

Market Roundup

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IBM Announces the Era of “On Demand” Computing

By Clay Ryder

On Wednesday IBM's CEO and newly elected board chairman Sam Palmisano addressed customers and partners, presenting his vision of a new agenda for business and technology. Dubbed On Demand, the new vision articulates IBM's current thinking with respect to computing customers, and their needs over the near and future term. Key components of On Demand include evolutionary iterations of autonomic computing, Grids, and networking. Palmisano observed that the ability of companies to become on-demand businesses, capable of responding in real time to changing conditions around the globe, would determine the industry winners and losers for the next decade. IBM plans to establish a new On Demand group and has committed \$10 billion to bringing about this new era through research and development, company initiatives, and acquisitions. Among the first such initiatives will be the opening of four On Demand Design Centers in the United States, Japan, and elsewhere, to educate customers and test IBM concepts and products. While reporting structure and personnel have not been decided for the new group, Dr. Irving Wladawsky-Berger has been tapped to help bring some of the earliest On Demand initiatives to the marketplace. IBM indicated that it expected to make further announcements regarding the new organization over the next several days.

Back to the Future or Flash Back to the past? The notion of utility computing, outsourcing, the big friggin' Web tone switch, or whatever else one likes to call it, is nothing new. In fact, this general model of computing has been the battle cry and/or mantra of several failed initiatives, including most recently ASPs. However, in stark contrast to past initiatives that were at best piecemeal or at worst technological oatmeal, IBM's articulation of On Demand comes to the table with a good deal more than heady grand schemes and rococo visions of splendor. Rather, On Demand arrives with the weight of initiatives that have been in the works for some time. Autonomic Computing and Grids will provide much of the infrastructural basis of this initiative, but perhaps most telling was IBM's flat out assertion that technology would not be enough to make this come to fruition. To make On Demand work, IBM says, customers and users will have to change their mindsets about technology and how to approach computing in order to take full advantage of this new opportunity. We couldn't agree more.

Rather than bang on its chest and tout On Demand as the latest and greatest rip and replace strategy, IBM is instead positioning On Demand as an incremental value-added approach that will seek to leverage IT resources in a rational, and in many cases automated fashion to support future computing needs. Given the

budgetary crunch that many IT shops face, learning to do more with what one already has and combining it with self-managing, self-healing technologies is not a difficult notion to sell. But more interestingly, if taken to its logical conclusion, On Demand would fundamentally change the value-added proposition of IT resources, personnel, the user base, and vendors themselves, and could eventually raise the bar for the overall computing experience. Despite the well articulated path IBM hopes to follow, it will still have to convince its customers to alter their assumptions and thinking with respect to IT solutions. As we know from history, changing technology is often easier than changing behavior, and changing behavior will be the key to ensuring that On Demand is in demand.

EMC/Dell Celebrate First Anniversary, Introduce CLARiiON CX200

By Charles King

EMC and Dell marked the one year anniversary of their strategic relationship this week by announcing a worldwide manufacturing agreement and a new entry-level storage system. Under the agreement, Dell will manufacture the new Dell/EMC CX200 storage system at facilities in Texas, Ireland, and Malaysia. EMC will continue to build the full CLARiiON product line including the CX200 at its plants in North Carolina and Ireland. According to EMC and Dell, over 1,500 customers have purchased Dell/EMC storage systems during the past year, and the products have been especially popular among SMBs, government and education clients. The allies' newest product, the CX200, is an entry-level addition to the CLARiiON CX product line and shares a common architecture, components, management software, and FLARE operating environment with the CX400 and CX600. According to the companies, the CX200 delivers 25,000 I/Os per second of throughput and 200 megabytes per second in cached environments; can scale to over 2TB in capacity; and supports Windows 2000, NT, Linux, and Novell Netware. The CX200 is an integrated part of EMC's AutoIS strategy, and can incorporate EMC management software such as PowerPath channel failover, and EMC ControlCenter applications including Navisphere and StorageScope. The CX200 can be upgraded via a storage processor swap, with data in place, to CX400 or CX600 configurations. The CX200 is immediately available for order, with general availability in early December at prices starting under \$30,000.

These announcements contain a pair of notable elements, one having to do with real world IT strategy and the other dealing with nuts and bolts supply chain management. On the first point, the CX200 announcement can be interpreted as a sign that after a dramatically difficult year for the IT industry, the EMC/Dell strategic relationship remains on track, a notable event during vicious economic times and even more remarkable considering the minuscule half-life suffered by most vendor alliances. The base reason for this success is simple; the lion's share of each company's success comes from areas largely unfamiliar to the other, offering a built-in synergy to their joint efforts. EMC's presence among large enterprises occupies the business sweet spot Dell has its eye on, while Dell's continuing leadership on the desktop and in lower end servers is a door opener for EMC's SMB aspirations. What this means in practical terms is that by working together, the two companies enjoy much of the footprint and many of the benefits of full service vendor leaders HP and IBM. While the CX200 may be the most recent co-branded EMC/Dell product, we expect it will be joined over time by a raft of others.

We were also interested to note the worldwide manufacturing agreement included in the announcement, which allows Dell to manufacture the new co-branded CX200 systems at its own facilities and pay EMC a simple licensing fee. From a purely practical standpoint, this agreement is a simple OEM deal between trusted allies. But we would be curious to know how just well Dell's vaunted supply chain prowess for desktop systems and low-end servers will translate to entry level storage products. And, if Dell improves the margins on CX200s, how EMC will be able to exploit the process in the future. We expect any number of people at both EMC and Dell are wondering the same thing.

Talkin' 'bout the Next Generation: WiFi Security

By Jim Balderston

A task force within the IEEE is developing a new standard for the 802.11a/b that will provide a much higher level of security for wireless networks. That standard has been tagged 802.11i and is expected to be approved in September 2003. At the same time, the WiFi Alliance – which oversees products claiming the WiFi designation, has opted to push the process forward by designating a Wireless Protected Access specification that will address data encryption and access control issues. In that effort, the WiFi Alliance has pushed an encryption key schema that will allow users' keys to change periodically. WPA will also offer improved authentication in enterprises by using application servers to handle that process. The WiFi Alliance will release its draft spec on November 8, 2002 and testing will begin on November 22nd. The WiFi Alliance will adopt IEEE's 802.11i standard in the next rev of WPA, with a certification process scheduled for 2004.

Confusing? Yes, it does seem that way. Yet given the ongoing stream of news stories about the vulnerabilities of wireless networks it would seem that the WiFi Alliance is attempting to generate a bit of PR to help alleviate concerns about ongoing well-documented security issues that are inhibiting wireless network adoption. That the group would take this step should come as no surprise, since a lot of big players – including Intel and Microsoft – are betting that wireless connectivity for PCs in both the enterprise and the home will drive significant future sales.

But that's the future. Right now, CIOs and IT staff are in a fight with their users, who love the idea of having access in any conference room in the building without having to schlep along wires and connectors. Popping open the laptop and bringing up the Internet, or slides stored on a server, or sales figures, or any other pertinent data that might close a sale looks damn impressive to a prospective client. But the poor IS people know – as does the world at large – that wireless security is still mired deeply in the past. Wireless access is a neat enough parlor trick, but is not as secure as conventional wire line connections. While the WiFi Alliance may be stepping in front of the IEEE as concerns standards evolution, we suspect that such a move is primarily designed to assure potential adopters that security issues are being not only seriously addressed, but being addressed in a fashion that makes a wireless investment a sensible thing to pursue. This is especially critical at a time when the high tech industry needs something to help inspire those much loved hockey stick adoption curves that were oh-so-popular not so long ago.

Palm Mines Tungsten for Business Gold

By Charles King

Palm this week introduced the Tungsten T handheld, a PDA the company describes as the most compact Palm-branded handheld on the market. Palm is targeting the Tungsten at mobile business professionals including entrepreneurs, telecommuters, and executives. The Tungsten is the first Palm handheld built with Palm OS5 and Texas Instruments' OMAP1510 processor. The new PDA's features include a 320x320 color display, integrated Bluetooth wireless capabilities, a "slider" which opens to allow user input via Palm Graffiti, and a built-in expansion slot for SD cards, SDIO, and MultiMediaCard media. The Tungsten includes 4MB of Flash memory, 16MB of RAM (w/14MB of actual storage) and an internal lithium ion battery. The Palm Tungsten T handheld is available immediately with an expected street price of \$499.

The Tungsten announcement can be interpreted as both a step in a specific new direction for Palm and a more general indication of how the PDA market is maturing. Palm achieved market prominence by being first out of the gate with devices which managed to scratch the gizmo itch of a large number of consumers. Palm's PDAs were, to be blunt, a step up battery-wise from hard copy Day Runners, but left a great deal to be desired so far as serious computing was concerned. PDAs such as the Compaq (now HP) iPAQ and HP Jornada, based on Microsoft's PocketPC OS, were more robust than Palm products and, naturally enough, better integrated with Microsoft productivity applications such as Word and Excel. Despite these shortcomings, Palm has managed to maintain a formidable lead in market share, at least until recently, as the PDA market has become an

increasingly interesting and competitive place. Pressure on Palm comes from two sides; both from PocketPC-based competitors like HP and from vendors like Handspring and Sony which manufacture Palm OS-based devices. At the same time, the more general economic malaise has deeply impacted consumers, quelling the demand for gizmos.

What market does that leave for sales-hungry IT vendors? Why, business professionals, of course. Hence the Tungsten T, which Palm is hoping will tempt mobile workers with jobs and attendant expense accounts. That said, how does the Tungsten T stack up against the PocketPC competition? Its 320x320 display seems like a plus (offering a bit more resolution than the iPAQ's 240x320 screen), but the Palm "slider" input feature results in the display having an essentially square and somewhat claustrophobic feel. The integrated Bluetooth capability is a nice touch (only the top end iPAQ boasts integrated Bluetooth), though we wonder just how strong a selling point Bluetooth is at this point. The most disappointing element of the Tungsten T is Palm's traditional paucity (4MB Flash & 16MB RAM) of memory. The low end iPAQ 3835 (which costs \$100 less than the Tungsten T) has 64MB of RAM and 32MB of ROM, and the top end iPAQ 3975 offers 64MB of SDRAM and 48MB of ROM. In other words, the Tungsten T delivers in a slightly new form factor the sort of device Palm is well known for; a trendy gizmo that delivers more style than computing power. Overall, the Tungsten T is likely to be embraced primarily by Palm devotees, a group that, unfortunately for Palm, appears to be dwindling slowly away.

Trust Us — We're with the Government

By Jim Balderston

The General Accounting Office released a report this week that showed that various government agencies shared data gleaned from a wide variety of government application with other agencies and even private collection agencies. According to the GAO, such sharing is legal, as it is disclosed on many of the applications that information provided therein will be shared with other agencies, although in many cases which agencies get the information is not explicitly enumerated. An example noted that applications for financial aid with the Education Department will be forwarded to the Justice Department, the Department of Veterans Affairs, the Selective Service Board, and the INS. This data swapping is designed to ensure that the applicant is qualified to receive the loan based on criminal record, INS status, etcetera.

While some would argue that the government actually sharing data is a good idea — noting pointedly that various US agencies failed to put the pieces together as various members of the 9/11 hijacking team made their trail somewhat known — we wonder if an interesting side effect will come out of the debate surrounding government agencies becoming more data efficient. What has been notable in our eyes is the public's relatively low concern with the idea that private sector entities are collecting huge amounts of data on their buying habits, Web surfing preferences, phone usage, credit card usage, and the like; and sharing that information freely amongst other parties. While there has been an increasing voice given to the issue of consumer privacy protection in the private sector, we suspect that ongoing revelations of government collection and sharing of personal data may actually move the privacy issue much more to the forefront in the public's mind. Black helicopters or not, identical actions taken by the public and private sector are seen in a much more sinister light when they are taxpayer funded. If this proves to be the case, and privacy issues begin not only moving to the front burner but also actually have heat applied, government privacy issues could drive legislation and consumer expectations that have a significant impact on the private sector as well. This issue is far from resolved, and it is building the kind of internal pressure that may only need a small spark to set off. Black helicopters indeed.