NETWORK COMPUTING GROUP

OBSERVATIONS SEPT 94

GENERAL

The initial weeks of the Bicester Network Computing initiative have already seen many changes and perhaps not surprisingly, raised some major issues.

Interest in the group's activities is very high amongst the staff of all CSD companies and although the negative aspects of this may be due to an irrational fear of change, the Bicester group is definitely perceived as "the place to be", with regard to new technologies and business opportunities.

Participation in the group is multiplying and although the MCL members have not yet materialised, there has already been a real convergence of approach with TIS on product strategies. Sales philosophy is possibly a little blurred at present with the reorganisation at MCM but the advantages to be gained by presenting the distributed computing model are met with universal approval.

However, the definition of joint product/services matrices has highlighted some inadequacies that should be addressed in order to facilitate the smooth evolution of the division into an integrated unit supplying complete solutions. These areas are treated individually in the following text.

WORKSTATIONS

Forays into the PC supply arena have exposed huge difficulties in using the current TIS product range; namely Wyse. The problems in proposing these PC products for large ITT's as opposed to sales through VAR channels, are due mainly to the following points:-

* The Wyse name is not associated with PC hardware. They are recognised as a terminal manufacturer.
* Margins are too low for Misys to complete, typically less than 5%.
* Stock profiles and lead times preclude reasonable delivery periods.
* Warranty arrangements are problematic and ill defined.

The acceptability of a brand name may not seem of paramount importance on first thoughts. However, in assessing the customer's criteria for product suitability, one must appreciate that the PC market is vastly different from the open systems/server market. The image of the PC is almost that of household consumer electronics and this promotes selection of familiar manufacturers. Therefore, even if Misys competes on all other issues, a sale could be lost to those proposing Dell, Elonex and the like.

Unfortunately, it is not the case the Misys can compete on the other points: notably not on margin. PC distributors can drive prices well below the point where the deal would become unprofitable for Misys. The reasons for this are not only that standard distributor discounts are larger than those of committed VAR's but also because these organisations often negotiate reduced buy prices on large volumes. This reduction allows product movement at cost price, whilst still maintaining a profit margin.

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WORKSTATIONS (cont)

Stock levels of course are generally not an issue to a distributor, whereas TIS have to rely upon Wyse supply channels. If the requirement is available from the holdings in Holland, lead times are expressed in days. However, if product has to be shipped from the USA, this becomes weeks.

Warranty and post-sales support has almost become a throw away quantity in the PC world. With their vast resources, distributors can afford to increase the manufacturers cover to 24 or even 36 months, often combining this with hotline support. TIS, of course are geared to the somewhat vague Wyse warranty terms, which certainly cannot be considered a positive selling point. At present MCM are not really in a position to match the extended schemes with guaranteed turn-round times without a formal maintenance contract, although this situation is under review.

These cold facts have already forced Network Computing to withdraw from responding to a tender for 290 PC's. This obviously has serious implications on the ability of the group to supply client hardware for distributed solutions on a competitive footing and it would be advisable to develop a plan to improve the situation.

Perhaps it would be possible to arrange a partnership with an organisation already trading in the workstation market and then grow the Misys business into distributor status. It certainly is not an option to self-start in this area because of the "catch 22" syndrome of requiring large volumes to receive distributor discounts but also needing the discounts to achieve the volumes.

However, the ideal solution to all these problems would be to gain the required relationships by acquisition. The selection of a suitable company would also be likely to furnish Misys with skill sets defined as desirable in the following sections.

INTERCONNECTIVITY SOFTWARE

Although many providers are entering the client server market, it should be understood that they are not all affected by the same difficulties. Misys are moving in from the Server market, whereas most companies are trying to move up from the PC market. Thus, although Misys expertise encompasses the technically complex multi-user host and inter-networking disciplines, experience in "bread and butter" PC interconnectivity is lacking. Groupware/middleware certainly does not feature in either the TIS or MCL price books.

A comprehension of the functionality of Client Server or Peer to Peer software is certainly already available in house and efforts have been made to keep abreast of recent developments. However, a background of day to day operation is certainly missing in this area and this makes the proposal of an interconnectivity software strategy and provision of pre/post sales support problematic. Small islands of understanding do exist, such as Netware CNE level at MCM, but this is not of a broad enough calibre to address the requirements of Network Computing,as illustrated in the attached diagrams.

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INTERCONNECTIVITY SOFTWARE (cont)

These graphical representations are intended to clarify the general terminology but one should also appreciate the complexity of the market and the sort of technical commitment that it warrants. To this end the following list of middleware, groupware, NOS (Network Operating Systems) and Enterprise software is provided:

JSB	Middleware
PCI	Middleware
SCO ODT (Open DeskTop)	Groupware/NOS
LANmanger	Groupware
Windows NT (New Technology)	NOS
Windows FWG (For Workgroups)	Groupware
Solaris	NOS
X Terminal / Motif	Middleware
Lotus Notes	Groupware/NOS
Netware 3	Groupware/NOS
Sage mainLAN	Groupware
D-Link LANsmart	Groupware
Stika 10-Net	Groupware
Netware Lite	Groupware
Banyan Vines	NOS/Enterprise
Netware 4	NOS/Enterprise
Artisoft LANtastic	Groupware
DEC Pathworks	Groupware
DCA IrmaLAN	Groupware
Hayes LANstep	Groupware
Ungermann Bass Net/1	Groupware

The exact definitions and categorisations are perhaps still a little fluid at present but the plethora of solutions in the market place is not in dispute. This makes the selection of an interconnectivity portfolio comprising products with viable futures a fundamental requirement.

Again it would be feasible, in principle, to forge an alliance with a technology partner to fill the gaps in MiSYS' expertise: this arrangement having the added advantage of unloading the investment in support/training that running alone would require. Indeed efforts have already been made to contact prospective vendors and a preliminary meeting has taken place with one such organisation (Sphinx Level V).

If the acquisition route is deemed applicable to alleviate the difficulties in PC supply, it would naturally be a bonus if the inherited assets of the PC distributor included interconnectivity experience. Indeed, this may well be a desirable trait to consider during any future assessment of candidate companies: failing this, the partnership route would appear to be the only alternative.

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