
Market Roundup

September 23, 2005

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HP Expands Portfolio with Acquisition of AppIQ and Peregrine

By Clay Ryder

HP announced this week that it has signed an agreement to acquire AppIQ, a provider of SAN management and storage resource management technologies. AppIQ is headquartered in Burlington, Mass with offices in the U.K., Hong Kong, Singapore and India, and has 135 employees and approximately 250 customers. The acquisition is expected to be completed in Q4 2005, subject to regulatory approvals. Afterwards, the business will be integrated into the StorageWorks division of HP's Technology Solutions Group. Financial terms of the transaction were not disclosed. In a separate announcement, HP stated that it would acquire Peregrine for \$425 million in cash. HP indicated that Peregrine and its IT asset and service management software portfolio would be integrated into the HP OpenView business unit. The acquisition is subject to the approval of Peregrine stockholders and customary closing conditions and is expected to close no later than Q1 2006.

As the number of systems vendors has shrunk, at some level there is a natural tendency to focus upon the differentiation afforded by a vendor's hardware, as after all it is easier to stand out in a less crowded field. However, the reality of the market place is focused on something more holistic, i.e., solutions. Thus the combination of hardware, software, and services is more important than ever as competitive differentiation. Happily, we continue to see vendors such as HP recognize this as they focus on increasing the amount of software and services that they deliver to the market. With this in mind, HP's acquisition of AppIQ and Peregrine make a good deal of sense to us. While EMC has arguably been on a software delivery binge for all matters related to storage, HP's acquisition of AppIQ brings a competitive feather or two to HP's storage software quiver. There is much talk by many to bring ILM, tiered storage, enhanced archiving, and a bevy of other storage-focused enhancements to fruition; however, one would be hard pressed to successfully undertake any of these tasks without a strategic and comprehensive approach to data architectures and management. This in part is what it looks like HP is hoping to accomplish by complementing its already extensive OpenView offering with AppIQ's SAN and SRM management abilities. For customers, especially those with few if any storage specialists on staff, the further integration of storage resources into a centralized dashboard view of the IT infrastructure will likely garner a positive response.

Similarly, while Peregrine provides a different set of functions to the enterprise, we see its acquisition as a logical addition to the OpenView family. Asset tracking is one of the intersections where technology facility and business acumen meet. Being able to assess and report on the efficiency of the IT infrastructure is just as important as reporting on the efficiency of financial instruments. At the end of the day, higher efficiencies bring more to the bottom line; this is a place where IT can do its part to help grease the competitive wheels of any organization. While these enhancements to OpenView are not going to suddenly transform the complexity of the IT environment, they are nevertheless important tools that can help organizations in their quest to better manage, understand, and ultimately perhaps come to view their resources from a more strategic and architectural view. On

the market side, it will prove interesting to see how existing OEM partners including HDS, SGI, and Sun Microsystems choose to react to yet another OEM technology being engulfed by a competitor. While competition is nothing new to the industry, we have seen a recent pattern of OEM vendors being swallowed up, which does place some of the OEM customers in the less-than-desirable position of having to purchase an important technology from a competitor. For HP, these acquisitions reflect on the company's continued march toward providing a single screen on which IT can manage and enhance its very valuable business asset, a notion that we believe continues to capture the minds of CTOs, CIOs, and CFOs alike.

Cisco Brings Business Communications Solutions for Small and Mid-Market Companies

By Joyce Tompsett Becknell

Cisco announced its Business Communications Solutions (BCS) for small and mid-market companies this week. BCS includes hardware and software designed to help small and mid-market companies set up IP-based networks in a simple and cost-effective manner. The base of the offering includes two Cisco Catalyst series switches, one for up to 250 users, and one for 250 to 1,500 users. The solution for small companies also includes the latest version of the Cisco CallManager Express 3.3, and Cisco Unity Express, which provide all-in-one communications. The products include conferencing for 20 to 96 users, call routing and queuing capabilities, and increased security. Cisco Unity Express 2.2 has Auto Attendant integration with Basic Automatic Call distribution and five additional languages. For mid-market companies, along with the larger switch, they offer new IP communications applications such as Cisco MeetingPlace Express for voice and Web conferencing, Cisco Mobile Connect that consolidates calls with a single IP phone number connected to multiple devices, Cisco Unity Connection for deploying and managing Web browser-based voice messaging with robust integration and features, and browser-based tools for provisioning, monitoring, and reporting the portfolio.

What we like best about this announcement is that Cisco has taken the time to specify the difference between small and mid-market companies in a world where SMB once meant anything smaller than a named account. Vendors have discovered small and mid-market companies in the last eighteen months and have focused on them with a vengeance. It's difficult to determine which is the bigger opportunity according to hype: SMBs or China, although they might be about equal for 2006 spending. At any rate, it has dawned on vendors that sawing the edges off and forcing an enterprise product into a footprint that meets SMB spending patterns does not an SMB solution make. SMBs have different IT and pricing needs, and Cisco has risen to the occasion with an offering that has pricing and product targeted properly. We congratulate Cisco on doing the homework and not treating all SMBs as one amorphous mass.

Cisco's offering allows companies flexibility in choosing the right product for their needs. At the same time, Cisco has not been a household name for mid-market and small customers. Cisco is traditionally thought of as an enterprise company. They will have to focus their marketing as other high tech companies have had to do in convincing customers that they have products to meet their space. Competitors have had offerings in this space, but Cisco believes that its product does more, and with better ease-of-use, thereby giving small businesses an entrée into the IP-everywhere world, and giving mid-market companies an opportunity to use IP technology to expand their reach and presence.

Universal Database Support?

By Jim Balderston

Sybase has announced the release of Adaptive Server Enterprise 15, a data management system that adds new features to its database management and security portfolio. Included in the new offerings are enhanced partitioning options, on-disk encryption, new query processing, and improved management of structured and unstructured data as well as services for accessing unstructured data in operating system files, a functionality that previously had been sold separately to customers. The new offering is also designed for less experienced IT managers, with job wizards and a host of automated monitoring and reposting functions. Pricing will range from the free Express Edition for Linux and starts at \$1,495 for the Small Business edition. ASE 15 runs on Linux, Windows, Solaris HP-UX, and AIX systems. In an unrelated announcement, Oracle officials said they are

pondering the idea of supporting non-Oracle databases and hope to have a decision in the next six months on whether they will pursue that strategy.

Sybase seems to understand that SMBs are being overwhelmed by data glut just like their larger enterprise cousins, and are targeting enterprise-class products to meet those ever growing needs in SMBs. By offering full-featured but easy to set up and use products, Sybase is meeting both the technological needs while addressing the lower levels of IT sophistication within SMBs. In our mind, that combined strategy makes sense on both sides of the equation, while not meeting either side would make any offering less than compelling to SMB customers. Offering high-powered and easy-to-use products on multiple industry platforms is a strategy designed to play in as many places as possible without trying to corner any specific market niche. Perhaps a smaller slice, but one of a much bigger pie.

Oracle too appears to be considering this strategy. While not known for a “plays nice with others” company mentality, it appears that even Oracle may be coming to grips with the fact that it cannot dictate to customers that they must be all Oracle or none at all. Companies buy different products to meet different needs, and in many cases such purchases are made on an ad hoc or case-by-case basis. In such scenarios, asking companies to maintain one hundred percent brand loyalty is a losing proposition. While Oracle has made no firm decision on how much support it will give to competitors’ database offerings, the company would be well advised to do so. As data gluts continue to plague enterprises of all sizes, Oracle risks losing potential sales to customers who have been scrambling to keep pace with merely storing their information, much less being able to actually find and manage it. Many of these companies now have heterogeneous data centers that must interoperate if these companies are to keep pace with the ever rising bar of demand-driven computing. Looking closely at this reality, it strikes us that Oracle really has no choice in the matter: they either offer heterogeneous support or lose future sales. It’s that simple.

Wireless Broadband for the Broad Market?

By Clay Ryder

Verizon Wireless earlier this week announced plans to embed its technology in notebook computers from Dell, HP, and Lenovo (ThinkPad). The BroadbandAccess service, which is based on a technology called Evolution-Data Optimized, or EV-DO, is currently available in sixty markets across the United States and allows customers to connect to the Internet wirelessly wherever a Verizon Wireless signal is available. The company indicates that download speeds average between 400kbps and 700kbps, which is substantially higher than competitive solutions such as Cingular’s EDGE technology (nominally 100kbps-135kbps). At present, Verizon’s service requires a separate wireless PCMCIA card; however, in the near term the computer makers mentioned will offer embedded EV-DO technology, much as they already offer embedded WiFi connectivity. Starting in Q1 2006, Dell will offer EV-DO as an option in its Latitude laptops, HP announced it will be offering an EV-DO-ready laptop in early 2006; and Lenovo will offer EV-DO technology in its Z series notebooks beginning in October. EV-DO connectivity is priced at \$59.99 per month for Verizon Wireless voice customers or \$79.99 monthly for non-voice customers.

One need not look for long around the local coffee shops, airport lounges, train stations, etc. to notice the near-ubiquitous dual arming of America’s citizens with cell phones and laptop computers. Rapidly chatting away while typing up a frenzy and perhaps sipping a latté as well, these techno-savvy folk are a prime opportunity for a market that has not taken shape until very recently: the mobile user that needs ubiquitous voice and Internet connectivity. The WiFi-enabled coffee shop, lounge, station, and whatnot have become the havens of not-quite-so-mobile connectivity for these on-the-road folks. While the local Starbucks is quite happy to offer the WiFi and a table to sit at in exchange for a \$4 cup of joe, the reality is that for many customers the coffee is merely a convenience, and the need is for Internet connectivity. In an ominous repeat of ten-year-old history, the WiFi enabled coffee shop bears a strong resemblance to the Internet café circa 1995. In both cases, access to the Internet was determined by access to a physical location, yet most users ultimately bought their own PC, dialup, or DSL circuits, and no longer frequent the Internet café.

We see the same forces in action with respect to wide area wireless connectivity. Yes, the WiFi Hot Spot is a great place to hook up, but given the time pressures inherent with mobile workers, having Internet access directly available anywhere in the metro area is imminently more useful than engaging in war driving, in search of publicly or not so publicly available WiFi connections. Cingular has offered EDGE for some time, through either a card or a USB cable plugged into one of its many GPRS/EDGE-enabled phones. Granted, 135kbps is not a T1 line, but for checking email, browsing Web sites, or instant messaging, it meets most of the needs of mobile work. Verizon's higher speed offering would obviously meet the mobile needs, but might also prove a viable offering for fixed locations such as the home, or perhaps the hotel room. With Internet access often costing \$10-\$15 or more a night, \$60 for a month pays for itself rather quickly for the frequent traveler. Likewise, for the frequent traveler, the need for maintaining a DSL circuit at home may be eliminated. While Verizon may be able to claim higher possible throughput than Cingular, most Web surfing is adequately addressed by either solution although the MP3 download on Cingular may take a little longer. Nevertheless, in many ways, we are excited by the initiative that Verizon, Cingular, and others are taking to address this opportunity, and will watch from the sidelines to see how effectively these vendors ply their wares. If they are successful in driving wide area wireless connectivity in the marketplace to the same degree that PC vendors and ISPs drove Internet connectivity a decade ago, we may soon find that Starbucks, and the Internet café, may again become known as places to buy coffee more than being the hottest Hot Spot in the neighborhood.

Blocking Skype

By *Jim Balderston*

Verso Technologies, a Boston-based content filtering vendor, has announced that its NetSpective content filtering appliance will now block the use of Skype VoIP technology on enterprise networks. The NetSpective appliance can also be used to block HTTP, NNTP, FTP, Chat, and peer-to-peer or streaming media content. Verso officials said that Skype usage has been a problem for many enterprises, and that Skype has been effective in piercing firewalls. Skype can create legal problems for companies that are required to keep audits of all communications in and out of the company. Since Skype uses encryption to protect its communications between users, such audits cannot be completed. Verso is offering the NetSpective appliance for \$4,600. It will support up to 250 users.

Do you want more evidence that Skype and VoIP are for real? In our mind, the idea that a product or service has become so valuable that vendors believe they can sell products to hamper or disable such a service would be a *priori* evidence that such a product does much more good than harm and is in fact now an irresistible must-have for most users. There has been a long history of attempting to limit the use of technologies that have been "side-doored" into the enterprise, and that history is apparently about to get a new chapter with Skype.

It was not all that long ago — maybe ten years — that the Internet and access to the World Wide Web began to make its way into the public's consciousness. As users dialing up ISPs and shooting email hither and yon, or surfing the vast unexplored regions of the World Wide Web, they began demanding access to such things in their workplace. Email was grudgingly brought forth, if initially only on an internal company-wide basis. The fears of abuse or lack of company control of this new technology gave way to overwhelming acceptance to the point where many employees now wish they could turn off their email from time to time. The alarms over Web surfing were also sounded loudly, people were offered dedicated terminals to get on the Web, and providing universal access at every desk was something that many administrators futilely tried to resist despite the overwhelming evidence that little harm could be done by granting such access. Now comes Skype, a service that allows users to connect seamlessly with others both inside and outside their organizations. We have seen this movie before and we know how it ends. Skype is dead, long live Skype!