Market Roundup

November 21, 2003

IBM Announces WebSphere Portal Express for iSeries

By Charles King

IBM has announced eServer iSeries support for WebSphere Portal Express, allowing iSeries customers to use IBM's portal offerings for supporting personalized Web sites for employees, suppliers, and consumers. WebSphere Portal Express provides a means for iSeries users to integrate 5250 "green screen" applications, collaborative applications, Java/WebSphere solutions, and PC-based solutions into a single internal or external Web site that can be accessed with a browser and password. The new offering includes specialized wizards for easing installation, set-up, configuration, and integration with other servers including HTTP and LDAP servers. In addition, WebSphere Portal Express includes WebSphere Studio, a development environment for ebusiness applications. The pricing for WebSphere Portal Express on iSeries is identical to that for Intel servers; $85 per user or $33,000 per processor. In addition, IBM is offering iSeries i825 customers twenty licenses at no extra charge. Web Sphere Portal Express will be available on December 4.

IBM's iSeries platform (AKA AS/400) is something of an anomaly in the IT world. In a portion of the market largely dominated by Intel-based servers, the iSeries continues to command a near-fanatical following among users despite everything the Wintel combine has been able to throw at it. In large part this success is due to the stability, dependability, and flexibility of iSeries servers, allowing the platform to maintain its position as the place small businesses migrate to when they enter the higher-demand realms of the mid-market and begin using 64-bit applications. Microsoft and Intel, of course, have a very different vision of how SBs should mature into SMBs. In their view, small businesses should hold tight to their 32-bit Wintel solutions and scurry merrily along to Windows on Itanium for all their 64-bit needs. Good enough, but a serious challenge overshadows that scenario, namely the relatively paltry number of mid-market solutions that are currently available for Wintanium. IBM's iSeries offers users a radically different approach to doing business. Along with offering full support with for Windows, iSeries servers can also simultaneously run OS/400 and Linux applications, allowing customers to have their Windows cake and eat it along with extra helpings of Linux and OS/400, too. Most importantly, the iSeries has been and continues to be a favorite platform among SMB developers who have created tens of thousands of OS/400 business applications. This and the growing enthusiasm among users and developers for Linux business solutions make a compelling argument for the iSeries as a tested, cost-effective platform for SMB IT consolidation.

So what does WebSphere Portal Express offer that iSeries didn't have before? In essence, the new offering significantly simplifies the building of customized ebusiness Web sites. The fact is that many SMBs struggle along with a fraction of the cash and staff resources that mature mid-market companies can throw at their IT problems. By providing tools that ease the creation of sites integrating business solutions including 5250 green screens, WebSphere, Java, Lotus, and Windows applications, IBM is helping SMBs consolidate business and IT processes in ways that could once only be afforded by larger enterprises. In other words, the WebSphere Portal Express for iSeries will make it easier and less expensive for SMBs to do business, which in turn makes it easier for them to stick with or move to iSeries. This is a strategy IBM's competitors have yet to emulate, let alone master.

The Sageza Group, Inc.
836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

Sun Rising in the East?

By Jim Balderston

Sun Microsystems CEO Scott McNealy announced at this week's Comdex trade show that Sun had signed an agreement with the China Standard Software Company Ltd. (CSSC) to one million computers per year in the People's Republic of China using Sun's Java Desktop System, which includes Sun's Star Office 7.0 productivity suite. The Java Desktop System is designed to run on Linux, the operating system and development environment on which CSSC has decided to base its deployment of up to 200 million desktops in the coming years. The government of China has both invested in CSSC and decided that it will use Linux and open-source technology as the foundation of its planned national computing infrastructure build-out. The Java Desktop System is priced at $100 per desktop or $50 per desktop for users of the Java Enterprise System. No terms of the total dollar amount of the deal were announced. It goes into effect at the end of this year.

Given the fact that the Chinese government is intent on building out an IT infrastructure for a good portion of its 1.3 billion citizens over the next few decades, it is surely a market that IT vendors of all stripes would want to enter. Considering that the PRC, among a number of other nations, has decided to cast its IT lot with Linux and other open source development strategies, any company that can offer believable products for this environment has a reasonable shot at a substantial revenue opportunity. In the case of Sun, the company looks well positioned to cash in on that opportunity with its Java Desktop System. As a result, for the first time Sun may have a viable market for its desktop alternative to the bane of Scott McNealy's existence, Microsoft .

But while the CSSC deal appears to be good for Sun, we believe some caution is in order. This is more a story about Linux and open source development strategies then it is about Java. The PRC and other countries opting for open source IT development models are seeking to maintain local control of their IT build-outs and to diminish the amount of capital shipped overseas, especially to the US. In other words, what these nations build, they also deploy. While Sun has a real opportunity to establish an alternative to Windows on the desktop in the PRC, it would not be surprising to us to see future requests from the CSSC asking that Sun loosen their grip on Java development directions and standards, something Sun has heard before and been reluctant to do. Since the PRC's interest in open source is essentially practical, it is not going to adhere to the tenets of IT religious schisms between Sun, Linux, and Microsoft that McNealy is so fond of highlighting. Just because Java is not Microsoft is not a good enough reason for the PRC to stick with Java if Sun's grip on the technology is too rigid. From the point of view of the PRC — or any other nation seeking to control its own IT destiny — this would amount to merely changing the name of the proprietary vendor in a sole source scenario. Will the opportunity of gaining access to the world's most populated national market finally inspire Sun to loosen its grip on Java standards? Stay tuned.

SCO Expands Linux Legal Actions

By Charles King

During a keynote address at the Computer Digital Expo (CDE), SCO Group CEO Darl McBride said that the company had signed an agreement with the law firm of David Boies to file Linux copyright law suits against large companies that have significant Linux installations. McBride said he expects the first suits to be filed in the next few months. To pay Boies' firm, SCO will take a charge of $8,956,000 in the fourth quarter, which ended October 31. The company plans to take another non-cash charge of $8,741,000 for the fourth quarter related to the issue of convertible preferred stock. During the same address, McBride enlisted the help of the World Intellectual Property Organization. (WIPO is against the open source GPL licensing.) He also suggested that the worldwide software market was threatened by the Free Software Foundation's GPL, and likened the notion of free software to file sharing, the dotcom bubble, and free love. McBride defended his management of SCO, saying that he had cut the company's quarterly losses and increased the company's value from a low of $6 million to a current market value of over $200 million. In a separate interview, McBride claimed that Novell had signed a non-competition clause when it sold SCO the rights to UNIX in 1995, and that SCO may have to file suit against Novell if it believes the company's recent acquisition of SuSE threatened competition. Novell responded to McBride's comments by

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836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

stating that no non-competition clause had been included in the contract and that the SuSE does not violate any agreement between the two companies.

The unfolding of SCO's legal strategy resembles the public peeling of an onion. While great things are promised at every layer, the end result is an odiferous pile best suited for the compost heap. Though he attempted to infuse his comments at CDE with big dollar gravitas, Darl McBride wandered from the merely ludicrous to the fiscally and legally questionable. Equating free software and free love is enough to make a cheap headline, but saddling stockholders with nearly $9 million in debt to legally strong arm Fortune 500 companies is reckless in the extreme, and frankly smacks of desperation. The question is not whether SCO can sue a company for Linux copyright violations (since anyone can sue anyone for anything in our great land), but why SCO should think anyone should take the company's threats seriously when their amorphous copyright claims have never been examined, let alone held up in court. In fact, rather than place the evidence they claim to possess into the light of day, SCO has attempted to delay discovery in both its suit against IBM and in Red Hat's countersuit against the company. While McBride insists that upcoming litigation against supposed Linux miscreants will be easier to pursue than its IBM efforts, we expect that any suits SCO files will likely generate more countersuits than cash for the company's dwindling coffers.

By that same token, McBrides' defense of his record as CEO are curious in the extreme. While the company has traveled from the red to the black during McBride's tenure, the way was reportedly eased by significant licensing deals with Microsoft and Sun. In addition, it can be argued that SCO's dramatic increase in market value was due to the activities of speculators who believed IBM or a consortium of UNIX vendors would purchase the company. Without such a deal or continuing infusions of cash from IBM competitors hoping to spread FUD, we expect SCO to remain the sad shell it has been for some time. Finally, McBride's threats of possible legal action against Novell are more poor stuff, unless you believe his claims that Novell signed a non-competition clause. This will be another one for the courts to sort out, if they can ever get McBride to put SCO's supposed evidence where his mouth is. In the long run, we expect the only real winner in SCO's continuing debacle to be David Boies' law firm.

Back to Snail Mail

By Jim Balderston

The United States Postal Service announced that it will discontinue its eBillPay service in April of next year. The service allowed customers to pay their bills online via the USPS site and was operated by CheckFree Corp., a commercial provider of such services. The USPS also said it was abandoning its USPS Send Money service, an electronic cash transfer offering and USPS Pay @ Delver, which allows customers to have delivery confirmation on electronic cash transfers. The USPS has already shut down its PosteCS service, which offered the electronic transfer of large, sensitive digital files with encryption and electronic watermarks that prevented tampering with the documents.

A few years ago, when the USPS began offering electronic services and exploring how to capitalize on the opportunities afford non-snail mail, the agency was, in our minds, well positioned to be a third party provider of safe, secure, and auditable electronic document transfers. Since the USPS enjoys a brand that speaks of reliability and trustworthiness, it was reasonable to assume that a real opportunity existed for the organization to offer more than snail mail service. Additionally, unlike any U.S. private enterprise, the USPS could bring to bear a full corps of Postal Inspectors armed with essentially draconian federal laws against tampering with the "mail." Overall, we suspected that if it developed its offerings carefully, the USPS could have a serious role in the online secure document and funds handling space, seriously influencing services such as online auctions that have suffered ongoing problems with fraud and theft.

Alas, it was not to be. We suspect a number of issues came to the fore that drove the USPS to decide to put these projects in the dead letter file. For one, there was always some resistance to the idea that a quasi-branch of the federal government would offer services in direct competition with private concerns. No doubt the idea that the USPS might actually make a buck or two that could have gone to the purely private sector irked some of those with USPS oversight (like FedEx and UPS). Secondly, we suspect that the rather calcified management of the USPS —

The Sageza Group, Inc.
836 W El Camino Real
Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
Milan +39 02·9544·1646

one of the country's oldest federal institutions — did not have the energy or foresight to push these projects to the point that they became so valuable to the general populace that they would become inviolate and potentially undercut the USPS's historic talent of delivering paper mail. Given the budget constraints the USPS is under, perhaps making a leap into the heady, uncertain online waters was too much to ask of a management steeped in the arcane intricacies of government pay scale ratings and pension benefits. As it is, the USPS appears to be collectively content with delivering snail mail come rain or shine, even as it marches forthrightly into the gloom of night, backs collectively turned away from the bright lights and opportunities of modern communication.

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Mountain View, CA 94040-2512
650·390·0700 fax 650·649·2302
London +44 (0) 20·7900·2819
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