Market Roundup

September 19, 2003

Sun Proposes Alternative to Windows for Business Computing, Again

By AJ Dennis

At its SunNetwork user conference earlier this week, Sun Microsystems unveiled a desktop suite and server suite of software positioned as an interoperable, open alternative to Microsoft's Windows and productivity applications. The Sun Java Desktop system, which runs on SuSE Linux includes StarOffice, Mozilla browser, Ximian Evolution (for email and calendaring), RealONE media player, Adobe Acrobat Reader, Macromedia Flash player, and Gaim (instant messaging), is priced at $100 per desktop or $50 per employee, as an add-on to the Sun Java Enterprise System. The Java Enterprise System includes calendaring, email, directory, messaging, Java execution, and clustering and application server software. It is priced at $100 per employee per year, inclusive of ongoing software upgrades every ninety days. The initial release of Java Enterprise will support both SPARC and IA32 version of the Solaris and will support Red Hat Linux in the subsequent release. In addition, Sun announced an upgrade to version 7 of StarOffice that includes improved compatibility with Microsoft Office as well as features for central administration, control, and for add-on development. The upgraded StarOffce will be available this fall.

These software announcements in our view represent a radical shift for Sun and are offered as proof points in two key areas. First, Sun's stated software systems approach, currently focused around six Java-branded software systems that Sun states will integrate all the applications and services necessary for business computing, on the server, the desktop, as a software development platform, as an operator platform and soon, for mobile devices. This approach also embraces the Java Mobility System, including the Pixo software that Sun acquired earlier this year, as well as Java Cards, Java-based smart cards with small computer chips, and Sun's directory software. Second, as evidence of Sun's stated efforts to reduce the cost and complexity of computing for customers by simplifying pricing, licensing, integration, and testing of various software components.

To our way of thinking, while Sun may indeed be integrating its Java System family components, the lack of real integration of the Java Systems story — beyond the drumbeat of price and escaping the evil clutches of Microsoft — into a define-and-develop-a-market focused vision rather than a beat-Microsoft-at-its-own-game focus is a jaded story. Many are indeed looking for alternatives to the seemingly rapacious software licensing costs of Microsoft technology and for the first time in a long time, Sun's software story has some cohesion and structure in its leveraging of the Java brand. Unfortunately, at present we believe the limited operating system support for the desktop suite positions this product more as an alternative for the City of Munich or other German customers disenchanted with Redmond, as opposed to a broad-based product for the market at large. For the broader market this offering may smack of too much repackaging, long overdue, of sufficient server software that has little, beyond promises and price, to compel customers to start over and resolve their problems with a new server software strategy; and again, too little detail and corporate credibility for the balance of the futures story to confidently propel Sun's offering as a competitive alternative. Sun's late entry into the software suite market shows that it now gets it, Sun's problem is… is it truly ready to sell it? Time will tell if Sun can articulate the necessary product differentiation and value-add to generate the escape velocity necessary to overcome the inertia of Sun's floundering perceptions and lack of credibility in software suites; i.e., to prove that this time Sun really "gets it."

The Sageza Group, Inc.
836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Munich +49 (0) 89·4201·7144

HP Speaks Market Segments, If with Its Usual Product-Centric Accent

By AJ Dennis

Following its commitment last month to consumers, HP announced this week its latest initiative for the small- and medium-sized business market. As part of its Worldwide SMB launch, HP announced as many as 100 different products, solutions and services including new desktops and printers, pre-configured servers, and HP Care Pack and HP Smart branded services and solutions. The company stated that all of these products and services align with the three core principles of HP's SMB commitment: products targeted and configured for the SMB market, SMB focused solutions and services, and online and channel support programs. Today's announcement also introduced John Brennan as the Senior Vice President of worldwide SMB.

With this announcement and with an HP insider like John Brennan to lead the worldwide group, SMB at HP gets two things it desperately needed: major investment and influence at court. Not to say that SMB was not a player before. Carly herself acknowledges it's worth twenty-one billion to the top line; however, it always appeared to us like a segment too important to ignore and too tough to resolve in the on-again, off-again commitments of the original HP and Compaq organizations. Post-merger HP has been slowly acknowledging SMB, building particularly on the success of its imaging and printing franchise along with personal systems, to entice the various political operatives, fiefdoms, and principalities of HP to align sufficiently to drive a worldwide SMB effort. With the $750 million HP claims to be investing and a leader well known in the Court of Palo Alto, SMB development and marketing finally have traction.

It is encouraging that a market segment is once again the lead in an HP story. For too long, the product-centric heritage of HP has dominated the conversation. The critical mass of both the consumer launch and now SMB is likely to promote the kinds of horizontal communication and cooperation HP needs to continue the communications transformation, but will it be enough to impact — and over time transform — the entrenched bureaucracy? As much as it has provided a valuable stabilizing force in the past, the vaunted HP Way thwarts real change. As much as HP needs to "speak markets," we believe the biggest challenge facing the company will be losing its product-centric accent.

Buh-bye

By Jim Balderston

AOL Time Warner announced this week that it was dropping the AOL part of its name and returning to its original stock market symbol, TWX, replacing the AOL symbol forthwith. The company also plans to rename its new building in Manhattan the Time Warner Center, as opposed to the earlier AOL Time Warner Center. The Time Warner AOL merger was the largest of its kind in 2001, when AOL bought Time Warner for $112 billion. The AOL division of Time Warner remains profitable, but faces regulatory inquiries. AOL management said they are working to lower debt within the company and to improve morale.

Ah, those were the days, eh? The days when brilliant entrepreneurs could say phrases like, "the synergy between new media and old media" and that was enough for the market and most observers. Was there a plan? Well, no, there really wasn't one except to repeat the magic incantations of synergy of new and old media. It was the stuff of Internet Fairy Dust. It was faith-based business planning. As we have noted before, there were numerous red flags around this deal that should have been taken much more seriously. AOL was largely a dial-up connectivity and content provider, one that tried very hard to give its members all the content they could ever need without leaving the safety of the gated community that was AOL vis-à-vis the larger World Wide Web. We always wondered how the synergy would work; in essence how Time Warner digital content would be delivered to those users over the pokey little dial-up modems. We also wondered how AOL was going to keep increasing its subscriber numbers when it was becoming easier and easier to get your own ISP — and even broadband — without having to endure AOL's endless pop-up ads, marketing schemes, and largely member-abusive policies. Not only were other connectivity options available, but content on the World Wide Web exploded, with virtually every news outlet in the world — with even more individuals — putting up web sites. Improved search engines and increased familiarity with the Web made AOL less and less attractive to more and more users.

This is not to say that AOL was not once the 800-pound gorilla of the Internet — it was. Fledgling Internet start-ups, seeking to reach new customers, paid hefty fees to AOL in order to gain access to those millions of subscribers, and in many cases AOL was able to go back again and again, demanding ever more money for prominent placements in its ever more cluttered environment. Despite its 800-pound heft, AOL in fact found

The Sageza Group, Inc.
836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Munich +49 (0) 89·4201·7144

itself being disintermediated by other technologies around it. AOL in fact was not representative of the "new" media, it was more like the "old-new" media that was losing ground and relevance as technological innovation and dispersion went on around and beyond it. The lesson here is simple, yet one Time Warner clearly wishes it had not spent billions of dollars to learn: If it's too good to be true, it probably isn't. And in this case, it certainly wasn't.

HP Announces Information Lifecycle Management Initiative

By Charles King

HP has announced an Information Lifecycle Management (ILM) initiative aimed at managing stored data from when it is created until it is disposed of. According to HP, the company's initiative will differ from competitor's ILM offerings by initially focusing on business processes rather than storage. HP's initial targets for ILM solutions will be companies in the financial services sector and the life sciences industry. Eventually, the company expects to develop ILM solutions for the public sector and will engage a variety of partners for its ILM efforts including Legato, Ixos, and CommVault. HP plans to incrementally add ILM products to eventually create a fully automated solution, a process the company estimated could take between three and five years. No product or pricing details were included in the announcement.

The theory of ILM has been around for awhile, but over the past year or so a growing number of storage vendors including StorageTek, CommVault, Legato and EMC have launched their own ILM solution and service initiatives. What is ILM? Simply put, ILM is an approach to information management that recognizes a simple truth: as data ages, its value declines. That may not seem like enlightened thinking to many, but it is revolutionary stuff for hosts of enterprises whose vast data stores are spread willy-nilly across arrays of arrays without much forethought, foresight, or forewarning; an approach that can turn dreadfully expensive in misused storage media and wasted IT staff time. The theory and practice of ILM solutions follows the idea that information is best stored on devices whose value and performance best matches the value of the data involved. Recent transaction data belongs on pricey high-end arrays, for example, while email archives from 1996 can sit safely enough on el cheapo archival media. The other piece of ILM is that networked storage environments provide an ideal framework for initiating policy based decisions about which data goes where, then automatically sending the stuff off to its initial, secondary, tertiary, and final resting places. This can potentially save businesses significant amounts of money on IT purchases and personnel.

Given this context, just what does HP's ILM initiative mean? Overall, the plan makes perfect sense for HP for three reasons. First, it meshes well with the company's existing StorageWorks solution set. Partly due to inhouse product development and partly as a result of the Compaq acquisition and its ongoing OEM relationship with HDS, HP's storage products are in pretty good shape. Second, ILM is arriving at a time when storage management software is really starting to cook along. As the sheer volume of stored data heads ever stratospherically, managing it is increasingly becoming the stuff of migraines. In such circumstances, ILM looks like a pretty darned good idea. Third, HP (and other similarly up front vendors) should be lauded for honestly saying that ILM will be a work in progress for some time to come. The fact is that ILM is not an easy process to initiate or bring to a conclusion, and it would be a mistake to tell customers otherwise. At the same time, this announcement offers the opportunity to consider how Legato fits into HP's and other vendors' ILM landscape. HP's decision to work with Legato for its initiative occurred in part because Legato offers a host of robust, proven information management applications that would be too costly and time-consuming for any sane vendor to try to develop inhouse. From that perspective, a relationship with Legato looks like a smart, realistic move by HP, though it pales a bit when compared with EMC's decision to acquire Legato in July.

The Sageza Group, Inc.
836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Munich +49 (0) 89·4201·7144