Technology Brief...

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Inside This Issue

IBM Turns on its Worklight

Continuing on its acquisition frenzy of the past couple of years, IBM recently announced it is acquiring Worklight, an Israeli-based company that focuses on providing an enterprise-class platform for mobilizing corporate applications. Its rapid deployment and easily integrated services engine has a significant installed base of users, including in financial institutions and pharmaceuticals. Worklight's ability to work across all the major platforms and to integrate with enterprise back-end systems makes it attractive to many larger firms, and to IBM.

IBM and Worklight have worked together for some time and have already launched mobile apps at some of IBM's major customers. To this end, Worklight has spent a good deal of time integrating with a number of IBM tools and technologies, including its Rational development system, the open source Eclipse development environment, and most importantly, IBM's WebSphere application server. We expect the new relationship to accelerate Worklight's integration with the IBM social suite of tools (e.g., Connections, Sametime, Travelr), as well as IBM's Sterling Commerce suite and Cognos business analytics. This should finally give IBM the competitive enterprise mobile offering that it has been lacking and with the upcoming integration with additional services, will give IBM a leadership position in several categories.

"…IBM has struggled to implement a truly mobile-friendly enterprise application environment, despite investing in this space over many years…. this acquisition will allow it to compete favorably in the enterprise application market….."

IBM has struggled to implement a truly mobile-friendly enterprise application environment, despite investing in this space over many years. Most IBM mobile installations have been custom implementations created by its professional services arm on top of WebSphere and taking a relatively long time (and high expense) to get to market. Further, it has only been attractive to its large customers, as the requirement for WebSphere and related technologies means companies must make a significant and long term commitment to IBM which effectively eliminates many SMBs. With this acquisition, IBM acquires a standards based mobile deployment capability (HTML5 and/or native iOS/Android/BB) that can provide for rapid development and migration of corporate B2B and B2C apps to all the popular mobile devices, with a quick time to market and a minimum of professional services required. However, this does not eliminate the need for customers to have a significant IBM platform investment in place, so this will not be attractive to many SMBs unless IBM offers a hosted and affordable cloud-based service (which it no doubt will ultimately do).

We believe this move by IBM, and the integration of Worklight with its Websphere application platform in particular, will finally allow it to compete on a mobile basis with the leading ERP/CRM vendor, namely SAP (who acquired Sybase some time ago for a very similar need – See our research note "*SAP Leaves its Competition Immobilized*", Technology Brief, June 15, 2011). A majority of enterprises are no longer willing to develop fully custom solutions that require many months or years of specialty work. IBM can now claim they provide a reasonably quick way for existing clients to mobilize their internal and external facing requirements. In conjunction with IBM's preferred development environment (Rational), its mobile management tools it is also announcing (Endpoint Manager for Mobile Devices, extended from Tivoli) and its ability to tie in its industry-leading mobile social capabilities, we believe IBM will achieve significant customer acceptance.

With both SAP and IBM now offering a compelling set of mobile features, it leaves Oracle as the only major enterprise app vendor to not have a capable mobile strategy and leaves it at a very significant competitive disadvantage in the marketplace. IBM should be able to leverage this disparity to compete for some very big accounts that Oracle has left vulnerable. We do expect Oracle to eventually move down a similar path to IBM (and SAP) and acquire a compelling mobile app technology, but so far they have shown little interest in doing so, focusing instead on home-built technology which has proven less than compelling.

Bottom Line: IBM has finally gotten some "mobile religion" and this acquisition will allow it to compete favorably in the enterprise application market. The days of drawn out and expensive mobile app deployments requiring specialized professional services are rapidly passing from the scene. Enterprises that have an investment in IBM infrastructure should seriously consider looking at this renewed capability in mobility, especially since mobile social will become a major requirement going forward. Companies that do not rapidly deploy mobile apps to both their internal and external constituencies face a major market disadvantage.

Tablets and Smartphones - Are We Really in the Post PC Era?

Many have speculated that we have crossed the chasm to the Post-PC era, and that the PC as we know it will be relegated to niche market status. While it is true that many more smartphones are sold each year than PCs, and that tablets are increasing market share rapidly, are we really in a post PC era? We believe the answer is No.

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We expect PCs to transform and meet mobile in the middle. This is especially true of notebooks, which have become the majority PC form factor. Can notebooks compete with tablets? Today's tablet (e.g., Apple's iPad, Android-powered devices from Samsung, Motorola, etc., RIM's PlayBook) have much more processing power (CPU and graphics) than previous generations of PCs of just 2-3 years ago. But tablets are not good at everything. Current generation tablets are primarily information and media consumption devices, but highly portable and easy to use. PCs on the other hand are great information and content creation devices, but much less portable and more complicated to interact with. Over the next 1-2 years, this level of complexity will be reduced (e.g., Windows 8 Metro interface), the usability will increase (e.g., touch interfaces) and the portability of design (e.g., Ultarbooks) will move towards the newer user paradigms exhibited in tablets (see our research note "*Ultrabooks: Just Keeping Up With Apple?*" Technology Brief, January, 2012). This model has already been established by Apple's MacBook Air, but we do not expect Apple's market share of notebooks to threaten the traditional Windows based PC market in any substantial measure.

What do we expect to take place over the next 1-2 years? Upcoming hybrid designs with today's notebook features coupled with low power, ease of use and the long battery life of tablets and smartphones is what will gain user acceptance. Low power mainline chips from Intel (<15W) and others will give notebook vendors the freedom to move in this direction and away from the high powered (low battery life) designs of current machines. Windows 8 will allow enough flexibility to change the end user experience while maintaining backwards compatibility with existing productivity and corporate apps. ARM-based notebooks running Windows 8 will help push the envelope. However ARM-based Windows systems will not be fully backwards compatible with existing apps, and we do not believe ARM will offer enough significant benefit over traditional Intel (or potentially AMD) based systems to garner much market share (we don't expect ARM chips to power more than 10%-15% of next generation notebooks within the next 2-3 years).

The new notebook form factors will have an impact on overall tablet market share, especially in business markets. Indeed, tablets offer some unique challenges for enterprises and their users. These include:

- Although popular with end users, tablets generally do not offer a significant ROI for enterprises, expect in certain well defined and limited areas primarily as vehicles for information consumption
- We do not expect tablets to replace more than 10%-15% of enterprise laptops within the next 2-3 years. Most tablets will be supplemental, rather than replacement.
- Although iPads will continue to dominate short term, by 2013-14 we expect Android tablets to acquire a majority share of the market including the enterprise where specialized features will be added.
- A variety of screen sizes, price points and capabilities will expand the choices and enable many more application scenarios. However, TCO for tablets will remain high, and on-board security will remain a concern for the next 2-3 years.

Enterprises will need to adopt a "best use" strategy when evaluating the upcoming new notebook form factors, and weigh not only market pressures and user desires, but also look at productivity and usage models that align with the productivity needs of the enterprise. In this regard, we expect the new breed of hybrid notebook devices to effectively compete with tablets in many corporate scenarios and even displacing some current tablet deployments.

Bottom Line: Intel, Microsoft and the notebook vendors will not stand idly by and will substantially morph the traditional notebook device to meet the challenge posed by tablets. Companies who are now deploying tablets devices may continue to do so, but should look at the upcoming hybrid notebooks that offer both tablet and PC capability as a valid approach to solving many corporate productivity needs. While initial cost of the new devices may be high, we expect prices to fall rapidly, and the ROI for these notebooks to exceed that of tablets for many users.

Commentary - Kodak: Not a Pretty Picture

"…There is a major lesson here for companies… Companies that don't reinvent themselves every decade or so will not long survive...."

Kodak recently filed for chapter 11 bankruptcy protection. This is indeed a sad day and not just for nostalgic 35mm film fans (remember those big SLRs we used to carry around our necks), nor for Paul Simon music fans. Kodak was a rock solid megalith that virtually everyone around the globe was familiar with and bought products from. No one ever would have thought it could fall so far, although the writing has been on the wall for some time.

Over the past decade, most of Kodak's markets changed drastically. But Kodak followed the path of many tech companies before it like Xerox, Digital Equipment, Sun, etc. It had many great scientists and engineers that invented many things (think Xerox PARC), but never got out of the mode of protecting its current business (i.e., film). It never saw the train coming or how fast it was moving until late in the game. And its digital camera offerings were never leading edge, but focused on consumers (an area it could never compete with the likes of Canon, Nikon, Samsung, LG, and other Far East suppliers). And it never really differentiated itself in the new markets it entered (i.e., printers). Once its mainline businesses fell off the cliff, it had not established itself in any other "new age" business to take up the slack. Over the years, it tired to leverage its vast expertise in chemicals and materials science by entering peripheral markets (e.g., battery maker, optical disk creation, magnetic media for floppy drives), but it never made more than a half hearted attempt to be a major player, exiting these businesses after a short run. So while it's primary old line business (film) was declining, its attempts at new business (not surprisingly) never took off.

That said, it now faces a daunting challenge. Kodak is still a highly recognized worldwide brand. But how does it leverage this in the consumer's mind when credible companies like Canon, Nikon, Samsung, Olympus, Epson, etc. are already winning hearts and minds of consumers worldwide? Kodak now says it wants to be a force in printers and digital cameras. If it tries to compete in commodity markets it likely will lose. If it competes at the high end, what products can it bring to market that will outshine its competition? It's going to be a tough recovery for Kodak, if it's even possible. And if it sells off its patents, as some have suggested in order to raise funds, what does it have to work with? If it survives, Kodak will likely be a smaller, nimbler company, but a shadow of its former self.

There is a major lesson here for companies, perhaps including yours. When times are good and products are selling well at high margins – that's the time to start investing in new product areas and betting on new markets. Not all will be successful investments. But you can pretty much rest assured that the current products your company is working on will be outdated in the next few years by the rapid and relentless march of technological discovery and innovation. Companies that don't reinvent themselves every decade or so will not long survive. Companies that do (e.g., IBM, Microsoft) will be around for the long haul. Which kind of company are you working for?

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