Market Roundup

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IBM: The Essential Ascential Acquisition

By Jim Balderston

IBM has announced the acquisition of Ascential Software Corporation, a Massachusetts-based maker of data integration software. IBM will pay $1.1 billion for the company, or $18.50 per share. Ascential has more than 3,000 customers and partners, and last year saw its revenues grow 46% over the previous year with $271.9 million in total revenues. Ascential's data integration software is used to build data warehouses, run business intelligence systems, consolidate enterprise applications, create and manage business information repositories, and speed data access. The Ascential product line will be integrated into the Information Management and Software Group offerings within IBM.

IBM continues its strategy to acquire additional technologies for the ongoing evolution of its IT product portfolio. The Ascential buy allows IBM to offer extract, transform, and load (ELT) capabilities, something its WebSphere Information Integrator lacked. Combining those products will clearly give IBM a more powerful and useful data management offering. And the timing is right for this acquisition. Data warehouses are becoming the norm for virtually all enterprises, who not only have exponentially more data to manage year to year, but also increasingly complex requirements to store, manage, expose, regulate, and secure that information for partners, customers, and suppliers. While the data pile doubles on a year-to year basis, we believe the demand matrix on the growing pile of information is growing even more quickly. As a result, the simple ability to compile the data required for day-to- day operations as a prerequisite for doing business today is disappearing quickly in the rear view mirror. In its place, and closer than it may appear, is the reality that that data has to be managed with a much finer granularity to meet the ever-growing demands placed on sharing and exposing information up and down an enterprise's value chain. The ability to perform these tasks in a relatively painless fashion is becoming an increasingly essential part of doing business. Thus for IBM, the Ascential buy was, well, essential.

If You Knew SuSE Like I Know SuSE

By Jim Balderston

Novell and IBM have created an initiative to accelerate ISV development and certification of applications built with Novell's SuSE Linux on IBM eServer and middleware offerings. The new joint development effort will allow ISVs to access technical resources, tools, and expertise at nine IBM Innovation Centers around the globe. IBM noted that more than 6,000 Linux applications have been developed to date, 2,000 of which have come from ISVs. The two companies hope to double the number from ISVs in the next two years.

When IBM publicly embraced Linux a few years ago, it had the impact of giving mainstream approval to an operating environment that many of its competitors dismissed as a cute science project. Lo and behold, Linux is becoming an increasing popular platform for all sorts of enterprise-class IT functions, and there appear to be no impediments on the horizon that would slow that momentum down. Those that were dismissive of either or both IBM and Linux back then are now scurrying to catch up. Embracing Linux was, in hindsight, not risky, but in many cases transformative.

Novell would be such a case. The company, one of the stalwarts of the pre-Internet IT landscape, found itself overwhelmed by the rush to different standards and protocols that did not include much of its technology

portfolio. While the company maintained much of its installed Netware base, it found itself increasing its distance from the IT spotlight. Then the company, like IBM, got on the Java bandwagon early. When it purchased SuSE Linux, it took another step toward increasing its visibility and revenue opportunities. Now, with IBM at its side, Novell and its Linux offerings are not only much closer to the IT spotlight but more importantly, back into IT deployments in a fundamental and permanent way. And that's a pretty sweet tune to whistle.

M-System Pushes USB Drive Market Expansion beyond Storage

By Rob Kidd

M-System and SanDisk have founded U3 LLC, with the objective to create USB flash drives that can carry, store, and launch applications anywhere on any PC. M-Systems and SanDisk are pushing U3 technology as the standard for USB drive application development to address the lack of standardization that has hampered development efforts. At present, there are no standards for independent developers to create portable and secure applications for all USB flash drives. The U3 platform includes a hardware specification as well as APIs for developers to access the mobility and security features, and a Launch Pad interface for launching, downloading, and managing U3 compliant applications. M-System and SanDisk will provide intellectual property and technical expertise to U3 and are hoping to create U3-compliant USB drives that would allow any U3 compliant applications to run on compliant drives. Six partners including ICQ and Mozilla have signed on with U3; the first U3-compliant devices are expected to ship by this summer.

U3 is the latest effort of M-System and affiliates to create a USB key value proposition that extends beyond that of being purely a storage device. In 2004 the company incorporated many USB performance, capacity, and security enhancements, and KeyComputing introduced Xkey Exchange Edition targeting Microsoft Exchange users seeking to retrieve and process their email from any PC. While USB keys have provided data portability, they lacked the installation of common applications that could be self-launching, and cleaned from the PC upon removal of the key. One potential use of U3 compliant solutions would allow users to run applications that the enterprise did not want permanently installed on company PCs. With portable applications availability, USB flash drive vendors and others may bundle market segment-specific applications that target traveling, field, or remote-based users who find themselves taking advantage of several virtual offices as opposed to single defined workspace. To help drive developer interest, U3 will benefit developers and stimulate development.

A major impediment to M-System's and SanDisk's quest for success is that they will need to drive U3 deployments so that it will become a de facto, if not de jure, industry standard. To this end, rapid and wide recruitment of U3 developers will be critical. Currently missing from the U3 standards equation is an industry-wide USB drive vendor standards initiative. We believe that this could be problematic for both U3 LLC and competing USB hardware vendors, because the U3 specification includes a hardware specification. For example, U3 will use M-System technology which incorporates some USB hardware imbedded functions, such as security. Different USB vendors implement product functionality with different hardware/software technology combinations. Thus, different USB drive implementations may have greater or less advantages relative to the U3 specification and this may well translate into advantages or disadvantages in the market. The end result could curtail U3 as a standard or slow its adoption. Further USB vendors that find themselves at disadvantage with U3 could form a competing USB application industry standards movement. Storage-only USB drives are a commodity product. It is expected that vendors may embrace USB application drives to achieve a price premium over their commodity offerings. As application-enabled USB drives gain market momentum and acceptance, premium pricing is expected to erode.