
Market Roundup

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Oracle Scoops Up Siebel Systems

By *Jim Balderston*

Oracle announced that it intends to purchase Customer Relationship Management (CRM) software vendor Siebel Systems for approximately \$5.85 billion, a figure that will be reduced substantially by the significant cash holdings of Siebel which are in the \$2.25 billion range. Oracle will pay \$10.66 in cash or stock for each Siebel share. The acquisition comes less than a year after the company completed a hostile \$10.3 billion takeover of PeopleSoft, one of the market's largest CRM vendors at the time. Oracle CEO Larry Ellison said the Siebel Systems acquisition would move Oracle further along to its goal of being the largest applications vendor in the world. Presently, SAP is holding the number one spot. Oracle also bought business software maker Retek in March for \$643 million.

Consolidation in the CRM market and Oracle's lead role in such consolidation does not come as any surprise. Ellison has made it very clear that he intends to do whatever is necessary to grow Oracle into the top position in business applications. The takeover and subsequent dismantling of PeopleSoft is one way to clear the field of competition. We wonder just how much of that game plan Oracle may pursue with Siebel, a company that has foundered in the past few years after defying gravity in the great bubble burst in 2001.

Siebel Systems offers a largely proprietary software product that requires a great deal of effort and time to install and maintain. In fact, it was the heaviness of Siebel code that allowed smaller upstart companies like Salesforce.com to offer Web-based products that were much lighter in their IT requirements while delivering much of the same functionality. Siebel itself attempted to bring forth a lighter, Web-based offering but largely abandoned the effort some time ago. Which raises an interesting point: Will Ellison try and forge ahead with Siebel offerings in an effort to shut off more standards-based competition, seeking the whole of a smaller pie? Or will he largely shut down Siebel, offer products that play nice with others and enjoy a slice of a much larger market opportunity? In our mind, that latter would be the most intelligent move, as opting for proprietary software is in the long run a losing wager. So we would not be surprised in the least if the Siebel acquisition begins to look much like a PeopleSoft re-run, with Ellison and Oracle largely removing a competitor from the field while trying to migrate Siebel customers to Oracle systems.

eBay Does Skype

By *Joyce Tompsett Becknell*

This week eBay Inc. announced it was purchasing Skype Technologies for approximately \$2.6 billion in cash and eBay stock with potential performance-based consideration. eBay believes the acquisition will strengthen its global marketplace and payments platform as well as offer opportunities for new lines of business and new monetization opportunities for the company. eBay also believes that the deal offers opportunities for Skype to grow its business worldwide in conjunction with eBay and PayPal's existing businesses as the communications engine of a growing electronic commerce network.

Rumors have abounded for awhile now about various players purchasing Skype. Many however saw eBay as an odd partner, as Skype is viewed as a communications company and it was expected that it would be purchased by another type of communications company rather than by an ecommerce company. eBay rationalizes the purchase as a way to expand commerce for complex products such as automobiles, collectibles, and jewelry, with Skype as a

means to enhance communications between buyers and sellers. This is a good idea for eBay and PayPal, and creates more lines of communication where basic transactional data is insufficient to build trust relationships. Taking advantage of the growth in IP communications is a real possibility now and is a sensible business approach. eBay is one of the few Internet boom alumni that is still thriving today and it has done so with some canny business decisions that haven't always made sense at first blush but have proved to have been smart moves.

On the other hand, IP possibilities abound. Yahoo and Google are recent entrants in the IP calling feature add-on battles for multi-purpose communication portals. The decision to purchase Skype may be an expensive way to add that capability to eBay's portfolio. While Skype is one of the largest IP telephony providers, it is hard to estimate what percentage of those users are already eBay customers and harder still to determine what percentage of those might choose to be given the opportunity. eBay maintains that it understands the role of Skype as a standalone business (which is significant to the current Skype user base who have chosen Skype as their service provider for many reasons, none of which involved its online commerce potential) and it is important that they demonstrate Skype ability to remain a strong VoIP provider. Certainly Skype can benefit from having larger corporate coffers to draw from for service and support. Skype has run on a minimal staff and it has meant that upgrades and new developments were not always as quick as some users might want. The directions eBay will take for Skype may help fund new applications and uses that will benefit much of Skype's existing base. In the end, it is clear that eBay is still thinking outside the proverbial box as it plots its growth strategy. If it can work out how to use Skype to mutual benefit, then it will can raise the bar for competition again and boldly take ecommerce where it's never gone before.

Dealing with the Aftermath

By *Susan Dietz*

In the aftermath of Hurricane Katrina a number of emergency services have been brought to bear on the inhabitants of the stricken area. Medical teams have been flown in and are being asked to treat people with both existing and newly acquired ailments. As a result, various state and local agencies, as well as many pharmacies, are placing medical information online for doctors to access while treating patients. State agencies from Louisiana, Mississippi, and Alabama have made such records available, as have federal agencies like the Veterans' Administration and Medicare and Medicaid.

Call necessity the mother of invention. While the practice of placing medical records online has been held back due to security concerns, it is apparent that in circumstances like Katrina's aftermath the need for access to such information trumps security concerns as patients lives are on the line. Not only are doctors being forced to treat injuries or medical conditions directly related to Katrina, they are also being forced to deal with pre-existing conditions that were subject to treatment. As such, having accurate medical records allows doctors to treat more immediate needs without causing unwanted side effects due to conflicting treatment programs.

The fact that these records were available at all is reassuring. But many more were destroyed. Reports indicate that every birth certificate from the state of Louisiana is now under several feet of muck and water. One suspects that significant other repositories of crucial documents or data are also inundated, leaving the recreation of such documentation or data a difficult task. Going forward, the collation and collection of unstructured data forms — like birth certificates — will become an increasingly important role of civic governments, especially those that lie in significant hazard zones such as those prone to hurricane or earthquake activity. Not only do these documents need to be digitized, they also need to be backed up in a fashion that will (hopefully) keep them out of harm's way. We would suggest that a city lying several feet below sea level would not be a good location for this kind of storage. In the case of medical records, we see the Internet playing a role that could not be replicated just a decade ago, and one that we believe will improve the quality of medical care dramatically, after disasters or in everyday life.

Novell Moves Linux Business Apps

By *Jim Balderston*

Novell announced this week that it is teaming with SugarCRM to provide customer relationship management applications to small and medium-sized businesses based on open source technology. As an application partner with Novell, the distributor of SUSE Linux, SugarCRM is participating in Novell's Market Start program, designed to provide back-office applications built on Linux technology and made available to small and medium-sized businesses. Version 3.5 of SugarCRM offers a range of features for managing customer relations while decreasing the complexity of installing and running CRM applications, the two companies said in independently released press releases. Sugar Open Source Edition is available online as a free download. The more advanced version, Sugar Professional Edition, and the new Sugar Enterprise Edition are available for \$239 or \$449 per user per year, respectively.

To date, much of the penetration of Linux in the marketplace has been in the back room infrastructure space, tying things together at the lower levels of the stack. Such accomplishments are not to be scoffed at, but represent the first step in establishing Linux as an enterprise (and market-wide) technology. The LAMP initiative is one that is an example of how to attempt to secure the presence of Linux in the enterprise as a foundation for larger and more daring implementations of Linux and open source offerings. Perhaps the SugarCRM product is an indication that such an evolution is occurring in front of us as we speak.

The ramifications of such a development are significant. Open source applications that meet the needs of enterprises of all sizes drive a stake in the ground around which Linux and its progeny can rotate and destroy the notion that open source offerings cannot solve fundamental business problems. The impact of such a development cannot be overstated. Open source development allows the best and the brightest to improvise freely, an environment that allows extraordinary creativity. Going forward, the open source community will continue to gain ground as each and every vendor that puts a solution in place aids and abets the next open source vendor that happens along. Novell may start an installation. IBM may follow. Or vice versa. It does not matter. As open source offerings begin to end user difficulties the momentum for all Linux and open source vendors will accelerate. Hold on to your hats.