



Market Roundup

February 7, 2003

EMC DMX Meets the Europeans

Kaiser Permanente Plans AMR Implementation

Being All That It Can BEA

Linux in Europe: Software Vanguard?

Microsoft Bemoans Linux in SEC Filing

Oracle Extends Application Server to Wireless

EMC DMX Meets the Europeans

By Joyce Tompsett Becknell

This week EMC announced the new Symmetrix DMX family in New York, Berlin, and Tokyo. The announcement is positioned as a breakthrough new architecture for the first time in ten years. EMC believes that the new products will provide significant performance improvements as well as better overall price/performance. The European press was particularly interested in whether EMC believed this announcement would vault them back into first place in the high-end market.

For the launch, EMC focused its messaging on the new architecture and its vastly improved performance and scalability. EMC executives patiently walked audiences through the differences in architectures between their products and the competitors', and they inundated us with performance tests demonstrating product superiority. Presumably, EMC thought a highly technical message was its best approach worldwide. At the same time, it seems that European audiences are looking for a slightly different message now. In the boom times, European IT managers tended to be a little less prone to hype than their American counterparts. Now here in Germany, unemployment has reached 11%, and the other major European economies are also struggling. You are more likely to read about companies reducing operating costs, consolidating architectures, and looking for better manageability than about those looking for the latest cool technology. The technology companies that are succeeding in these tough times are the ones emphasizing how their products and services address customer concerns and improve their business rather than those dwelling on speeds and feeds.

That said, if you listen closely to EMC's message, it is abundantly clear that the company has a good business story to tell. EMC is the only company offering storage that has any relationship at all between its midrange and high-end products. It is the only storage company that offers continuity across products as well as over time. It is the only storage company that a customer can purchase from and know that new products will be relatively easy to assimilate as they are all related to each other. And EMC is the only storage company to offer modularity at the high end in addition to traditional monolithic boxes. These are messages that demonstrate an understanding of customer business needs as well as technology needs. They are the kinds of messages that reassure the customer that EMC can be a trusted advisor. The answer to the European press questions of how EMC can capture more market share here is not just a technical one. It is about the ability to articulate an understanding of customer business problems, to demonstrate that the EMC solution offers the best approach

to tackling these business problems, and demonstrating that it is the best partner to do just that. Europeans like to purchase from people they know, that they trust, with whom they have developed relationships. If EMC can take on this role for its customers in Europe then yes, it can win back major market share in the high-end again.

Kaiser Permanente Plans AMR Implementation

By Charles King

Kaiser Permanente has announced that it is planning to deploy an automated medical records (AMR) system for its 8.4 million members and 12,000 doctors nationwide. The HMO said it will use an integrated, next-generation AMR system developed by Epic Systems that will allow both doctors and patients to access health care records. Epic's solution is based on an integrated data depository that contains all clinical records and ancillary information. Kaiser claims the new system will eliminate problems endemic in paper-based systems and will provide staff efficient access to current patient information. According to a Kaiser spokesperson, the new system will cost approximately \$1.8 billion and take three years to implement.

Kaiser's AMR plan may not qualify as anything new, but it does have some twists that make it worth discussing. Other medical organizations including the Veterans Administration have been aggressive in their use of AMR technologies, and Epic Systems' AMR solutions are well known and regarded. Kaiser itself began developing its own in-house AMR system with software assistance from IBM nearly a decade ago and began deployment in 1997, but implementing the system has been an exercise in teeth pulling that would be more appropriate to a dental practice than a medical HMO. In fact, one of the most singular elements of this deal was Kaiser's willingness to step away from its own stalled project, admitting in the process that working with Epic will save the company nearly \$1 billion over implementing the in-house system. This is not especially surprising, given Kaiser's history of innovation and success in a medical industry notable for ongoing HMO flame-outs. But the effects of this deal will be felt far from the corporate boardroom. From a medical practice perspective, Epic's solutions are well-known for providing Web-based document access for both doctors and patients. Over time, this could provide a powerful tool for both medical education efforts and doctor/patient interactions.

So who are the potential winners and losers in this deal? If it delivers promised efficiencies, the new system could prove critical to helping ensure Kaiser's corporate health. The deal will likely also provide a feather for Epic Systems' cap and some long green for its pocketbook (and those of IT partner buddies including HP, IBM, Oracle, and Microsoft, among others). However, there are some technological and human concerns on the table, as well. On the tech side, we are curious to learn about the data storage solutions Epic will utilize for this system. Since patient medical records demand high levels of privacy and are subjected to a range of government regulations, they are typically stored on security-compliant tape- or optical-based WORM (write once, read many) solutions. These technologies may provide medical records in a timely enough fashion for scheduled medical exams or consultations, but we have concerns over how effective they will be for delivering records in emergency situations. In fact, this area is one where the high availability of disk-based storage solutions could potentially shine. On the human side, we have some concerns whether doctors and their patients will view the Web as a boon or barrier to healthcare. Traditionally, good medical care has been associated with the "human touch" of doctors, nurses, and other healthcare professionals. That may be an unrealistic expectation in a medical industry where cost pressures are constant, profit margins are shrinking, and many hospitals are drowning in red ink. From a practical standpoint, AMR solutions may provide a lifeline the medical industry needs to survive, but they also signal a profound and elemental shift in the interactions between doctors and their patients.

Being All That It Can BEA

By Jim Balderston

BEA Systems has announced the availability of two new editions to its Java application server stable with BEA WebLogic Express and BEA WebLogic Server, Workgroup Edition. The two new products are designed to

have lower price points than the company's WebLogic Server, and correspondingly lower capabilities, with what the company said was an eye toward department level installations from both budgetary and functionality points of view. The BEA WebLogic Express product is designed for building and serving Java Server Pages and Java Servlets and is focused on applications like corporate Web sites. Projects requiring full J2EE capabilities would be more suited for the WebLogic Server, Workgroup Edition, the company said. The Workgroup Edition product will support up to twenty end users with all features found in the full WebLogic product, including support for Enterprise Java Beans.

BEA has tried — like many other companies — to make its living selling as high up the corporate food chain as possible. Getting CEO or CIO buy-in for an installation can have a streamlining effect on closing larger, more substantial sales, as the seller has convinced the people who make the decisions for the people who write the checks. For BEA — and many others — the idea of selling to the top negated the need to struggle through the Byzantine maze of corporate approval processes for division-wide or (shudder) department-wide installations. Those problems belonged to somebody else.

But as we move forward into a more saturated market, and one that is drudging its way through a significant economic downturn that has all but plugged the IT capital investment spigot, we can see BEA's logic and perhaps its inspiration as well. Now is not the time to try and convince CEOs to spend large amounts of money on new enterprise-wide products. However, a sales pitch to the department level may have much more appeal to a cash-strapped CIO who is also trying to manage parallel IT structures: BEA on the enterprise level and something entirely different on the departmental level, requiring a whole different set of skills, software, manuals, and experience. Two parallel systems, two parallel IT staffs. In such a scenario, BEA moving downward into the enterprise makes a great deal of sense for both the company and the enterprises they support. Enterprise IT will get to leverage their capabilities supporting BEA application servers and BEA gets some excellent exposure to what department level users actually need, want, and use, something that may not be well understood or transmitted from C-level business executives to BEA product developers. Such information could help BEA be all that they can BEA.

Linux in Europe: Software Vanguard?

By Joyce Tompsett Becknell

Last week it was announced that KDE, an interface for Linux, had been upgraded and will now include some of the server-side work that the German government-funded Kroupware project has been focused on. KDE has been particularly focused on the client side; it is used for example in Linux versions from SuSE, MandrakeSoft, and Red Hat. With this announcement, the Kolab server product — which has similar capabilities to Microsoft Exchange Server, such as email and calendar — has been added. Future versions will include more of the Kroupware client-side software developments. Kroupware is a project initiated by the German Bundesamt fuer Sicherheit in der Infomationstechnik (BSI), which is the federal agency for IT security. The agency was looking for companies to provide open source groupware for both clients and servers, and in September last year, three companies were chosen to do the work. The three companies are erfrakon from Stuttgart, which does the conceptual work as well as the server implementation; Intevation from Osnabrueck, which does product coordination; and Klarälvdalens Datakonsult AB, from Värmland, Sweden, which oversees the client implementation work.

The Linux movement in Europe is barreling ahead. Arguments continue in the U.S. over whether Linux is ready for primetime. It has been conceded that Linux is useful for infrastructure servers and a serious player for that purpose. However, the story usually runs something like... well, no one is using Linux for enterprise applications yet... and then they talk about the dominance of Microsoft ISVs. This is a true story for the United States. However, out here in the part of space known to U.S. marketing directors as ROW (rest of world), Linux is alive and seriously kicking its way to the top. Out here in the "hinterlands," along with running water and electricity European populist tendencies are gravitating toward open source software. After all, it was a European (a Finn no less!) who invented Linux, and based it on an operating system that had been written by a Dutch professor. The truth is that the idea of the Bazaar, the sense of communal development, is an

attractive idea in Europe and other geographies (e.g. Asia, Latin America, Africa). This communal spirit is of course one of the driving forces behind the European Union, so it is no surprise that they too are seriously looking at ways to move several member governments' IT systems from Microsoft-based systems to Linux. As was pointed out in the press this week, they have commissioned a UK firm to do a feasibility study on just that.

The truth is that many ISVs outside the U.S. are not tied to the Microsoft platform as they are in the U.S. And they also like the idea of having a major technology movement that originates from Europe, and to which they can contribute. And while pundits in the U.S. make predictions for where Linux will hit the brick wall of acceptance for enterprise applications, Europeans are quietly and steadily investing federal money into making sure that doesn't happen. So while Linux is not taking the corporate world by storm as most technologies have, it is continuing to grow through grass roots and governments, in regions where governments can and will try to set technical direction and fund entrepreneurial work. To truly understand Linux and open source, it would be useful to stop thinking of one-size-fits-all-global-software-with-minor-regional-adjustments-compensated-for and start thinking of modular, regionally-focused software designed to allow users to take what they want and use it as they need. That kind of software doesn't fit the traditional software company model and the traditional understanding of where products fit. The dominant model has been the one that worked in the U.S., because that has been the dominant market for IT. But the room for growth in ROW is much larger over time, and Linux just may be the key to understanding and taking advantage of that potential.

Microsoft Bemoans Linux in SEC Filing

By Charles King

According to news stories, Microsoft last week filed a regulatory statement with the Securities and Exchange Commission listing potential risk factors in its future business dealings. Along with "General Economic and Geo-Political" risks, possible litigation and the lack of profit realized from some recent offerings, Microsoft stated that increasing market acceptance of the Open Source software model could cause sales of the company's products to decline. If this was the case, Microsoft indicated that it may have to reduce the prices it charges for its products, and revenues and operating margins may consequently decline. To bolster its concerns, Microsoft pointed out efforts by the governments of Germany and South Africa to promote the replacement of Microsoft software with Open Source solutions.

At a practical level, Microsoft's SEC filing qualifies as little more than an example of the common sort of CYA financial gamesmanship played by many, if not most, publicly held corporations. Potential risks to future profitability often read like the "Acts of God" exclusions commonly listed in insurance policies, and exist as little more than precautionary laundry lists companies can point back to if and when earnings hit the proverbial fan. We do find a couple of Microsoft's cautionary threats of interest, specifically the global economic and geo-political risks, and the company's recent run of profitability-challenged products. Beltway cheerleading aside, the U.S. economy remains a somnolent ghost of its once vigilant self, and the inability or ineptitude of slow-footed regulators to correct existing loopholes or bring market rigging miscreants to justice has helped to further undermine investor confidence. Toss in months of escalating saber rattling in the Mid-East and goofy nuclear gamesmanship in the Far East, and you have a set of circumstances even Microsoft's formidable market presence may find overwhelming. In fact, the company's recent new venture woes may be a simple indicator of just how tough it is to find, let alone create, market oxygen in the current puny atmosphere.

That said, what are we to make of Microsoft's depiction of Open Source/Linux as a threat as formidable as or more so than these others? Despite the real advances Linux solutions have enjoyed, the claim resonates hollowly if examined closely. Yes, Linux has found increasing traction among certain classes of business users and their IT vendors. Yes, these successes will likely continue as Linux becomes more scalable and ISVs deliver more Open Source business solutions. But the time that Linux might pose a serious threat to Microsoft in the business world, let alone on consumer desktops, remains in the cloudy future. While Linux's most

enthusiastic large vendor supporters (IBM and HP) have claimed to be making money on their Open Source efforts, those successes account for a mere fraction of the company's current sales/profits. So what is the source of Microsoft's ongoing penguin anxiety? While we hesitate (a bit) to play amateur psychiatrist, perhaps what we have here is a simple case of tertiary navel gazing. It is interesting to note that Linux's successes have to an extent paralleled Microsoft's implementation of increasingly aggressive, even autocratic licensing strategies. By the time enterprises began looking for the exits, Linux had discarded its training wheels and was ready to roll. So is Microsoft's problem a fish-happy seabird turned carnivorous raptor? We think not. Note to Microsoft: When all else fails, get your head out of your belly button and take a look in the mirror.

Oracle Extends Application Server to Wireless

By Myles Suer

Oracle announced this week new wireless features for its Oracle9i Application Server that add support for XHTML 2.0. Oracle claims the new wireless features will make it easier as well as more cost-effective for developers to build and deploy mobile technologies across the enterprise. Oracle9i Application Server will also provide a unified platform for J2ME and Multi-Media Messaging (MMS) development models.

Oracle's announcement offers a literal demonstration of how the application server platform space is continuing to subsume additional functionality. From a wireless prospective, companies like XORA and Jarna must see their business models at increasing risk. Beyond the wireless support for XHTML 2.0, a number of additional changes are in process in the market, as players like IBM and Oracle tie their application server products closer and closer to their SQL database applications. It will be interesting to see whether this connection and its advantages increases pressure on BEA, a Web Server-only company, to merge with SyBase or even Oracle, making real rumors in the Valley concerning such a move. Regardless, we see the Application Server as the Hub for Internet-enabled applications especially as application connectivity becomes one of the Web's core features. We believe this will have increasing impact on the application software market, eventually offering vendors the ability to easily break apart or blend packaged and blended applications in ways similar to recent Siebel offerings. At the same time, tools for making it easier to design Web-delivered applications may over time reduce the barriers for custom application development. We see the potential here for the enterprise to both leverage packaged software for its best advantages and extend it where/when it fails to solve a specific customer problem. In all, the industry is in the midst of a major evolution and the application server is increasingly at the center of this change.