



## Market Roundup

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December 21, 2001

This Week

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### Comcast Comes Out of Fray With AT&T Cable

*By Jim Balderston*

Comcast has agreed to purchase – and AT&T has agreed to sell – AT&T's cable broadband unit for \$47 billion. The deal actually has a higher figure, as Comcast assumed \$20 billion in AT&T debt and Microsoft, a backer of numerous bids in the contest, agreed to kick in \$5 billion to the new Comcast entity. The new cable company will have 22.3 million subscribers, making it nearly twice the size of AOL Time Warner, which was also bidding for the AT&T cable operations. Michael Armstrong, the Chairman and CEO of AT&T, will serve as chairman of the new company, to be called AT&T Comcast Corp. Comcast won this round of bidding over rival cable outfit Cox Communications and AOL Time Warner after having its unsolicited bid of \$41 billion for AT&T's cable operation rejected in August.

Earlier this month we commented on the scrum surrounding AT&T and the various suitors and predicted that Comcast was the most likely to come out of the pack with The Big Prize. It's nice to be right from time to time, especially now, since it puts a smile on our face just in time for the holidays. We suspect there are some big smiles up in Redmond, Washington these days as the AT&T cable prize was kept from the clutches of the AOL Time Warner behemoth. Microsoft played a very active role in this deal, backing – in various ways – bids from both Cox and Comcast. While frowns may be the face of the day at AOL Time Warner galactic headquarters, there are probably a few smiles mixed in amongst the more long-term thinkers. This deal can serve as evidence against any cries of AOL Time Warner monopoly status, at least until AOL/TW looks to scoop up another broadband provider like, say, Cox. While we aren't ready to predict that move is in the wings, we do see this aggregation of last mile providers as being as irresistible as the consolidation of phone companies in the past few years. Speaking of phone companies, they now become, in many ways, the comparison to these cable outlets when the inevitable cries of monopoly surface. It looks like this deal won't face a huge regulatory hurdle; the size of the elephants are all fairly uniform, and "elephants" are running the justice department. But if we see more consolidation on the telecom front, either nationally or internationally, we suspect the cable industry won't be far behind the pack. You heard it here first.

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## IBM and Compaq Announce SMB Initiatives

*By Charles King*

IBM has announced the Linux Test Drive for eServer iSeries, which makes available via the Internet iSeries "virtual Linux servers" that software developers can use to test Linux applications for small- to medium-sized businesses. According to IBM, a single iSeries eServer (previously the company's AS 400 product line) can support up to thirty-one separate Linux partitions, making it useful for consolidating multiple workloads or servers. IBM offers a Small Business Suite for Linux, which includes DB2, WebSphere Application Server and Lotus Domino, and the company believes this new initiative will help drive Linux application development for SMBs. This new initiative bears similarities to IBM's Linux Community Development System, a program the company announced earlier this year that provides developers Internet access to an IBM zSeries mainframe. In an unrelated announcement, Compaq discussed initiatives and strategies to drive sales among SMBs in North America. Compaq recently launched a program featuring special promotional offers that can be customized by resellers and promoted via communication deliverables produced by Compaq. Additionally, the company's agent referral program allows groups including the National Black Chamber of Commerce and the Latin Business Association to receive commissions by promoting Compaq products among members. The company is also working closely with distribution partners such as Tech Data to drive SMB sales, and has implemented special weekly and monthly marketing programs that allow customers to buy Compaq business products directly.

With more than 7 million SMBs in the U.S. market, the sector has long been a prize coveted by IT solution vendors. However, the sheer diversity of business needs among companies ranging in size from 1 to 1000 employees makes it challenging for vendors to develop cohesive, let alone comprehensive, SMB marketing efforts. The IBM and Compaq announcements provide glimpses of how vendors build market strategies by playing to their strengths. The Linux Test Drive for iSeries is an example of IBM's intent to drive open source solutions across its product lines, but the strategy hardly qualifies as a quick fix. While open source solutions have gained significant ground in certain areas of enterprise computing, they have been slower and harder to sell in others. To our way of thinking, IBM's Linux efforts suggest a willingness to take and the fortitude to implement a long view of Linux' possibilities. By leveraging their own considerable weight in hardware resources, IBM is ensuring that future Linux business solutions will be developed on and optimized for their own products. Compaq's SMB initiatives take advantage of the company's long-time leadership in desktop computing. While Compaq has been labeled, continuously and erroneously, a simple PC maker by many industry pundits, the company also understands the depth, channel issues, power and needs of the SMB sector. Small business computing starts on the desktop, and if a vendor can win the hearts and minds of companies when they are starting out, it stands a good chance of retaining and building on those relationships as companies and their IT budgets grow. In addition, this announcement recognizes the importance of VAR relationship when selling to SMBs. By increasing the accessibility and affordability of its products today, Compaq is seeding the ground for future sales.

## IBM Introduces Web Site Analytic/Performance Tools

*By Charles King*

IBM has announced the availability of new software tools from WebSphere and Tivoli to monitor, analyze and enhance the performance of company Web sites and e-business applications. Tivoli Web Services Manager 1.7 handles enterprise application performance management and correlates those measurements against WebSphere to demonstrate how visitor traffic is affecting site performance. WebSphere

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infrastructure software now offers Performance Monitoring APIs that capture and detail nearly 100 key performance measurements in real time. WebSphere Site Analyzer's Web Tracker software provides real time reporting on how users navigate a Web site and respond to marketing campaigns. WebSphere Extended Personalization includes intelligent agents that group users according to buying patterns, and offers a Personalization Server interface to easily manage personalization features on business Web sites. The new software can be plugged into WebSphere infrastructure software. Additionally, IBM announced that more than 15 ISVs including Candle, Computer Associates, BMC and Mercury Interactive are building performance monitoring solutions and integrating custom dashboard technologies to analyze WebSphere-specific performance data. The WebSphere and Tivoli applications are all available immediately, with prices based on per-processor models available from IBM.

Web site performance is hardly a new area of interest or expertise. How a site performs, the location of existing data bottlenecks and what exactly visitors do when they visit sites are critical issues for any company that depends on Web-based sales, and vendors such as Mercury Interactive, BMC and Candle have long produced software tools designed to capture and analyze such data. However, we find it notable that IBM has chosen to create new or optimize existing analytic capabilities in their WebSphere and Tivoli product lines. We see two issues afoot in this announcement. First, as IBM and other vendors expand their service offerings, Web site performance and analytics are natural fields to explore. That qualifies as near term good news for businesses that depend on IBM for their computing needs, but may spell longer term difficulties for ISVs focused on Web performance metrics. These players will need to develop increasingly robust and able solution sets for WebSphere users if they expect to prosper in Big Blue territory, as can be surmised by the mention of more than fifteen such developers in IBM's announcement. Taking the longer view, we also believe that these new WebSphere and Tivoli capabilities point to the growing relevance of Service Computing, in which computing can be delivered in a model similar to electrical or gas utilities. Web site performance and analysis will be key to delivering utilities-style accessibility, scalability and reliability, and this announcement suggests IBM regards such services as critical to its business strategy. Additionally, we see the company's joining of these products from two separate divisions as evidence that IBM understands that its full suite of offerings, from WebSphere through Tivoli, DB2 and the hardware, is a much greater whole than the sum of these individual parts.

## Where It's Needed When You Need It

*By Jim Balderston*

Playboy enterprises announced this week that it would begin delivering Playboy pinup images to cell phones in Europe, through a partnership with Wireless Entertainment Service (WES) Finland. A spokesperson for WES noted that "on the Internet sex is the only thing that has been profitable and it's one area we are focusing on." The service is expected to start next year, beginning in Belgium, with other countries including the United States and Britain to follow. Newer cell phones, equipped with full color screens, are expected to be able to display the Playboy images in high detail. Playboy executives predicted at least one million paid downloads in the first year alone. In other news, the San Francisco Municipal Transit District announced that it was expanding its NextBus Service to provide real-time bus and train arrival information to both wired and wireless devices. The system uses GPS modules on individual transit vehicles to determine where they actually are. The information sent to users represents real time location, as opposed to published schedules. The expansion of the existing system is expected to begin in January and will cover the entire Muni system.

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Just think, you can determine when the next bus is coming and then ride in comfort while looking at pictures once delivered in plain brown wrappers. Without passing any judgment of the value of such material, we think both of these developments offer a very interesting look into the future and specifically the nature of what we call "Service Computing." Service Computing, in its most simplified form, is the provision of access to desired information regardless of access device, location or data type. While some might find it more warming to look at R-rated pictures, we suspect that services like those provided by Muni will see more public acceptance, at least here in the USA. The fact that public agencies like Muni are beginning to deploy access to real time data benefits both Muni and its customers. Muni now can determine which bus lines are chronically behind schedule, or which have too many trains or buses stacked up on a particular line. They can, within limitations, re-deploy their assets in real time to provide the best service possible. Muni, like many private enterprises, has a fixed number of assets to provision against fluctuating demand with daily, weekly, seasonal, and occasionally ad-hoc cycles. As Muni moves forward, the collection of long-term data from its fleet will help the department allocate resources more effectively and provide more detailed decision support for such logistic issues as new rolling stock, personnel or reconfiguration of existing services. No doubt, Playboy will gather some interesting information as well from the requests placed on its service. Particularly popular images will be noted, and perhaps offerings will be expanded as a result of that data. For those riding Muni while accessing Playboy's services, we would note with some relief that in most cases riders need one hand to hang on while riding the bus—leaving the other one hand for the phone.

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