who argued that copyright extensions made them infinite and that this ran counter to the intent of the original 1790 law, which had placed a twenty-eight-year limit on copyright, including renewals. Copyright terms have been repeatedly extended, in 1831, 1909, and 1976, when the term was upped to seventy-five years. The court ruled that since Congress had not extended the copyright indefinitely, but for a finite period, that they acted within their authority.

While the legal points of this case focused on the issue of whether or not Congress acted properly, the issues at hand were more about public domain versus private control of images that have, to a varying degree, a significant place in the country's collective culture. When one considers that much of the arts and culture are derivative of that which came before, arguments that locking up such societal capital will diminish future cultural development has some interesting facets to it. While Disney is loathe to see Mickey — which is the cornerstone of a major part of its financial empire, built at great expense over a number of decades — become a free commodity, one must also note that the increasing availability of tools like DVD recorders, CD burners, and the like give consumers a much more active capacity in capturing, handling and altering such cultural capital. Their participation in the shaping the cultural landscape has been ratcheted up and one has to ask if a democratic society should include in its menu of egalitarian principals the access to the content that shapes and forms the society's culture.

But we see another issue here. In 1790, copyrighted material was much different than that which fills our daily lives in the twenty-first century. In a word, the content Congress originally framed its copyright law against was basically a single printed document. A twenty-eight-year period of copyright would last the vast portion of a man's life in that time, giving him full and complete protection of his works. When one notes that most people did not have access to a printing press — much less a photocopy machine — the law provided ample and meaningful protection. Yet, today the notion of content is far beyond a printed page, a single book, or the characters therein. In the twenty-first century, the question really at hand is how we define content and begs for a re-evaluation of the 1790 law and its basic precept. We would argue that new content characteristics and the general public's increased ability to interact with that content require something that has a more finely graduated scale for allowing access than simply the binary on/off switch that current copyright laws represent. We believe that the increasingly diverse nature of content, its cultural impact, and consumers' ability to manipulate that content, will require a more finely grained management of copyrights that cannot be provided by building on the foundation of a 1790 law that now appears to be an inappropriately large hammer for an increasingly delicate and less easily defined nail.

Lindows Offers Flat-Fee OS License for Schools

By Charles King

Lindows, Inc. announced a flat-fee program that allows educational institutions of any kind to install the Lindows operating system and educational software on an unlimited number of computers for a $500 annual fee. The program offers Lindows OS, bundled with Web browsing, email, and other basic software. Schools are also given free "Click-N-Run Warehouse" access to additional productivity applications such as OpenOffice, an office suite whose programs are capable of reading and writing in legacy Microsoft Windows and Office file formats. The Lindows educational program is currently available.

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While the new Lindows educational program smacks to some degree of a bargain basement PR ploy, there are some interesting issues it stirs up. For those who have not followed recent Microsoft copyright antics, Lindows, Inc. is the little company who could; avoid Redmond's legalistic juggernaut, that is. Shortly after introducing its Linux-based flagship OS product, Lindows was sued by Microsoft for copyright infringement of its Windows moniker. But the most recent judgments in the case have sided with Lindows' contention that "windows" was a commonly used computing term long before Microsoft decided to productize it. Despite that legal victory, Lindows has found the market for its wares slow going, which is not surprising since major PC vendors are understandably loathe to upset their Microsoft applecart for an upstart OS. To date, Lindows highest-profile partnerships have been limited to supplying the OS for low-cost PCs from Microtel that are distributed through Wal-Mart, and an agreement with Sun to offer Star Office as an alternative office productivity suite.

So what are the issues that make Lindows worth writing about? In short, Microsoft and economic reality. In the case of Microsoft, the company has embraced a series of changes in its software licensing model that have left many group license users squawking in pain and looking for an exit, an especially difficult feat when one is wedded to a company whose products dominate the market. Despite that difficulty, a few hairline cracks have appeared in Microsoft's heretofore impregnable armor. The company has retreated in part from its most onerous licensing timeline (though it swears the changes will eventually be instituted) and several leading PC vendors have cut deals with productivity app vendor Corel to offer lower-priced alternatives to Microsoft Works. More to the point, despite concerted, occasionally loony efforts by Microsoft to denigrate Open Source solutions as ill-designed, unstable, insecure, and even un-American, Linux is continuing its slow but steady migration into corporate computing environments. Economic reality is most obviously reflected in the malaise that has dragged down U.S. businesses of every stripe and is being felt acutely at the local level as the federal government offloads social programs as if they were so much out-of-date canned tuna. Since more than half of U.S. states are either planning or have announced financial cuts for education, one would think the climate would be ripe for the new Lindows' program. But to our minds, the company's short track record and the absence of relationships with name vendors will hurt it more than the merits of its offering. While the Lindows deal may sound good on paper, we doubt that notable numbers of schools will jettison years of reliance on field-tested Microsoft applications in order to embrace a PC newcomer.

Business Objects Integrates Web Services and EAI in Its Business Intelligence Offering

By Myles Suer

Business Objects has announced the availability of Data Integrator 6.0, the latest version of its data integration tool. The previous version (announced in July 2002) provided more than forty interfaces to access data including PeopleSoft, Siebel, Oracle, SAP, XML, IBM MQSeries, Web Services, and SOAP. Business Objects' offering is the result of its Acta acquisition. Business Objects claims Data Integrator 6.0 simplifies data sharing across the enterprise. Business Object users can acquire data from back office systems without knowing underlying changes in source data, eliminating the need to re-create scores of reports after the data is reorganized. Support is provided for web services standards such as XML, simple object access protocol (SOAP), and web services description language (WSDL). Data Integrator 6.0 is currently available on Microsoft Windows and IBM AIX platforms, with support for Sun Solaris and HP-UX expected in Q1 2003.

The idea of adding a data acquisition tool for cross system application like business intelligence into a BI offering is very interesting. Clearly, these systems depend on data from enterprise back office and front office systems. However, with application server vendors quickly becoming the place where such integration takes place, it will be interesting to see whether other integrated application vendors follow Business Objects lead and scoop up other integration vendors who are find their markets increasingly limited and their market valuations increasingly reduced. Clearly, integrated applications receive tremendous advantages from this type of move. What is interesting is that Business Objects is claiming better performance by using its connection architecture. One would think that once the wiring has occurred, the advantage would be equivalent for Business Objects and Application Server vendors. Lastly, with a significant financial institution business, it will be interesting to see whether Business Objects starts building custom Web Services connects

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for these customers using legacy systems. If not, this may over time be the only business left for those in the business of EAI connectors.

Arena Solutions Creates Integration to Its PLM Application

By Myles Suer

Arena Solutions (formerly bom.com) unveiled this week a new version of its Product Lifecycle Management (PLM) product that creates integration with a series of important complementary applications. Specifically, it adds standards-based integration with enterprise resource planning (ERP), mechanical computer aided design (MCAD), and electronic design automation. Currently, manufacturing organizations must manually move information across these systems. Pricing for Arena Solutions' PLM is $9,995 as a one time charge and $995 per year for user licenses. Arena's product is provided to users on a service rather than product basis.

Although the term ASP has become for many a four-letter — well, three-letter — word, we think that the Arena's offering is worth exploring. For engineering/manufacturing teams where capital is scarce and working with IT a rare event, the Arena product offers the potential to streamline collaborations and communications between engineering, manufacturing, and outsourced suppliers. Having worked on the development of an "information appliance," we have seen first hand the amount of documentation that goes back and forth between a company and its suppliers. Given expected reduced CAPX spending inside the enterprise this year, Arena Solution's offering can provide real ROI for large and medium engineering/production organizations especially those involved in electronic products. In terms of the integration announced, we believe that Web Services is a standard that is gaining steam. As such, it will become increasingly important for Arena Solutions to add this type of integration over the next year. Nevertheless, a number of interesting questions exist long term for those having an outsourced service business model. In particular, is there an efficient channel for reaching customers? For general-purpose businesses, the potential revenue per customer limits their ability to create an outside direct sales force. Arena Solutions, on the other hand, appears to have an advantage given its potential total revenue per customer. Like design tools, everyone in the organization eventually needs access to the system.

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