
Market Roundup

May 6, 2005

Cisco Integrates Security Options
EMC and HP Settle: Market to Benefit
Verizon on the 911 for Vonage
Municipal WiFi: History Repeats
Stampede In the Face of Juniper



Cisco Integrates Security Options

By Joyce Tompsett Becknell

As part of its ongoing strategy of developing the Self-Defending Network (SDN), Cisco has announced the Adaptive Security Appliance (ASA) 5500 series. The ASA 5500 series is a multi-function security device including Cisco's firewall, virtual private network (VPN), intrusion prevention, and network antivirus technologies. Cisco believes that combining these technologies into one device with integrated management capabilities provides a service whose whole is greater than the sum of the individual parts. Because security is integrated, Cisco believes that customers will be able to extend security across a greater percentage of the network, reaching more devices and locations. However, Cisco is also quick to point out that they have constructed the product so that the performance of any one function does not have a negative impact on any other.

The principles of Cisco's SDN are threefold. They believe that secure networks should minimize risk and exposure overall; maximize flexibility so that unauthorized users are kept out but authorized users have access regardless of how, when, or where they access; and finally they should minimize disturbance and provide business continuity despite attacks on the network. These are sensible goals and increasingly relevant to any size organization as companies are dependent on their networks for the availability of revenue-producing applications as well as the security of sensitive information. However, like other parts of the IT infrastructure, network security has become complex, with administrators responsible for numerous programs for firewall, for VPNs, and for antivirus. Additionally, many smaller companies want integrated products that will care for a smaller number of devices, but still provide integrated management. Cisco, like IBM and EMC, is leading the way in creating levels of virtualization for core products that end users may never touch but nevertheless need to be in place if companies are going to turn IT from a reactive loss-making part of the business to a proactive value-add. The ASA 5500 series is an important step in that direction. If companies are to develop web services, outsource business processes, and create service-oriented architectures, then they are going to have to do it on a secure, stable network that is not prone to the latest worm, sober or otherwise, and capable of distinguishing traffic patterns from denial of service attacks from those of multicasts.

While Cisco is understandably proud of the engineering work that went into tying these products together successfully, we suspect most users will be happier with the notion of integrated management. IT budgets are not likely to grow much, and specialized security staff are going to be harder to find and justify. The ability to manage multiple products for an array of devices across a network is common sense. Of course the product requires users to adopt all Cisco products. If an organization uses another vendor's firewall or antivirus products, for example, this solution is less than perfect. While users want fewer products and vendors to manage, they also want freedom to choose the products that best suit their needs. Vendors with niche products will also increased competition from Cisco with an end-to-end integrated product, so we suspect some partnering for competitive alternatives is only a matter of time. Nonetheless, this is a promising start to creating robust networks to meet evolving industry needs.

EMC and HP Settle: Market to Benefit

By Jim Balderston

EMC and HP announced this week that they have agreed to dismiss all claims and counterclaims concerning patent infringement litigation between the two companies, closing a chapter to the legal battles which began in 2001. As part of the settlement, HP will pay EMC a \$325 million balancing payment over the next five years, which can be satisfied by HP purchasing for either internal use or resale various EMC products including the VMware line of offerings. The companies also signed a five-year patent cross-licensing deal.

EMC apparently got the better part of this deal, with both the payment and the opportunity to have its products more widely disseminated throughout the market. Given the increasing interest in virtualization of not only storage deployments but servers and assets across the industry, having HP deliver the VMware portfolio can only help accelerate the adoption of a wide range of virtualization offerings.

Even though EMC seemed to have “won” this battle between two heavyweights in the storage market, we suspect that the customers and market itself will be the real winners in this settlement. It has been a trend for some time that when times get a little leaner, many companies decide to mine their existing portfolios of intellectual property to determine whether there is in fact gold in them thar hills. Numerous vendors have taken this tack, perhaps most notably SCO, with varying degrees of effect. From our viewpoint, we believe most of the legal maneuverings provide little or no benefit to the market at large and in fact seem to have negative effects on product quality as delivered to the customer. With litigation like this behind them, the two companies can focus on strategic product planning without the tethers of uncertainty surrounding unresolved litigation. This will provide customers a more comfortable buying position, with the assurance that products they may want to purchase will remain intact and not subject to some level of dismemberment as a result of an unfavorable court ruling. By putting this litigation behind them, both HP and EMC can get back to the business of providing storage products to a market that is increasingly clamoring for more powerful and sophisticated data storage environments.

Verizon on the 911 for Vonage

By Jim Balderston

Verizon Wireless has agreed to a contract with VoIP vendor Vonage to provide emergency 911 services for Vonage’s customers. Under the terms of the contract, Verizon will provide emergency services agencies with the location and callback number for Vonage users located within Verizon’s coverage areas. 911 services have been less than optimal for VoIP producers, with in many cases the call ending up not at an emergency service agency but at a call center. Vonage claims to have more than 500,000 subscribers. According to press accounts, Verizon will deliver the 911 information to emergency personnel in the same fashion it does with its wireless and landline customers.

This announcement sparks our interest on a number of levels. While incumbent telecommunications companies find increasing competitive pressure from alternatives like VoIP, they seem also to be ready to embrace the technology when and as they can. Verizon already offers 911 services to its own VoIP customers, and apparently sees a benefit in doing so for Vonage. Vonage, meanwhile, gets partially off the hook for telling customers that their 911 service is state-of-the-art, when in many places it has in fact not been. Vonage is the subject of complaint on this issue filed in Michigan.

But the disruptive nature of VoIP and the mingling of VoIP companies with traditional telco companies portends murkier future developments in the industry. Certainly Verizon’s interest in doing this deal could be a precursor to buying out Vonage and its half-million customers along with other VoIP vendors. The future regulatory status of VOIP vendors — and the industry at large — could well be determined by how VoIP vendors are viewed. Are they carriers and therefore subject to multiple layers of regulation? Vonage and others claim they are Internet-only services and therefore not subject to such oversight. But by offering 911 service, have they now crossed a threshold to more traditional carrier status? If not, then how will various regulatory agencies view the traditional carriers if identical services are provided by both under different regulatory structures? Other questions abound as well,

since many VoIP users are connected via broadband offered by non-telco service providers. We cannot offer answers to these questions at the present time, but we can say that IP-based telephony is yet the latest arm of the revolutionary impact the Internet and its related technologies are having on the world of communications. Stay tuned.

Municipal WiFi: History Repeats

By *Jim Balderston*

This week Philadelphia hosted the Digital Cities Convention, sponsored by the Wireless Internet Institute. Representatives from local governments around the country attended the event in an effort to learn more about providing high-speed wireless connectivity to their communities. Many communities have already made plans to offer municipally-run high-speed wireless networks, deployment cost of which is miniscule compared to that of fiber optic networks. Philadelphia is one of those cities, and is already building out its own high-speed wireless network to provide service to neighborhoods where cable companies and telephone operators have been slow to roll out broadband availability. Other attendees from smaller communities also noted that broadband providers have been slow to respond to their requests for such service and have made plans to provide broadband through municipal enterprises.

The flood of municipal efforts to deliver broadband locally is in many ways akin to similar efforts decades ago to bring both electricity and phone service into areas the large service suppliers had failed to reach or had ignored outright. Many of these communities were located far from big cities, and municipal electric utilities and phone systems were the only way to provide those services in a reasonable time frame. As a testament to their durability, hundreds of such entities still dot the American landscape.

With broadband becoming an increasingly important part of everyday life, history appears to be repeating itself. And, as in the past, private providers are fighting on the local, state, and national levels to prevent such activities from gaining ground. Cable companies complain that local governments are unfairly competing against their private enterprises, since in most cases fees are far lower than those offered by private concerns. This, too, repeats the earlier history of local utilities, whose rates continue to be lower than those of private sector electrical or phone utilities. While there is little argument that broadband access will provide economic benefits to the communities served, the incumbent private sector suppliers may be missing the fact that such networks could be a boon to them as well. Such networks could be built to carry digital content provided by cable operators, without the companies having to invest in digging ditches or hanging fiber from telephone poles. Regardless of the religion surrounding private versus public sector efforts in this regard, we see the old law of networks reigning supreme in this case. The more nodes on the network, the more valuable it is to all participants. Fighting network expansion for the purposes of monopoly maintenance hurts not only those denied service, but those providing services on that network.

Stampede In the Face of Juniper

By *Rob Kidd*

Stampede Technologies has introduced WebRider Enterprise Application Acceleration System 1.1, the company's latest Web performance acceleration offering, which adds new technologies such as Layer 5 acceleration (POP3/SMTP, email, FTP, etc.) to the current HTTP/HTTPS Layer 7 technology. WebRider accelerates Web-based applications by combining hardware appliances and client-side software and/or hardware to address application bandwidth and latency issues. Stampede provides a two-way, server-and-client, hardware-and-software solution, accommodating both static and mobile clients. In addition, WebRider offers high-availability options to ensure that there are no service disruptions in the case of a Stampede hardware accelerator appliance failure. WebRider Accelerator 1.1 incorporates a new Enterprise Application Server Dispatching function that seeks to enhance existing Web server utilization/load balancing by applying intelligence to the process of dispatching transactions across multiple servers. WebRider is available as a software-only solution, and as a full solution with the software pre-installed on a certified hardware platform. Pricing for an entry-level server configuration starts at \$35,000, and the Advanced WebRider Client starts at \$49 per seat.

With the events of the last several weeks, the Web application and acceleration market just got more interesting. Recently, Juniper Networks expanded its reach into the enterprise networking market with the acquisition of startups Peribit and Redline Networks, which are probably the most pervasive competition to the Stampede WebRider offerings. Juniper certainly has the resources, infrastructure, and technology to challenge Stampede, but currently they are in an inferior technology position even with the two acquisitions; integration and innovation will be the key to success. We believe Stampede with its two-side hardware-software solution is in the best position to capitalize on the growing mobile delivery accelerator market. Paribit offers a two-side hardware acceleration solution, but does not offer much in the mobile applications space given its lack of client-side acceleration. Redline is a one-side software solution that fails to offer the performance advantage that will be required in the mobile applications. Nevertheless, Juniper is trying to capitalize on the emerging opportunities in mobile application acceleration. It will be interesting to see what Cisco and other competitors bring to the party in the coming months.

We believe that Stampede's enablement of static and mobile wireless technologies and two-side, hardware-software acceleration is a unique differentiator, providing flexible options on both the service provider and the client side, particularly in the growing mobile market. At this point we see Stampede as well positioned in this emerging mobile acceleration market and believe it may prove a challenge for traditional market players.