
Market Roundup

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**Unleashing More Power: IBM Announces
eServer OpenPower 710**

Too Little, Too Late

**Business Grid Computing Industry
Consortium Formed**

**Growing Mobile and Wireless Revenues:
Sybase Announces Q4 2004 Earnings**

 **Microsoft Promises Genuine Advantages**

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Unleashing More Power: IBM Announces eServer OpenPower 710

By Clay Ryder

IBM has announced the latest addition to its eServer OpenPower family, the eServer OpenPower 710. This latest system provides an entry-level Linux solution for enterprises with a strategic interest in Linux, but without the need for the scale or cost of other high-end Linux implementations. The OpenPower 710 is a one- or two-way rack-mount (2U) system that is tuned for optimal performance of Linux (RedHat or SuSE) running on the POWER5 processor with optional virtualization and Micro-Partitioning capabilities.

Also announced was the IBM OpenPower Consolidation Express, an out-of-the-box solution aimed at small and medium-size organizations seeking to simplify their IT Infrastructure while enhancing their flexibility. Organizations can take advantage of the micro-partitioning capabilities of the OpenPower 710 to consolidate disparate Linux workloads such as web, file and print, directory, firewall, email, etc. onto a single system. In addition, IBM announced a series of vertically focused solutions for the OpenPower platform, bringing the number of ISV applications to over 900. The OpenPower 710 will be available on February 18, 2005 with an entry-level single processor configuration of 1GB RAM, 73GB drive, rack mount kit, and three-year warranty for \$3,449; the price of an entry-level two-processor system starts at \$3,999.

Until recently, when someone spoke of volume platform Linux, there was only one answer: an x86 box with the Linux distribution of choice. A few months back all of that changed with the announcement of OpenPower 720. This latest announcement takes the battle for entry-level or volume platform Linux up a notch. With the optional virtualization features, there is now a sub-unit allocable 64-bit virtualization scheme in the market with a mid four-digit price point. From a competitive perspective, this is worthy of note. Although x86 Linux solutions are common today, when enterprises are ready to move beyond experimentation with tactically deployed servers to more robust strategic implementations, the formerly low price point of an x86 Linux solution can jump dramatically. In this context, the total deployment costs for software virtualization schemes can actually exceed the total cost for hardware. This is where OpenPower shines.

We find the combination of 64-bit processing, sub-unit virtualization, and Linux a powerful allure for any organization that has made a strategic commitment to Linux. The future upgrade path to higher-performance OpenPower offerings, the BladeCenter, or pSeries made possible by the common architecture is another feature that makes the OpenPower 710 a safe platform bet for Linux users as the architecture and product offerings scale to accommodate the needs of most any sized organization. The availability of 900+ ISV solutions further illustrates the industry commitment to this platform. Overall, we see these developments good for users, good for Linux, and good motivation for vendors to continue innovating in the Linux marketplace.

Too Little, Too Late

By *Jim Balderston*

Sun Microsystems announced this week that it will make available its Solaris 10 operating system source code under the Common Development and Distribution License, which has the blessing of the Open Source Initiative. Sun said the code would be put up on a Web site, www.Opensolaris.com, for download in Q2 of this year. Sun won approval of its licensing package from the OSI. Sun officials said the release of the source code would spur development and innovation.

A few years ago Sun made a big show of pushing open standards for its Java programming language. The language was to be put under the control of a standards body, but that body and Sun could not reconcile Sun's desire to ultimately remain in control of Java. As a result, Sun punted the standards body approach and maintained control over Java's growth and development and in certain ways probably hindered its acceptance. Developers extending the programming language had to wait and see if their extensions and innovations would pass muster with Sun. As a result, many developers moved on to other programming environments, most notably Linux. So the first question that comes to mind with this announcement would be one centered on Sun's actual level of commitment to open source development environments.

Even if that commitment is real, there are other reasons to look with at least a little bit of skepticism at this announcement. First, just how big of a community of developers are there out there to pick up the Solaris 10 flag and carry it forward? Many of these prospective developers have opted for Linux, as an alternative to UNIX. Will Sun open-sourcing Solaris actually create enough interest to reverse this developer migration? That strikes us as being a rather iffy proposition. One also has to look at Sun's history, which has always been that of a hardware vendor first, and a software vendor second. From this perspective, it would appear that Sun realizes that losing Solaris on the world is something that would have little impact on its bottom line at this point, and one that could create at least a few new Solaris developers to carry on the good fight. In the end, we believe that this move comes much too late to have significant impacts on the market. If Sun had decided to make this move a couple years ago, it would not only have been more significant; it could have had real and lasting impacts on the Solaris development community and perhaps the market at large.

Business Grid Computing Industry Consortium Formed

By *Rob Kidd*

IBM, Intel, HP, Nortel Networks, Sun, and Univa have announced the formation of an industry group, the Globus Consortium, to accelerate the adoption of grid computing in the commercial sector. The Globus Consortium will develop software tools for commercial grid computing, and educate business on grid. Grid software pools multiple machines' computing resources, as if they were one large powerful virtual computer, and focuses the combined computing power on one large computing task. The Globus project, initiated in 1996, was started with contributions from Argonne National Laboratory and The University of Southern California Information Sciences Institute. Univa Corporation was founded by several individuals who were among the initial Globus participants. The group plans to provide specialized software, services, and support for Globus technology, much like Red Hat does for the Linux market. Globus will recruit additional new industry consortium participants.

Enterprises, under intense pressure to cut cost and improve IT efficiency and flexibility in non-mission-critical strategic computing, are exploring the potential of grid technology to relieve some of the pressure. For example, the grid computing model might be effectively deployed for applications such as financial modeling, pharmaceutical research, and oil exploration. A few enterprises today may use some grid technology within their corporate data centers to make more efficient use of multiple underutilized computing resources, but adoption is not wide spread. Grid represents a growing opportunity for both enterprises and grid solution vendors.

To date most of the Globus founders have developed and promoted their proprietary versions of grid computing. The Sun N1 Grid pay-as-you-go usage model is one example. It is refreshing to see vendors support an open grid standards effort. Besides, the Globus consortium is a confidence vote for commercial grid computing and should

help stimulate growth of the broader grid computing market. Consortium members will likely benefit as they are well positioned to garner a share of this growing market, but this will not come without some challenges. The initial Globus challenge will be to explain what grid computing is and its benefits to larger corporate audiences, beyond early grid adopters. It will also be critical to add additional Globus members in the enterprise software, hardware, and networking space, from the standpoint of both credibility and technical expertise. As important as developing raw technology will be helping industry groups refine grid computing scenarios and usage profiles. For example, various industries, such as oil exploration and refining, might develop industry-specific grid initiatives and share their computing resources via grid. There are obstacles to such initiatives that will have to be overcome, such as security issues. For open source grid to succeed, industry-wide support from both the vendor and user community will be required. This will take time and quality execution on the part of Globus and consortium participants, but if successful we believe it would benefit the industry as a whole.

Growing Mobile and Wireless Revenues: Sybase Announces Q4 2004 Earnings

By Clay Ryder

Sybase earlier this week reported revenue for Q4 2004 increased 4% to \$218.6 million over Q4 2003 revenues of \$210.7 million. Net income for the same period was \$24.1 million, an decrease of 9.5% from Q4 2003 revenues of \$37.7 million. On a pro forma basis, Q4 2004 net income was \$38.5 million, a decrease of about 2% from Q4 2003 income of \$39.2 million. Pro forma figures exclude amortization of certain expenses including certain purchased intangibles, unearned stock-based compensation, and restructuring costs. The company states that total license revenue increased 7% during Q4 2004 driven in part by increased demand for mobility and data management solutions, as well as success with channel partners. Sybase also reported that it had \$521.6 million in cash and cash investments, and generated \$68.1 million in cash flow from operations during Q4, which brought total cash flow from operations during 2004 to \$176.2 million. The company also repurchased approximately \$6.0 million worth of its stock during the 2004 fourth quarter; with \$104 million of the company's current share repurchase authorization remaining.

Not all that long ago, the market was filled with database providers marketing products that ranged from solutions for the smallest desktop up to the largest UNIX and mainframes systems. During the past few years, we have seen a rapid consolidation (or rationalization, depending upon your point of view) of the DBMS marketplace to the point where most simply think of Oracle or IBM when they think of databases. While these would seem to leave other survivors such as Sybase of the picture, the reality is that DBMS itself is not terribly exciting anymore; the value of data is determined by the scope of its access. While many would consider this to simply mean applications, such as those fought bitterly over by Oracle and the former PeopleSoft, a view of data storage that only includes the database and the application is still a few cents short of a dollar.

In today's increasingly mobile and transient workplace and marketplace, having dependable, secure, remote access to databases and related applications is paramount for most any organization. This is where we believe Sybase is on the right track. While the company continues to offer its database solution, the company has invested and continues to invest in access infrastructure technologies that play into the need for remote access to data and not just from desktops or laptops. Ultimately, we see the database more as a commodity, albeit an essential part of IT, where value-add comes from the applications and access methods to the data itself. While this has allowed many to benefit from fun toys such as AvantGO, the reality is that this along with iAnywhere and other technologies are an important underpinning in the creation and delivery of a remote information access context. Given the financial performance Sybase noted for Q4 where its mobile and wireless business grew 48%, it would also appear that the marketplace is beginning to understand this value as well. While the headline news of recent times has been focused on the machinations of Oracle's quest for PeopleSoft (and perhaps world) domination, the quieter and frankly far more interesting happenings have been taking place in Dublin, not Redwood Shores.

 **Microsoft Promises Genuine Advantages**

By Joyce Tompsett Becknell

Microsoft has announced that it will have a new program in place by mid-year, Windows Genuine Advantage, to verify that users have a genuine copy of Windows XP or Windows 2000 before they can download updates to their software. The program will be used on Microsoft Download Center as well as the Windows Update Web site. Windows Automatic Updates will not require verification. The program will commence February 7 for users in Norway, the Czech Republic, and China; other countries will follow later. For customers who discover they do not have a legitimate copy of Windows and were led to believe otherwise, Microsoft will offer them a discount on a legitimate copy. Microsoft also intends to offer other advantages to the program, such as some free software and discounts on other programs, including some MSN Games.

Whenever a vendor announces a new form of software protection, the market usually responds with a mixture of fear and approval from legitimate users. We approve, because the company has the right to protect its software and it is good for users to know they have legitimate software. The fear is because we have learned how much torture can result from a company's decision to protect its software. We all remember dongle-type devices and other fun such as disks that could not be copied for backup, and other weird copy protection schemes from years past. These attempts at security often wound up causing legitimate users more grief and frustration than the benefit was worth to the vendor. And anyone who has tried to make a legitimate copy of their own CD will know that crack-headed schemes continue to abound, particularly for European markets where users have responded by mailing products back because they cannot use them the way they want. In this light, what Microsoft is requesting seems reasonable.

The problem, of course, is not for the majority of home and business users who purchase from large vendors in most western countries. The problem is for customers who purchase from unusual or untrustworthy locations, or in countries without tough copyright protection laws. The vast majority of Microsoft users have legitimate licenses, and it is good to see Microsoft offering additional discounts on software to reward users for the potential hassle of verifying their legitimately acquired software.