
Market Roundup

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Fanning the SPARC: Fujitsu and Sun Expand Systems Partnership

By Charles King

Fujitsu Limited and Sun Microsystems have announced the expansion of their twenty-year strategic relationship to include joint development and delivery of future generation systems. The two companies plan to bring together their SPARC- and Solaris-based server product lines by 2006 into a new data systems product family, code-named the Advanced Product Line (APL). When complete, the APL will replace Sun's and Fujitsu's existing Sun Fire and PRIMEPOWER product lines, respectively. According to the two companies, the plan will bring together Sun's competence and expertise in the Internet and network computing with Fujitsu's expertise in mission-critical computing, and will ensure that SPARC/Solaris systems will be available to cover every possible workload, both in the rapidly evolving throughput computing marketplace, and in the requirement for mainframe scale and quality in traditional computing. During the transition period leading up to the launch of the APL, Sun and Fujitsu will work together to quickly implement arrangements to make each other's current Sun Fire and PRIMEPOWER product lines available for distribution through both companies, with arrangements varying by geography. The companies said the enhanced partnership will also result in strengthened systems integration capability and channels for Solaris and SPARC systems, as well as increased opportunities for the combined companies' ISVs and resellers.

The Sun/Fujitsu announcement may have come as a surprise to some, but the two companies' long relationship lends their strategic plans more gravity than some similar efforts. As the only vendor other than Sun to be developing UltraSPARC processors and solutions, Fujitsu has a particular affinity for Sun's worldview, but some of the company's other efforts offer interesting leverage points as this new relationship evolves. Since Fujitsu does not have a major presence in the U.S. market, the companies' co-branding/promotional plans could help raise Fujitsu's profile among stateside customers. This dynamic should also translate well for Sun especially in the PacRim, as well as EMEA, Fujitsu's main markets. The two companies also map well technologically beyond the UltraSPARC world. Like Sun, Fujitsu is developing Opteron-based solutions, but more important are the company's efforts in mainframe computing, the result of Fujitsu's acquisition of Amdahl some years ago. The addition of mainframe-based technologies to the UltraSPARC platform is likely to improve its overall stability and availability, and the addition of such features could make Sun's ongoing efforts to lure IBM mainframe customers a bit more believable.

However well the two companies fit technically, the practical issues surrounding the alliance are of equal or even greater importance. In essence, the Sun/Fujitsu effort is analogous to the partnership HP and Intel forged to develop the Itanium processor, leveraging R&D expertise and sharing the financial burden of bringing IA-64 to market. UltraSPARC is a considerably more mature and successful technology than Itanium, but harsh realities that arise from the need to ramp up performance while cutting costs are pressuring virtually every enterprise-class processor vendor. By joining their UltraSPARC development efforts, Sun and Fujitsu should reap considerable financial benefits in addition to those they stand to gain from leveraging their marketing and channel relationships. The real question is how far this relationship will eventually evolve. Given its spate of recent announcements, Sun appears to be refashioning itself increasingly into an applications- and services-driven

organization. If the company finds notable success in that direction, it would not surprise us to see a day when Sun entrusted most, or even all, future UltraSPARC development to Fujitsu.

By Its Own Rules Sun Shines

By Jim Balderston

Sun Microsystems has announced that it would begin offering Sun Java Enterprise Edition to governmental agencies of developing nations under a new pricing scheme: per-citizen pricing. The latest version of Enterprise Edition now supports Linux, to go along with its support of Solaris on SPARC and x86 chips. Sun said it plans to extend that support to Windows and HP-UX in coming editions. The new pricing scheme will have prices ranging from 33 cents to \$1.95 per citizen based on the number of citizens in a state entity (province, state, or nation) and the stage of development that entity is in based on U.N. classifications. The latest version of the Java Enterprise Edition is available now.

What a difference a few months or years can make. Having recently made peace with (gasp!) Microsoft, Sun is now pledging support for Windows and HP-UX on one of its flagship products. What's next? Going back on the company's long-held position of selling products and not leasing them? Well, as a matter of fact, yes: Sun will be offering subscription services to customers starting in the near future. Clearly the realities of the market are having an effect on Sun, and for the most part not the other way around.

But that's not to say that Sun doesn't have a few new ideas of its own up its corporate sleeve. The per-citizen pricing, while at first glance seems a bit goofy, actually makes a great deal of sense. Considering that governmental agencies are the recipients of such pricing and that they will be doing mostly the most mundane things with the technology that have a direct correlation to population numbers — such as creating a census or voting rolls or a tax roll — this type of pricing seems intuitive. This pricing scheme also harkens back to an earlier time when Sun sold to academic institutions on a per-student basis. But most of all, this new pricing scheme illustrates Sun's great strength and the source of its present weakened position vis-à-vis the market. Sun has always been successful when it sets the rules of the game. When Sun can dictate the dominant market paradigm, its nimbleness and agility help it leap to the fore of that market. Such opportunities to make the rules come largely in times of rapid change and chaos, when strategic timelines shrink to near zero. In such environments — like the Internet boom of the 1990s — Sun is there to shout, "Follow us!" In today's markets, with everyone moving in the same direction as dictated by much longer strategic horizons, Sun's nimbleness becomes a liability as its instincts for rapid change make it appear without focus as larger behemoths moving at a steady pace allow their long term strategic focus to mold their market positions and sales programs. Can Sun be Sun in the third world? Perhaps, if the rate of change is high and things are chaotic, Sun could shine brightly.

Sony Exits the U.S. and EMEA PDA Markets

By Rob Kidd

Sony is exiting the PDA market in the United States and Europe markets, partly due to declining sales trends. Sony Clié product development and sales will continue for the Japanese market, and the company is taking time to examine the conventional PDA business and how it will transition into the future. Sony will move forward with development of the Clié TH-55, which incorporates PDA, music, and video features, as well as a digital camera. The company is further expanding into hybrid handhelds such as the two-color, portable music devices, the VAIO HMP-A1 and PCVA-HVP20, that were recently introduced. The company is also continuing to invest in its Sony Ericsson phone subsidiary.

The PDA product and market are undergoing a fundamental paradigm shift, particularly at the high end where consumers and business people alike are increasingly choosing smart phones over PDAs. Evidence of this trend can be found in recent market statistics, which suggest that global PDA market shrank more than a tenth during the past quarter while smart phone sales more than doubled. What is driving the shift in consumer purchasing behavior and product preferences, and how will these changes impact vendors? Increasingly, mobile business people, the primary clientele for high end PDAs, are selecting smart phones because they offer integrated

communications, calendar, and contact management applications, as well as a host of optional features and gizmos such as inbuilt digital cameras and global positioning devices. With a laptop and a smart phone in hand, the PDA becomes an increasingly redundant device and a burdensome expense for even the most sophisticated users. Leaving aside cost, data synchronization issues increase with each new device, further complicating the lives of space- and weight-conscious mobile workers. Any additional equipment, besides the business-critical laptop and smart phone, will have to deliver “must have” functionality unavailable on either platform.

Wireless carriers and phone vendors have a more tightly coupled relationship than PDA vendors, so it is more logical for incremental PDA functionality to migrate to the smart phone than for complex communications capabilities to migrate to the PDA. Given that, as smart phones evolve they will have to provide more and more functionality to become and stay competitive. This trend will no doubt prove lucrative for the phone vendors and carriers, but it is the competition will be ruthless world as smart phones contribute to and suffer from “feature explosion.” In response to these trends (and in order to survive), PDA vendors must evolve products — as Sony is already doing — that incorporate handheld music, video, and other consumer-friendly features. While PDA vendors can continue to harvest revenues from some industry and geographic franchises over the short term, they must remember that the market is changing beneath their feet. In the long run, the PDA as we know it today will eventually disappear.