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Market Roundup
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IBM, Sun, and Dell Ship New Blade Servers
By Charles King

IBM, Sun Microsystems, and Dell have announced the availability of new blade server solutions. Originally announced in September 2002, the IBM BladeCenter is a Xeon-based dual processor solution that sports optional features including Fibre Channel and Gigabit Ethernet switches, and redundant hot swap cooling, power, and management modules. The IBM BladeCenter supports up to fourteen blades per shelf and eighty-four blades per rack, and ships with IBM Director, the company's autonomic systems management software. Base price for IBM BladeCenter is $1,879 per blade. Sun Microsystems announced the Netra CP2140 and CP2160 cPCI blades, NEBS-compliant blade products designed for wireless and other telecom services. In addition, the company introduced the Netra HA Foundation Services 2.1 software. The Netra CP2140 and CP2160 both utilize Sun's UltraSPARC Iii 650 MHz processor with extended memory configurations, and offer Hot Swap control and IPMI systems management. The new Netra products can accommodate up to sixteen processor blades per shelf and forty-eight blades per rack. The Netra CP2140 is currently shipping starting at $3,995, while the CP2160 is scheduled to ship in early 2003 priced at $4,395. Dell announced the availability of its PowerEdge 1655MC, a blade server product originally announced in March 2002. The 1655MC consists of six dual processor blades featuring Pentium III processors and SCSI hard drives, and also features Dell's Open Manage Remote Install, software the company claims clients can use to simultaneously tune hundreds of blades. Pricing for the PowerEdge 1655MC begins at $3,298 for an enclosure and one blade.

Blades are designed to address issues surrounding server consolidation by increasing server density, reducing hardware footprints, sharing subsystems such as storage and networking and simplifying cabling and connectivity. While these are issues dear to the hearts of IT staff and datacenter managers, how these new products from IBM, Sun and Dell will resonate in the larger market is unclear. However, we believe that two of these vendors are focusing their blade strategies by developing products to fit the needs of specific niches. IBM's BladeCenter product appears designed from the get-go to deliver a high-density, high-octane blade-based solution for a variety of server consolidation needs. The utilization of Intel's Xeon processors should offer a significant price/performance advantage, and IBM's decision to offer optional Fibre Channel and Gigabit Ethernet support will allow BladeCenter solutions the flexibility to support both SAN and NAS environments. Additionally, we expect BladeCenter deployments to profit from IBM's Advanced Connectivity Technology (ACT) solutions for datacenter simplification that the company announced in July.

In a similar vein, Sun's new NEBS-compliant Netra CP2140 and CP2160 tip an obvious hat to the company's core telecom clients, a group Sun has served for years. The Sun blades do not offer the sheer per rack density of the IBM BladeCenter (though they match HP's Proliant BL20p blade products), but durability rather than

density is the primary aim of carrier-grade solutions. To that end, we see the Netra CP2140 and CP2160 as simple continuations of a product set and market Sun understands very well. But while the IBM and Sun blade products appear well-tailored to meet current and emerging blade demands, the same cannot be said for Dell's PowerEdge 1655MC. We expect Dell will aggressively push the 1655MC toward its business customers, but we do not believe they will be especially well served. The 1655MC's long development time and dependency on Pentium III technology bespeaks a solution that is already somewhat long in the tooth on the day it hits the market, which erodes both the 1655MC's immediate and long term value. This is hardly the message a vendor wants to send or be hobbled by in a quickly evolving, cutting edge market like blade servers. While Dell is a dynamic company that can squeeze every last nickel of profit out of commodity-based solutions, it has never been known for developing or delivering cutting edge technologies. From that standpoint, the PowerEdge 1655MC has all the markings of a "me-too" product by a vendor that wants to convince the market (and perhaps itself) that it is a serious enterprise player.

Online Holiday Shopping: e-Tail Wags the Dog
By Jim Balderston

The U.S. Commerce Department reported that third quarter online sales in the U.S. rose 34.3% over a similar period last year. The total amount of online sales for the quarter was $11.06 billion, or 1.3% of total U.S. retail sales for the quarter. That figure is also up, from 1.1% last year. The report also notes that online sales rose 7.8% from the second quarter of this year. Various predictions for the holiday online shopping season are also being batted about; some predict sales of close to $14 billion for the fourth quarter, which would be in the neighborhood of 25-30% higher than last year.

There is no doubt that online retail is going through a boom period. When one considers that brick-and-mortar retailers are happy with anything above 5% growth in sales over a year period, numbers like 34.3% look very impressive. One comes down to reality when assessing the actual percentage of total retail sales that online buying comprises. It is still just a drop in the bucket.

While some folks predict never-ending growth to the online retail sector, reality argues such huge growth percentages can't last — in short, we are seeing the first phase of the law of large numbers playing out. As time wears on, online retailing will continue to contribute to the economy but its year-to-year growth rates will slow and eventually come into line with more traditional retail growth rates. By that time, of course, the contribution such online sales make to the larger retail total will be growing as well, an activity well worth watching. All these numbers would indicate that the e-tailing market is still immature. Another indication of such immaturity is the reliance on fourth quarter (holiday) sales to make the year's revenue that so many online retailers depend on. Looking at Amazon's last four quarters, one sees that 30% of its revenue came from Q4 2001. Surely Q4 2002 will bring in higher gross sales, thereby representing an even higher percentage of CY 2002 sales. Major brick-and-mortar retailers have been moving to limit their exposure to fourth quarter downturns by trying to keep the holiday shopping revenues at something like 20% of the year's total, according to the National Retail Federation. Year round discounting and decreased reliance on a big fourth quarter sales have smoothed the bumps for many of these larger retailers. Online retailers will eventually be forced to follow similar strategies, probably about the same time that the dizzying year-to-year growth figures have fallen more in line with traditional retail growth ranges. At which point, of course, none of this will make news, indicating that the revolutionary aspects on online retail have been fully instantiated on society at large.

Is Bigger Better? A Second Look at Data Aggregation
By Jim Balderston

Federal authorities in New York announced this week that they had broken up an identity theft ring that stole more than $2.7 million from some 30,000 unsuspecting victims in all fifty states. The identity theft ring centered on Teledata Communications, a company which provides credit reports to banks and other lending institutions. Three men have been charged in the case that involved the theft of thousands of credit reports,

which members of the ring used to establish fraudulent accounts using the names and information of actual people, who were then billed for thousands of dollars of charges they had never authorized. Authorities said they expected the dollar amount of the thefts to rise as more victims are identified. At the center of the ring was a help desk worker at Teledata, who apparently sold passwords and access codes for the Teledata clients to other members of the ring for $60 a pop. These pass codes were used to download credit reports form the nation's major credit reporting agencies. Authorities call this the largest case of identity theft on record.

In the Hollywood version of computer crime, it is usually the efforts of some brilliant hacker with the latest in high-tech gear that somehow defeats the vast arsenal of security technology arrayed against his efforts to steal valuable information. This case — among a long line of similar events — shows that it is rarely the uber-geek that breaks down the technology; it is instead some hourly wage slave that decides to go renegade.

Consider the case of Robert Philip Hanssen, the FBI counter-intelligence agent who managed to steal U.S. intelligence information for fifteen years under the nose of his co-workers and superiors. One assumes he went through a more granular vetting process than the help-desk employee at Teledata.

This leads us back to the federal government's proposal to create a massive database of virtually all available information concerning U.S. citizens in an effort to facilitate better information correlation as it relates to possible terrorist activities. What both the Teledata and Hanssen cases illustrate is the fact that the highest levels security based on technology can easily — and invisibly — be defeated by even the least technologically skilled individuals. When considering the risks of aggregating huge amounts of data on average Americans, it makes sense to remember that maintaining islands of data can have a statutory effect from a security standpoint. Giving the local sheriff access to the IRS records of his village's resident is a scenario ripe for abuse. So it is on the national level with thousands of government employees maintaining data that access to would be worth many times their annual salaries. The lesson here should not be lost on the private sector as well, which may have also fallen into the trap of putting all data in one place for the sake of efficiency and transparency. Such value propositions do not come without a price. Catastrophic security breaches should be accepted as a real possibility, and one that should be weighed heavily against the highly touted value of pure efficiency.

Is PeopleSoft Just Ahead of the Market?
By Myles Suer

Peter Gassner, VP and GM of PeopleSoft Technology, presented at Comdex this week on "Real-Time Enterprise: The Killer Application for Web Services." In this session, Gassner discussed how Web services are enabling the creation of real-time enterprises. In fact, PeopleSoft now positions itself as providing software and services for the real-time enterprise. PeopleSoft has taken this step having delivered built-in support for Web services based on the existing XML and HTTP standards. At the same time, much has been written recently regarding the fact that members of the World Wide Web Consortium (W3C), the group responsible for creating a Web Services standard, indicate a standard may be a year or more away. To date, the W3C has only considered the Sun-driven Web Services Choreography Interface (WSCI) proposal with expected proposals from IBM and Microsoft still in the offing.

Having participated in industry standards activities involving some of these same industry titans, we are always amazed at how long it takes a standard to get confirmed, especially when there are competing proposals. We can attest these processes are lengthy and always take longer than expected to get a fully documented and ratified standard. But once such standards have been accomplished, the issue then becomes having systems to interconnect. Equally, as important, standards change can cause the Vanguard to make significant changes to their solutions in order to comply with the final standard.

Earlier this year, the CTO of PeopleSoft asserted that PeopleSoft is again in a time of technology change similar to the waves of client/server and the Internet, which the company had successfully navigated. For this reason, it is no surprise that PeopleSoft has got its board waxed and ready to go. However, we believe the deployment and standardization of Web Services will be a bit different. PeopleSoft is not in the position to

create a de facto standard, as in this day and age there are simply too many valuable heterogeneous systems needing to be interconnected such as ERP, CRM, Financials, Supply Chain, and Business Intelligence. Although PeopleSoft is a player in many of these categories, most customers do not use a single vendor for everything. The question is: what does Peoplesoft plan to interconnect with other than its systems? This answer is not necessarily clear and has a potentially huge impact on the PeopleSoft and Web Services value proposition. ISVs certainly can take advantage of PeopleSoft's decision as well as EAI vendors; however, in terms of real business advantage it seems the market will need to wait for W3C standard to be finalized. Given the heterogeneity and complexity of the systems that logically should be interconnected, it seems that a single vendor will not be likely to dominate this standards process or necessarily drive it any faster than another.