:sageza:

Market Roundup
September 13, 2002

Intel Keeps On Keeping On
EMC Announces New Centera Partners/Solutions
HP Goes Direct… To Where?
Pew Project Issues *September 11 and the Internet* Report

Intel Keeps On Keeping On

By Jim Balderston

Intel hosted its Developer Forum this week and spent much of the time discussing details of its Banias mobile processor, due out later this year. Banias represents a new processor architecture that Intel claims will provide extended battery life, solid performance, smaller form factors, and easier wireless connectivity. The Banias architecture will provide for higher performance and lower battery use by means of Advanced Branch Prediction, Micro Op Fusion, a Power Optimized Processor System Bus, and a Dedicated Stack Manager. Advanced Branch Prediction analyzes an application's past behavior and predicts likely requests in the future, enhancing performance. Micro-OP Fusion merges several simultaneous operations into a single operation. Power Optimized Processor System Bus manages power use by providing power only to the circuits in use. The Dedicated Stack manager allows the processor to execute instructions without interruption. The Banias chipset offers dual band wireless LAN connectivity on either 802.11 a or b at connection speeds of 54Mbps and 11Mbps respectively. Intel also offers its PROSet utility software which will allow a user to connect from a wired connection to a WLAN without shutting down applications.

It seems that every quarter Intel rolls out a new chipset that is faster or cheaper or more efficient or all of the above. Intel says its power management technology will extend battery life by nearly an hour. This will likely be more than a "nice to have" feature as portable computing equipment continues to be a brightish light in the otherwise lackluster world of client computing. We expect Intel and their perennial competitors to continue working on extending the usability of the AC-free computing world. Good stuff, and could I have some more, please?

Meanwhile, Intel seems clearly intent on pushing forward the wireless environment by sticking to a very clear strategy vis-à-vis the myriad assortment of connectivity options presently struggling to gain most favored nation status within the enterprise and SOHO computing environments. Intel revealed this strategy with the recent announcement of PCI Express for server computing where its promise to meet the demands of 1394b, USB 2.0, InfiniBand Architecture and Ethernet connectivity options puts it above the regional conflicts of the technologically religious. So it is here with the Banias chip, which promises to make WLAN essentially a plug-and-play operation, regardless of which religion a home or enterprise user chooses. Intel has essentially minimized the risks of being caught by market zigs or zags as a result of the momentum — or loss thereof — of any given standard in the still murky world of wireless connectivity. By taking a secular approach to the wireless environment, the company hopes to drive wireless networking further into the market. WLAN managers will not find themselves bound to specific product or standards, nor will they face wholesale

conversion to one faith or another, as their computing environment inevitably morphs with the latest and greatest product releases. It looks like what's good for General Intel, may, in fact, turn out to be good for the rest of us as well.

EMC Announces New Centera Partners/Solutions
By Charles King

EMC and a number of its partners have announced new and continuing support for the company's Centera content addressed storage (CAS) solution. Since the introduction of Centera four months ago, EMC has inked over fifty partner agreements, including twenty Centera-integrated applications, twenty new integration partners, and seven new resellers. Centera-integrated solutions cover a range of areas including medical imaging, document imaging and management, content management, email archiving, biotech content management, check imaging, and video archiving. Current solutions available for Centera include Connected's TLM, Documentum's ECM Platform, Hypertrust's Secure Archiving, LEGATO's Xtender Solutions, and TOWER Technology's Tower IDM and WebCapture. In addition, twenty new partners including CyberArc, Princeton Softech, TrueArc, and Unisys have committed to or completed integration with Centera.

Beyond the genial mutual backslapping that is typical of success story press releases, the Centera partner announcement includes a number of issues we believe warrant further comment. The ongoing explosion of data acquisition by businesses of every kind and size would seem to have assured the success of document and content management solutions. But historically, the sheer complexity and cost of solutions based on unwieldy file systems and sometimes proprietary databases have significantly slowed their ability to gain traction, even in markets and among customers who could benefit from them. What has EMC added to the mix with the Centera CAS solution? First, by developing Centera on an industry standard platform that uses low-cost ATA drives, Ethernet connectivity, and TCP/IP protocols, EMC is enabling their partners to create enterprise-class solutions at dramatically lower price/performance points compared to traditional systems designed around traditional transaction-focused storage systems. Additionally, EMC claims that Centera's automated self-managing/self-healing software features offer customers long-term savings in systems management and maintenance costs. What this means practically is that powerful Centera-integrated solutions will likely be affordable to the customers who need them the most, which should drive sales both for EMC and its myriad Centera partners. In particular, we note the enhanced value this approach provides in the area of document and transaction management. While historically much of this content was often treated as archival in nature, the value of and demand for up to date, non-reputable transaction records and associated documents should not be discounted.

Sounds great for everyone, right? Well, maybe not. For traditional storage tape vendors we believe that the availability of robust IDE/ATA-enabled solutions such as Centera could further erode the demand for tape media, and eventually relegate it to a dwindling number of archival functions. The notable exceptions to this would be to only the very lowest end of the market or legacy environments where the specific use of tape is considered a business critical or strategic function. But in all likelihood, we believe the use of tape archival functions will increasingly be driven by governmental regulations, at least until such time that regulators decide that tape backup need no longer be legally mandated.

HP Goes Direct… To Where?
By Jim Balderston

HP has announced the availability of its new technology catalogue and its intent to sell directly to SMBs. HP plans to mail 2 million of the printed catalogues out to target businesses. It will be published quarterly. The catalogue will include the following HP offerings: desktop PCs and workstations, Compaq Evo notebooks, HP iPAQ Pocket PCs, wireless networking solutions, printing and imaging technologies, projectors, HP ProLiant servers, storage, software, and peripherals, as well as security technologies. The catalogue features easy-to-read print and order instructions on every page. Customers can purchase goods displayed in the catalogue

sageza.com

through resellers, the Web, or a toll-free number.

Times are clearly tough in the PC market. HP's decision to offer its wares directly to the public through its catalogue echoes Dell's recent decision to offer its products on shelf space — a departure from its order-on-the-Web mainstay. While we believe that efforts to reach down market to the hordes of small and medium businesses operating in the U.S. is conceptually correct, this move is not without its risks. Several years ago, Compaq — now of course part of HP — tried a similar move, selling its goods on the Web, and found it had stepped into a deep pile of channel conflict. Will HP step in a similar fashion? Possibly, and HP could get caught on the short end of a revenue stream that shrinks due to lower unit sales despite higher potential margins. That being said, HP must be gambling that many VARs are going to stay put, since their options for hardware are slimmer in the wake of the Compaq acquisition. But risks remain with consumer channels like Staples, Office Max, WalMart, and Radio Shack, who may fear their unit sales would drop due to direct competition from their supplier. In a slow economy, maybe it makes sense to try and pull in sales and hold the margin, but we can't help but wonder what happens when sales of computer technology begins picking up. Will HP capture all of those future sales directly? Or will a diminished channel cost them in the long run? Finally, we are left scratching our head a bit over the idea of using fixed print media in a highly volatile market. While such a strategy worked well for Sears & Roebuck in days of yore, we wonder if this less than state of the art information delivery mechanism hints at a "me-too" — and perhaps not well thought out — strategy for reaching SMBs. Chasing your competitor's marketing rarely creates true differentiation and often triggers the unwritten law of unintended consequences.

Pew Project Issues *September 11 and the Internet* Report
By Charles King

The Pew Internet and American Life Project has issued a new report concerning how the 9/11 terrorist attacks have affected the behavior of Internet users. *One Year Later: September 11 and the Internet* was based on telephone interviews conducted between June 26 and July 26, 2002, among a sample of 2,501 adults 18 and older. Among other findings, the report found that 69% of Americans believe the government should be granted wide privileges in deciding what information should be posted on or removed from government agency Web sites, and slightly smaller numbers (55-60%) supported the removal of Web information the government believes could aid terrorists. However, while Internet users were willing to support such government intervention, only 41% actually believe removing Web site information will hinder terrorists. Additionally, the public is sharply divided over government monitoring of people's email and Web activities, with 47% opposing such monitoring and 45% supporting it. The Pew survey also found that the attack had also inspired changes in people's online behavior. About 19 million Americans rekindled relationships after 9/11 by sending email to family members, friends, former colleagues, and other individuals they had not contacted in years, and fully 83% had maintained those relationships during the past year. About 11% of Americans feel their lives are still far from normal since the events of 9/11, and half of that group uses the Internet. Notably, this group is more willing than other users to support government removal or withhold information from the Internet, and also said they have increased their use of email due to the attacks.

As is the case with most surveys, this new report is notable more for the apparent behavioral anomalies it reveals than what one might expect. It is not especially surprising that about two-thirds of Internet users support government efforts to crack down on material deemed to be useful to terrorist activities, since the number is roughly analogous to those who generally support anti-terrorist efforts. However, we find the disparity between the numbers of those who support such efforts and those who believe they will actually be useful to be notable. While there was a good deal of initial government posturing and yammering shortly after 9/11 about how terrorists used the Internet to their advantage, such talk has quieted a good deal in the months since, suggesting that evidence supporting those original claims may have been thinner than was supposed. Is this the source of Internet users' skepticism concerning the efficacy of government intervention in Web site content? Perhaps. While we are fully cognizant of the government's role in maintaining the safety of the populace, color-coded alerts and the obvious relish some politicians take in their terror-busting roles suggest

that any number of bureaucrats might profit from a re-reading of "The Little Boy Who Cried Wolf."

We were also interested to note the role the Internet played in helping people to reinitiate and maintain contact with family, friends, and colleagues they had lost touch with. While the Internet has spawned and been burdened with more than its fair share of hype over the past half decade, we have long argued that its eventual success could be best measured by its essential transparency. That nearly 19 million Internet users turned to the Internet as a means to rekindle relationships suggests to us that transparency is fast arriving for growing numbers of Americans, and could well mark a new phase in the evolution of the Internet, its use, and its usefulness.