



Technology Brief...

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The iPhone Effect

The iPhone is nearly a year old. In its relatively short life, it has dramatically altered the smart phone landscape, partially through groundbreaking features and partially through bravado. Nevertheless, the iPhone has been a watershed in the market and its influence can't be denied. Below are some projections on its current popularity and the future it has made for itself and the phone industry.

First, there is no doubt the innovative interface of the iPhone caught most of the industry stalwarts "flat footed" and most are now trying aggressively to catch up to Apple. Indeed, the new Samsung collaboration with Sprint on the Instinct, and Nokia's newly displayed Tube are but two examples of what the iPhone has wrought. We expect Apple to set the standard for the next generation of smart phone devices with its innovative navigation and user friendly interface.

Apple's impact on the smart phone market will continue, with nearly all manufacturers waiting for the next Apple device to come to market, and trying to anticipate what it may include and how to compete with it. Even the new Android phones, not yet released, have been affected by the iPhone. But there is no shortage of competition for Apple, with the large players (e.g., Nokia, Samsung, LG, Motorola, RIM) not sitting still. We expect a running battle for features and user interface improvements for the next several years, and Apple's lack of industry standards support (e.g., Java, Flash) will ultimately make it less attractive.

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Despite its popularity with some enterprise users, the iPhone is not truly secure and compliant (e.g., FIPS, SOX, HIPAA) without including third party add-ons. Apple likely will not fix this problem in the near future, making it a casual rather than a robust enterprise ready device. Some companies will add it to its supported device list at the request of its executive users, especially for email through its soon to be released ActiveSync or third party email solutions (e.g., Sybase iAnywhere). However we do not expect many companies to designate the devices as enterprise-class, mission critical application platforms. Most enterprises will continue their path toward Windows Mobile and/or Symbian as the preferred enterprise app platform.

Although the iPhone is popular, particularly with loyal Apple aficionados, its monopolistic approach to all things iPhone related (requiring everything to pass through iTunes and thereby getting a cut on all revenues) will ultimately cause a backlash that will make even Microsoft look like an open company. Not only will this stifle the market (as Apple tries to be the “gate” to all iPhone additions), it will also ultimately bring the wrath of regulatory agencies, particularly in the EU. Closed, controlled wireless is transitioning, and even the carriers are being forced to open their environments. We expect Apple will also have to open up within the next 2-3 years.

Apple’s approach to the iPhone has forced Microsoft to re-evaluate its Windows Mobile user interface, which has been complex and confusing to many users, and will ultimately lead to a streamlined and more compelling user experience on Windows Mobile smart phones. This is equivalent to what happened in the PC OS/UI battle between Apple and Microsoft, and the outcome will likely be the same. We expect this to ultimately benefit the end user, as more user friendly devices make their way to market in the next 1-2 years.

Bottom line: The iPhone has altered the smart phone landscape. However, questions remain as to the long term influence Apple can exert on the industry, given the large number of substantial companies its needs to compete with (e.g., Nokia, Samsung, LG, HTC). Further, potential threats from Linux, Microsoft Windows Mobile, Android and Symbian could make the iPhone OS and Apple’s stranglehold on the ecosystem look outmoded in an increasingly open world. Finally, security and threat management will ultimately show whether Apple’s environment is any more secure (as it claims) than competing platforms.

US Government Loses Its Census

With much fanfare, the Census Bureau announced about two years ago that it was modernizing. It would issue a state-of-the-art handheld computer to each of the 2010 census takers to record the count at each household and its specific location (via GPS), and then upload all the data for processing. The prime contract went to Harris Corp, who would provide Windows Mobile powered devices using Sybase mobile middleware for deployment. The 500K units, the largest ever handheld contract, would enable the government with the most effective method for retrieving accurate and complete data, albeit at a price (\$600M, or \$1200 per user).

Fast forward to a recent congressional hearing. With little fanfare, Commerce Secretary Carlos Gutierrez whose department oversees the Census Bureau announced that he was curtailing this project due to cost overruns and systems that didn’t work effectively (the users couldn’t figure out how to use the devices!). They would still buy 151K devices, for the now inflated cost of \$1.3B, but they would be used primarily as

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supplementary GPS devices (Garmin devices would have been a lot cheaper!), and the actual data would be collected the old fashioned way - with paper and pencil!

This fiasco could have easily been avoided, of course, by following well know best practices for mobile deployments. It's obvious that the government didn't create a viable strategic plan up front, and it went through continuous modifications as it tried to figure out what to do. Further, it did not get its end users involved in design of a system that was user friendly and easy to use. This is key to any successful mobile project if high productivity and low support costs are desired. There were also too many chefs in the kitchen, as the specs changed continuously with more and more groups getting involved and Harris had to make changes on the fly at the same time it was trying to create the core system functions. This is no way to meet the time and price commitments on any project. Finally, the complexity involved caused the help desk support costs to skyrocket; a major piece of the cost increase. Few companies do adequate planning for continuing support, and despite the inflating costs, we give Harris credit for realizing this would be a requirement for success. Clearly, this project showed that good project planning and practice is not a forte of the US Government, but Harris, who has done many government projects in the past, should certainly have known better. How many enterprise projects working with third parties have gone the same way?

So who are the winners and losers? Microsoft lost out on its claim to powering the largest handheld deployment ever, and Sybase will sell fewer licenses. Harris will lose its bragging rights to future projects, although it did get more revenue than originally planned even without completing the full scope of the project. But the biggest loser is the American people. A fiasco like this at any public corporation, having blown such a major and visible project, would have its stock price trashed and management replaced. But who in the government will pay the price for such a dismal failure? No one! And it will leave us with one more example of how our current public systems can not cope with the transition necessary to bring them into the 21st century.

Bottom Line: The census fiasco shows once again that without a realistic strategy and adherence to best practices, mobile projects will fail to deliver. Organizations, whether public or private, must create a viable strategy and follow it with effective project management and best practice if the project is to be completed on time and in budget. We have worked with many organizations and find that many still do not do this adequately, hence the fairly large number of mobile project failures.

Mobile IM Goes Corporate

Instant Messaging and Presence are two technologies that are rapidly making in-roads into the corporate setting. Yet very few companies have adequately planned for and/or deployed the technology. Indeed, most IM

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installations are ad-hoc in nature, being driven not by company strategy, but by user demand. This is a very risky situation, as companies face increasing security threats all around and the need to set and enforce policies that will provide a level of protection against data breaches, and compliance regulatory malfeasance. Further, a widening array of clients, particularly mobile IM clients, will cause increasing stress on an IT infrastructure that is already over burdened.

Enterprises must be proactive and quickly formulate a strategy to deal with this growing installed base. We estimate that over 80% of enterprises currently have users employing IM through user-installed applications. As a result, most companies have no clue as to who is using what and what kind of message traffic is taking place. Nor are organizations aware of the types and quantities of data and corporate information passing through these systems. We expect publicly available free IM services (e.g., AOL/AIM, Yahoo, MSN, Google, Skype) currently widely used in many large companies, to increasingly be blocked from corporate networks and systems as corporate-friendly alternatives come on line, especially as companies realize they must deal with security and compliance issues. Managed and secure enterprise-grade IM systems implemented behind the firewall (unlike current public accessed systems) will replace the use of public IM systems in 65%-75% of enterprises by 2010/11. We expect enterprise-class IM (e.g., Microsoft Office Live Communications Server, Lotus Sametime, Jabber) to capture 75+% of the enterprise market, and be the method users access both internal and public-based IM systems for interaction with other companies and individuals. Policy-based access control will become mainstream, including monitoring of traffic, encryption of transmission, logging of content and recording and transcripts of individual sessions.



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The scope of IM will grow with the diversity of devices companies deploy. We expect that within 3-4 years, 65%-75% of enterprise smart phone devices will be able to access the same IM systems as desktops, and users will have equivalent features in messaging, presence, and collaboration while on their smart phone devices as they would sitting at their PC. It is therefore critical that companies start planning today for mobile IM and presence capabilities in order to adequately meet the needs of users and corporate systems. Enterprises should be consulting with their applications vendors now about the availability and capability of mobile IM within their systems, even if the organization is not yet ready to deploy such mobile capability.

Bottom Line: Enterprises should be proactive in assessing realistic user needs for IM, and plan on robust, corporate sanctioned system. Users should be informed of proper usage, similar to email etiquette. Any company dealing with compliance issues (which are most companies) should deploy enterprise-class systems that can enforce compliance and security. Failure to do so will be very costly as unmanaged IM presents a major risk to companies.