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# Market Roundup

June 10, 2005

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## A Different Flavor of Mac? Apple Changing Over to Intel CPUs

By *Clay Ryder*

This week at its Worldwide Developer Conference, Apple announced plans to deliver new models of its Macintosh computer line based on Intel CPUs by this time next year, and to transition all of its personal computer line to Intel processors by the end of 2007. The company also previewed a version of Mac OS X Tiger running on an Intel-based Macintosh during Steve Jobs' keynote address and announced the availability of a Developer Transition Kit, consisting of an Intel-based Mac development system along with preview versions of Apple's software. The kit will allow developers to develop versions of their applications that will run on both PowerPC and Intel-based Macintosh computers. Intel indicated its plans to provide development tools support for Apple later this year, including the Intel C/C++ Compiler for Apple, Intel Fortran Compiler for Apple, Intel Math Kernel Libraries for Apple and Intel Integrated Performance Primitives for Apple. Microsoft stated its intention to develop future versions of Microsoft Office that would support both processors in the Mac environment. The Developer Transition Kit is now available for \$999 to all Apple Developer Connection Select and Premier members.

Apple's shift to Intel CPUs is a non-trivial event, regardless of one's point of view. To the Mac zealot, this may seem sacrilegious given Apple's 20+ year association with Motorola. But to others, this may signal a realization on Apple's part that its past market positioning predicated on superior hardware, software, and human engineering, albeit incompatible with the mass marketplace, is no longer the best possible orientation for the company. While the original innovator and market leader in the personal computer space, Apple has seen its share and impact fall to an arguably marginal position at 3% of the market. However, matters began to change with the release of the very popular iPod music player, and some of this popularity has rubbed off, as Apple's market share for computers has start to rise again. But all of this aside, the reality is that the day of high-priced premium desktop computers has fallen victim to the reality of "good enough" computing based upon Industry Standard components that are incredibly inexpensive, and far better than good enough for most folks. As such, Apple needs to be able to play in an increasingly price-sensitive marketplace, focus its differentiation and value on its software stack, which remains highly differentiated, and take advantage of the economies of scale and support afforded by Industry Standard components.

Despite the cries and bellyaching of some purists, this is not heresy, and for that matter Apple's move towards the mainstream of hardware should only bolster its opportunities to promote its software, operating system, and lifestyle. It is highly unlikely that a Mac with an Intel CPU will suddenly lose all the designer flair that Apple brings to the table (shudder the thought of a putty-colored pizza box). The Mac style should remain true. Also, the OS and applications should continue to exude all things Mac; however, the company does have some careful education to do in the marketplace. Given that many do not know the difference between a PowerPC, Intel x86, or PDP-11, the market could easily become confused by a Mac with "Intel Inside." Is the Mac now just another PC?

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Can I run Mac OS on my other Intel-based PCs? Isn't Intel inside automatically WinTel? For the general public, confusion could reign, and Apple will need to be very deliberate in articulating this processor change not only to reassure the zealots, but also to make sure the general public does not lose sight of what is uniquely Apple in the process. Perhaps in the long run we may find that an Apple personal computer has little difference in hardware (and price) from that of the competition, but it will still retain its user experience, which is very differentiated from the rest of the pack. So what would make a Mac a Mac in this scenario? The software. We believe this is a good move for Apple, and a lesson that others could learn from as well. In this day and age it is increasingly not the hardware that meets customer needs, it's the software.

## Sun Acquires StorageTek

By *Jim Balderston*

Sun Microsystems announced late last week that it has acquired StorageTek for \$4.1 billion or \$37 per share of StorageTek stock. Sun said the announcement will give the combined companies total revenues of \$13 billion annually and will give Sun the ability to offer a broader range of network computing and data management capabilities and services. Sun CEO Scott McNealy said that Sun's financial position allowed it to act as an IT industry consolidator, which would allow the company to more effectively meet customer demands on information lifecycle management needs.

Sun has been struggling of late, seeing its ability to nail down substantial new business faltering as others find paths to growth or at least stability in the enterprise IT market. With this purchase, Sun apparently hopes to gain momentum in the enterprise market and in purchasing StorageTek, a market leader in tape-based storage systems, they may have moved effectively toward that goal. With a more compelling story to now tell customers seeking a broader integration of datacenters and network topology, Sun has certainly improved its ability to make its case to existing and new customers.

Sun also picks up not only StorageTek's customer base, but its substantial services business that that will open more doors for Sun going forward. Since StorageTek also provides broad storage management capabilities to non-tape, non-StorageTek environments, this should be seen as a plus for Sun as well, since Sun's storage story — like many other server vendors — has been somewhat anemic in recent times. The timing of the acquisition may have real synergy as StorageTek management changes have opened the door for more innovation and revamping, with Sun's weight behind the combined enterprise. This could make significant impact on the storage market going forward, if Sun allows the synergies of StorageTek's tape and storage management capabilities to blend with Sun's Hitachi high-end storage offerings and Sun's existing server market know-how. Stay tuned.

## Microsoft Update Reduces Headaches Better than Aspirin

By *Susan Dietz*

Microsoft has announced the launch of new software that acts as a central location for all patches and updates for most Microsoft server and desktop applications. Windows Server Update Services (WSUS) is a no-charge add-on to Systems Management Server (SMS) 2003, an enterprise patching tool, and replaces Software Update Services. Separately, SMBs will get Microsoft Baseline Security Analyzer (MBSA) 2.0, which checks systems to see if they are up-to-date with Microsoft fixes. The back-end software for WSUS, MBSA 2.0, and SMS is Microsoft Update, replacing Windows Update, which was the same concept, but only updated Windows. Microsoft Update checks and updates most Microsoft applications, including Windows XP, Windows 2000, Windows Server 2003, Office XP and later, Exchange 2000 and later, and SQL Server 2000 and later versions. Microsoft stated that updates for other applications will be added in the future.

Managing patches and application updates has always been a headache for companies and individuals alike. While there are some initiatives such as IBM's (now Lenovo's) automatic updates for factory-delivered software through the Update Connector preloaded ThinkPad and ThinkCenter, such solutions are typically not extensible, and are focused on a subset of the applications installed. Likewise with Windows Update, or Office Update, or any number of antivirus or spyware solutions; each being update solutions centered on a single application. With the more

holistic view offered by Microsoft Update, users may finally begin to benefit from reduced complexity and effort in keeping their myriad applications under control, and become more able to free up work hours for more productive tasks. For those who chose to do so, Microsoft Update can automatically install high-priority updates silently.

Microsoft reported that a beta customer for WSUS estimated their time spent updating software to be one quarter of the time spent pre-WSUS. However, while WSUS supports more than Windows at present, it is still short of many other Microsoft (left alone other ISV's) programs used by the consumer; Quicken and the many Adobe choices, to name a few, will still need to be patched and updated separately. Perhaps Microsoft could contemplate service that could register all of a user's software applications, and then automatically update those applications. Untangling this mess of product updates for the end user and IT manager would be a blessing indeed, and one that is long overdue. Nevertheless, WSUS is a welcome step in the right direction and indicative that Microsoft may ultimately be working towards simplifying the patching and updating mess which, in part, it has brought upon itself. Automatic patch management not only increases productivity, but also increases security and may soon become table stakes for many software companies. While security ought to be the main reason for organizations to deploy the new Microsoft Update technology, convenience alone could be the motivator that ultimately wins out.

## IBM and Identity Theft: A Good Step

*By Jim Balderston*

IBM has announced new software and services to help fight identity theft in businesses. IBM Tivoli Identity Manager 4.6 allows enterprise to manage user accounts and access to passwords and automates setting up user accounts and passwords. It also monitors security policy and provides reports of user compliance, as well as allowing for simulations of the impacts of security policy changes before they are enacted. Identity management services include providing initial identities for people entering new systems, and allows for the use of various types of identification including biometrics and tamper-proof identification. IBM said the new offerings were in response to an ongoing upsurge in identity theft worldwide.

Identity theft is becoming an increasingly high-profile crime as institutions that collect large amounts of data on people seem unable to handle it in an appropriately secure fashion. News reports of large numbers of files containing personal data being lost or stolen are becoming a weekly occurrence. Certainly as grave are the unreported thefts of data from individuals through various "phishing" scams that target people and convince them to give up personal data like credit card numbers and the like. Such thefts are not new, they are just being more effectively pursued online than ever before. If IBM's new identity management tools provide a level of security against such scams in the workplace, individual users will have more comfort as a result and that is a positive step.

Another layer of security in identity management will make it harder for some criminals to succeed in stealing individual account information. But this issue of identity theft and the security of personal records and information is a much vaster and more complicated problem than merely automating or strengthening access control. Much of the sensitive data losses reported have been through negligence or human error. In some cases, data was actually sold to identity thieves by the companies collecting it. No technology solution would prevent this sort of calamity, now or in the future. Instead, personal data needs to be looked at more like the law looks at people. If you injure or maim someone, you should be forced to pay for that. If a company loses your data, they should not only be responsible for the monetary costs, but for repairing one's damaged electronic profile. Furthermore, we believe a more transparent interaction between those that gather data and those it is gathered about would make individuals more aware of what actually is compiled about them, and more vigilant about who knows what about them. In our minds, data is an asset that includes elements of value to the individual the data describes. As it is now, those individuals and their data seem to be deemed of value only to those who possess and collect that information. By balancing the scale more to the center, data collection enterprises will be facing more potential sanctions for mishandling information, and will be more vigilant in doing so.

## McAfee Goes WiFi with Wireless Security Corporation Acquisition

By Rob Kidd

McAfee recently announced the acquisition of Wireless Security Corporation (WSC), which offers WiFi security technology that when bundled with the McAfee Internet Security Suite, VirusScan, and Personal Firewall, protects from malicious code and exploits. WSC's patented technology employs strong industry-standard encryption, with user-transparent intrusion detection/prevention. The technology functions as follows: network users register ID information with WSC, transmissions between users and access points are encrypted, and the network administrator establishes security rules. WSC secures the access point in the set-up process which includes bidirectional dynamic key encryption, the WSC Guard software that is installed on network user PCs now uses the WSC protection center becoming the control point for access. WSC technology supports WEP/WPA, and most network cards and routers. McAfee indicated that it would integrate and enhance the technology for a consumer and small business Managed Solutions launch this fall. The current WSC service costs \$45 and \$50 per year. McAfee has agreed to acquire all WSC stock, technologies and assets. No financial terms were disclosed.

McAfee has emerged as a pure security player after shedding unprofitable or unrelated divisions, such as SNIFFER, and undertaking other core acquisitions and mergers such as McAfee.com and WSC. The McAfee positioning as a Intrusion Prevention and Security Risk Management solutions provider to both the consumer and commercial market would seem to reinforce McAfee's core competence. The world has become increasingly wireless and the trend is accelerating, yet most users do not have the proper security enabled to protect themselves. Worldwide wireless access is expected to continue expanding at a high rate and McAfee research states that almost half of wireless users are unprotected. The company stated that less than 50% of wireless users had the appropriate security measures turned on, and of those that claimed to have wireless security in place, only 20% really did. These statistics demonstrate both the opportunity and need for wireless security that should prove a sizeable opportunity for McAfee, as well as its consumer and business wireless users.

We believe that the McAfee-WSC combination provides both with synergies that they currently lack. The combined entity would be well positioned to become a first mover in the managed wireless security market, by focusing on the consumer and small business segments. Without McAfee WSC would have been hard-pressed to expand beyond its core market as WSC offers an important service for wireless networking users, but at a \$45 to \$50 annual price tag, such service is not justified year-over-year, given its largely one-time security setup. However, when the ongoing signature- and intrusion-based updates that McAfee will provide are integrated with the WSC Guard offering, the combination has a different value proposition. McAfee gets an early mover position in the managed wireless services market, WSC achieves critical mass, and wireless customers get assistance in a complex and often-troubling area. In an era of bundles, this one sounds pretty good.