
Market Roundup

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The Race Begins

By Jim Balderston

Oracle announced this week that it would release a new application suite called Fusion in 2008 that would provide a migration point for customers using Oracle, PeopleSoft, and J.D. Edwards applications. Oracle stated that the company could proceed with the development of the new offering while continuing support and providing upgrades for both PeopleSoft and Oracle products. Oracle said developers are already at work on the new product and are expected to deliver parts of the technology in 2006 with individual applications available in 2007 and the full suite available in 2008. Oracle plans to offer upgrades to all three product lines in 2006, which will be the last upgrade before the availability of the Fusion product. In related news Oracle competitor SAP announced that it had acquired a Texas-based firm that specializes in maintaining PeopleSoft installations while noting that the company was targeting some 2,000 companies worldwide that run both Sap and either PeopleSoft or J.D. Edwards applications. In another announcement, Lawson announced that it has a migration program for PeopleSoft customers to its Series 8.1 Business Software running on IBM eServer iSeries boxes.

Ready, steady, go! The race is on and for Oracle the race is between the company's ability to put forward a viable alternative for PeopleSoft and J.D. Edwards customers before they jump ship, perhaps en masse. Ellison's "take no prisoners" approach to the PeopleSoft takeover has put a great deal of blood in the water, and sharks are beginning to circle with increasingly aggressive feeding postures. Both SAP and Lawson are on the scene, hoping to pick off PeopleSoft and JED customers who are (justifiably) nervous about just what Oracle is planning to deliver in the next few years. Can Oracle really provide a blended product that will be attractive to this less-than-enthusiastic new customer base? Can the company actually support three development tracks simultaneously? Ellison's breezy assurances to the affirmative make us wonder and should give real pause to those customers as they plot out their future IT deployments. We would not be in the least surprised to see Oracle unveil a suite of migration tools along with its latest Oracle product rev and, for all intents and purposes, tell PeopleSoft and J.D. Edwards customers to take it or leave it.

That said, it would appear to us that a number of vendors are going to have opportunities to poach this customer pool in the coming eighteen to twenty-four months. Not only will Lawson and SAP have real opportunities to collect customers via migration strategies, others like Microsoft will be better positioned to make new inroads into customers who are given the stark choice between Oracle and the colossus of Redmond. For many of these customers, the more attractive option will be Microsoft, given the capriciousness long exhibited by Ellison. While Ellison's acquisition of PeopleSoft continues to play out, the scenarios for its relative success or failure remain largely shrouded in the relative competencies of the companies involved. One thing remains clear, however: Oracle's hope to capture the vast majority of PeopleSoft and J.D. Edwards customers is very much up for grabs.

The HP Way

By Jim Balderston

HP has announced a set of new high-end and midrange server featuring Intel's Itanium chip, along with software to run the machines more efficiently. HP officials said that the company would continue to build its enterprise server line around the Itanium chip and projected an approximate \$3 billion over the next three years to develop Itanium-related products. In a separate announcement, HP stated that the company sold more than \$1 billion in its Integrity server-related solutions during 2004. The company said these sales numbers indicated the Itanium-based HP products were gaining steady traction in the market and that its products were replacing IBM mainframes and Sun Microsystems servers.

When HP essentially bet the farm on the Itanium chipset, many questioned the wisdom of doing so, including us. Despite all efforts by HP to convince the world that Itanium is a de facto industry standard, the market remains largely unconvinced, with other platforms — like IBM's Power — gaining more credibility as true industry standards. Nonetheless, HP management has committed itself to Itanium and apparently still feels the need to quantify its success in the market and the company's strategic decision-making process.

Call us largely unconvinced. HP's enterprise strategy has been somewhat convoluted in the past few years. The Compaq acquisition has apparently been largely placed in the dusty bin of history with little or no fanfare (and frankly not a lot to show for it.) Yes, the company gained profitability after absorbing Compaq, but it did so largely by cutting costs, including thousands of employees. In the last month, the company dropped its ten-year relationship with Intel to jointly develop Itanium, and the HP engineers on the project were absorbed into Intel late last year. As much or as little as that decision may actually portend, it is clear that HP has chosen its path and there are few options at its disposal to change its strategy at this time. In our view, the Itanium gamble still looks as though it was the wrong choice. HP has in our mind become increasingly desperate to justify its decision, and we wonder how much of this \$1 billion is actually Itanium server sales and not simply wholesale addition of any and all sales related to any and all Itanium installations. In other words, do printing supplies or services count here? Given the fact that HP did not detail its actual sales figures related to the \$1 billion figure, we are left only to guess. Our guess? Lots and lots of toner being installed by top-notch technical services personnel.

Veritas Launches Product, Buys a Company, Defends its Merger

By Joyce Tompsett Becknell

Veritas has announced Backup Exec 10.0., the latest version of its backup software designed for small and mid-market companies in a Windows environment. The product is notable in following a recent trend of bringing high-end features into midrange products in the storage space. It provides easier management by making it possible to manage a large number of systems from a single system, allows customers to backup data in smaller portions, and allows use of disk for backup instead of tape. Veritas claims that the driving benefit of the new version is increased efficiency for smaller customers who need to rely on fewer resources to achieve their objectives. Separately, Veritas also announced that they would purchase Invio Software, a company with an IT process automation engine. Veritas CommandCentral 4.0, their storage management platform, already has the product embedded into it. At first, Veritas will be able to use Invio's process engine across a greater range of its existing products. Future plans involve extending beyond storage to capabilities such as server automation.

Veritas has made one of its biggest announcements in some time with Backup Exec 10, and also signified some strategic moves in the purchase of Invio. Veritas was also recently purchased by Symantec, a supplier of information security for customers from consumers to large enterprises. Veritas and Symantec recently announced the joint team responsible for integrating the two companies as well as enlisting the aid of PricewaterhouseCoopers and Bain & Co. in completing that integration internally and on the customer-facing side respectively. Mergers are dangerous things. There are of course all the inherent issues of combining the products, the processes, and the culture of two companies. These issues can make or break a merger or acquisition. Even more frustrating is when the financial community makes things worse for the companies by creating shadows and potential negative feelings where none might have existed. At Veritas' announcement, the questions should have

focused on what Veritas is currently doing, what they are planning to do in the near future, and how this positions them against their competitors. It is prudent to question management about the potential issues surrounding the merger, but if the companies can demonstrate that they are aware of the issues and addressing them, and more importantly that they have a strategic roadmap they continue to execute on, then customers should have no real worries about the merger at this point. Instead, Veritas CEO Gary Bloom has to assuage the fears of worried customers in relation to the merger. In part, this worry is growing from financial analyst concerns that the merged company will only be expected to have growth in the mid-teens. We wonder where reasonable concern ends and obnoxious greed begins. And whether that percent of growth for that size of company is really a good indicator for cautious customers at this point.

Back to the more interesting bits of the technology. Veritas, like EMC and Cisco, continues to make interesting purchases that grow the company slowly but surely away from their core business and toward a broader goal of becoming the strategic partner to help companies run their businesses more efficiently, cost-effectively, and sanely. Each company has taken a slightly different approach based on their heritage, but we wouldn't bet against any of these three. Veritas and EMC are coming from the storage background. Veritas has a rich background in backup and restore, and EMC purchased Legato who was a strong competitor. Veritas has indicated it is pursuing server management, and EMC has purchased VMware, who has the most advanced server virtualization beside IBM in the industry. Merging with Symantec will provide Veritas with access to security and viewing the network as an important part of the ecosystem, a message Cisco has endorsed and begun to build a strategy around. We expect the industry will continue to consolidate as more of the niche players of management, security, and storage continue to merge to leverage capabilities and customer bases. Veritas' latest announcement and acquisition should make clear their desire to be a strategic advisor to enterprises and their willingness to invest to make this possible.

Virtualization and the Context of Computing: VMware Delivers VMware ACE

By Clay Ryder

VMware has announced the availability of VMware ACE, which is designed for organizations that are seeking to manage contractor, telecommuter, and mobile laptop users with a unified mechanism that combines security, user autonomy, and centralized management. The product enables IT desktop managers to provision a customized, secure, and standardized PC environment to any unmanaged endpoint. VMware ACE lets IT desktop managers apply enterprise IT policies to a virtual machine containing an operating system, enterprise applications, and data, to create an isolated and assured PC environment. Through its Virtual Rights Management (VRM) technology, VMware ACE lets IT desktop managers control desktop lifecycles, secure enterprise information on PCs, and enforce compliance with IT policies while maintaining end-user autonomy. Notably, VMware ACE provides safe access to enterprise resources from remote and guest PCs while securing data on mobile laptops through VRM copy protection controls and automatic encryption to reduce the risk from theft, tampering, and unauthorized duplication. VMware ACE is now available. Electronic distribution is available from the VMware Store as well as from Dell, HP, and the VMware VIP Reseller Network and distribution partners. The VMware ACE Starter Kit is available for \$995 and includes ACE Manager and four VMware ACE client licenses for end-user PCs. Additional client licenses are available for \$99 per licensed PC.

With enterprises of all stripes increasingly changing the view of the workplace from that of an office filled with employees to that of contractors, telecommuters, and outsourced human resources co-mingling in an intersection of talent and creativity, the issue of controlling and protecting corporate assets looms large. Since information and personnel are no longer physically constrained by location, the risk of information finding its way out of the safety of the corporate office is considerable. While there have been many ways attempted to secure the enterprise from malfeasance, few have dealt with the mobile nature of the laptop and the commensurate workforce. Thus, this two-way protection of the enterprise and non-enterprise intellectual assets promoted by VMware ACE is in our mind an enlightened approach to solving the equipment and personnel mobility quandary.

Perhaps more interestingly, this illustrates another use of virtualization technology beyond simply running more applications on a given CPU or system. The creation of the trusted environments allows the system to take on a

role-based context, whether it is personal, corporate, contracted, or just plain silly (e.g., any number of games played on break.) Thus, the policies of the enterprise and its applications being accessed can be maintained on the remote device without taking over the personality of the remote device. Conversely, an individual need not lug around multiple laptops or access multiple desktops simply to maintain the intellectual purity of any given task. We find this focus functional role as opposed to physical technology to be refreshing and the admission of a reality that has existed and has continued to grow over the past several years. While IT has a long way to go in reflecting the realities that all workers are people with personal lives, announcements such as ACE shed a light on a future where the person and the role he/she is undertaking at the moment define IT and information access, as opposed to the infrastructure attempting to place its identity and constraints upon the person.

Intel Reorganizes Product Groups

By Rob Kidd

Intel announced this week it is restructuring to focus on new opportunities in mobile and home electronics, enterprise and channel business, and health care. The Intel Communications Group (ICG), which had a loss of \$791 million last year, has been dropped. ICG product lines, primarily for mobile phones and networking equipment, will be distributed among the five newly formed business units. Prior to the reorganization, Intel had two main operating units: the Intel Architecture Group (IAG), which encompassed computer microprocessors and supporting chips; and ICG, which included flash memory, cellular phone chips, and networking products. Flash memory and cell phone chips will be included in the mobile group, as will the Centrino brand of notebook chips. The digital enterprise group will include networking products and technologies designed for business, while the digital home group will focus on consumer electronics and living room entertainment. The digital health group will focus on healthcare research and personal health. The channel products group will combine existing organizations into a central operation for selling into local and geographic markets. The company also announced that Paul Otellini, its current president, would become CEO in May 2005.

This reorganization comes as no surprise; it is in line with Intel's latest strategy which accounts for the changing realities of the technology market place. The PC market's growth is slowing; by contrast, the five areas that Intel is focusing on and organizing around are expected to grow rapidly. Over the years Intel has moved from being a chip company to a manufacturing powerhouse, and now it is positioning itself to become a market-focused and -driven company. This is also reflected in recent Intel chip and processor directives where the company is emphasizing dual core processors and chip features over raw performance as a means of delivering increased performance and marketability, with lower R&D and manufacturing costs. This reorganization with its focus on markets as opposed to technologies may help prevent future issues such as missed delivery dates and market missteps such as Itanium.

Over the years, Intel has demonstrated the ability to take calculated risks and reinvent itself, and the present restructuring is no exception. Other semiconductor manufacturers such as Texas Instruments, which have not been directly competing with Intel processor chips, have not been that concerned with Intel; now this may change. If Intel can capitalize on market opportunities as they develop, the broader semiconductor industry will want to keep a closer eye on Intel. Successful reinventions take planning, capital, and execution. While the company can reasonably lay claim to the first two, only time will tell whether it will master the third.