WEEKLY INSIGHT

Microsoft focuses on security
Admitting what many people already felt was one of the biggest problems with Microsoft’s (MSFT) software, Chairman Bill Gates laid out a new initiative to improve the security of the company’s products. The gist of Gates' plan is that Microsoft has to take extra steps to ensure the security of its products against viruses and hackers if the company’s .NET strategy is to succeed. From *Upside Today*. [Full Story]

Highlights
- The company will emphasise "trustworthy computing", seeking to remove the tarnish from Microsoft's reputation for developing secure and reliable software.
- In December 2001, Microsoft announced there was an error in its *Windows XP* operating system that made it susceptible to virus and hacker attacks. In November, a flaw in Microsoft's *Passport* authentication protocol was revealed that allowed hackers to steal financial information that consumers might have stored in the Microsoft's Wallet e-commerce buying service.
- Microsoft plans to tie programmers' wages and incentives to their achievements on security issues.
- While the company's new focus is welcome, some in the security community remain cautious.

Press Review

From *New York Times*
"The new emphasis on making software safe from malicious intruders will include stopping the development of new operating system software for the entire month of February and sending the company’s 7,000 systems programmers to special security training. The company also plans to re-examine all of its Windows operating system code in an effort to find security flaws."
[Full Story]

From *News.com*
"The initiative, Gates wrote, aims to make computing and the Internet 'as available, reliable and secure as electricity, water services and telephony'. (...) Gates' message comes as Microsoft is betting its future on its .Net effort, an attempt to give consumers secure, easy and round-the-clock access to businesses via the Internet. Without better security, the software titan will have a hard time convincing developers, businesses and Web users to start using the new services, Wysopal said [director of research and development for security company @Stake]."
[Full Story]

From *Financial Times*
"Mr Gates believes they have paid too much attention to the special features that distinguish each new generation of software. They have paid too little heed to something far more fundamental: computer security. (...) How can a company this central to the computer industry make so many mistakes? Analysts say that it is..."
a matter of history. 'In the culture and roots of the company, security was not a big issue,' says Pip Coburn, technology strategist at UBS Warburg in New York. Microsoft's origins lay in writing software for stand-alone desktop machines. Before the internet, security was barely an issue and never assumed a central place in product development."

[Full Story]

Commentary by...
Manuel Cortés, manager of strategic consulting and business, PwC

Security, that competitive advantage
Microsoft's promise to increase its software security is not only good news for the users of the most widespread operating system. It shows that awareness is arising within many companies about how critical software security is. Historically companies have been very concerned about sustaining their competitive advantages, like product design or strategic planning. Nowadays, information about those attributes (which includes know-how) dwells within corporate networks, most of them accessible from the Internet, therefore, making network security a critical issue to the company development.

Intruder access to corporate networks can entail earnest consequences, heavier than the physical theft of a document or even production tools. Notwithstanding, statistics show that over 80% of security breaches come from within corporations. In that sense, product reliability -be it from Microsoft or from another manufacturer- is of great importance, but what becomes a 'must' is to design preventive policies that define the rules of the game. This planning must observe every users' rights allowances and the behavior of security tools, like firewalls or Intrusion Detection Systems (IDS).

Concerning other software, it does not suffice to unwrap and install it, it is worth "losing" some time getting to know the software and its security parameters, as well as visiting specialized chat-rooms in order to know about system weaknesses.

To summarize, software security is like a chain that always depends upon the weakest link.

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EBCENTER ARTICLE

How to increase productivity with the new technologies
By Eduard Guiu, e-Business Center research assistant

Investment in Information Technology to rise productivity rates within companies has become mandatory but is not enough. [Full Story]

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REPORTS

Broadband Satellite: Analysis of Global Market Opportunities and Innovation Challenges
Source: Pioneer Consulting
Date: January, 2002
Abstract: The total worldwide market opportunity for broadband satellite service providers is expected to reach nearly $27 billion by 2008, while for equipment manufacturers, the aggregate market opportunity is expected to reach $1.65 billion by the same year. According to Pioneer Consulting, there are three service
types: Mediacasting, backbone, and broadband access. Mediacasting, defined as the one-way, point-to-multipoint delivery of data to a group of receivers, will reach 6.4 million worldwide satellite mediacasting subscribers by 2008. Backbone service, the delivery of bandwidth from one or more points on the Internet back-bone to one or more service providers, will reach 8.2 million worldwide satellite broadband access subscribers by 2008.

Broadband access, that covers both business and residential markets, will reach 8.2 million worldwide satellite broadband access subscribers by 2008. [Full Story] (A free subscription is required)

Report On eBusiness January 2002
Source: The Institute for Supply Management and Forrester Research
Date: January, 2002
Abstract: The Institute for Supply Management and Forrester Research have revised the Report On eBusiness highlighting that the Internet has become a necessity for large purchasers. According to the 2002 update, 29.1% of organizations reported cost savings from their Internet activities -- a considerable increase from last quarter's 23.1%. The number of large-volume purchasers reporting cost savings increased dramatically (from 28.4% to 45.5%) while the number of smaller-volume buying companies reporting cost savings remained nearly the same as last quarter (19.3%). Moreover, 26.4% of business bought goods or services via online marketplaces -- an increase from 22.8% in the previous quarter and 23.1% of organizations indicated that they bought products or services through an online auction, an increase from last quarter's level of 17.4%. [Full Story]

Valuing Customers
Source: Massachusetts Institute of Technology
Date: September, 2001
Abstract: In general, it is relatively easy to value stable and mature businesses. In contrast, valuing high growth businesses is complex. There are some valuation approaches, such as the Wall Street Approach, Discounted Cash Flow Approach, and The Eyeball Approach. The current mood on Wall Street seems to suggest that customer-based metrics are not only irrelevant for company valuation but in fact can be misleading. MIT argue against this prevailing sentiment. They suggest that value based on customers can be a strong and stable determinant of company value. According to MIT experts, the premise of their customer-based valuation approach is simple - if the long-term value of a customer can be estimated by the lifetime value framework, and they can forecast the growth in number of customers, then it is easy to value the current and future customer base of a company. [Full Story]

CRM Trends in 2002
Source: Braun Consulting
Date: January 17, 2002
Abstract: Based on its work with numerous Fortune 500 and middle market clients, Braun Consulting cites CRM trends to have the greatest impact in 2002. According to the firm the focus in 2002 will be on maximizing the value of existing relationships, and using customer information to both expand those relationships and extend an organization's brand into other competitive marketplaces. CRM will evolve to CVM (Customer Value Management) and it will become the standard approach to maximizing the return on customer investments. Companies will realize customer satisfaction doesn't translate to loyalty and they will heighten their focus on data analysis and organization to avoid information roadblocks. Moreover, business will stitch their customer channels together and will embrace PRM (Partner Relationship Management), a strategy to better serve end-customers by leveraging a company's business partner network. Finally, 2002 will be a year of implementation and follow-up. [Full Story]

State Web Portals: Delivering and Financing E-Service
Abstract: Until recently, state governments developed their web presence on an agency-by-agency basis with little tendency to develop an integrated website that linked all state resources to a central location. While this strategy allowed them to create websites quickly, it did little to serve the needs of an increasingly web-savvy public. State governments now are rethinking their web strategy and reconfiguring their existing web-sites into web portals.

Authors make several recommendations to states in the midst of portal development based on the findings of this research: emphasize customer service; organize services by event and public rather than department; and include features that enhance the legitimacy of the portal. According to this survey, web portal projects should be classified and accounted for as long-term capital investments. Moreover, Governments should conduct studies that analyze the benefits and costs of developing web portals and applications for online transactions; should not allow electronic payment processing costs to prevent the establishment of new online transaction services; and should consider establishing the web portal or the governing board as an accounting entity for financial reporting and public disclosure purposes.

COMPANIES

IAB will introduce new advertising guidelines
The Interactive Advertising Bureau (IAB) is delivering new rules for counting ad impressions. Along with the ad impression standards, the trade group has proposed new rules for counting Web site visitors, filtering out the effects of search engines and dealing with Web caching. One of the major complaints among advertisers is the method used to count ad impressions, or the number of times an advertisement has been displayed to a potential viewer. Another big change for some publishers is in how they count Web traffic. These guidelines are part of the IAB's campaign to clean house after nearly a year of negative growth for the industry in 2001 and were developed with the help of PwC and top Internet companies such as AOL Time Warner, Walt Disney Internet Group, DoubleClick, MSN, Terra Lycos and Yahoo. From CNet.

AOL wants to buy Red Hat
AOL Time Warner is in talks to buy Red Hat, a prominent distributor of the Linux operating system. This acquisition would position the media giant to challenge arch-rival Microsoft. According to the Washington Post, this is not the first time AOL Time Warner has explored alternatives to Windows and there were rumblings last year, when the media giant was scouting for an acquisition or partnership with a firm that could provide a competing operating system. From Washington Post.

WE RECOMMEND

High-tech deals lessons
Numerous studies have shown that M&A destroys value for the acquiring company at least half of the time, while spin-offs and alliances have produced similar results. Despite odds that favor failure, the most successful companies in the high-technology industry happen to be active deal makers. The high performers studied by Mckinsey appear to have mastered four areas essential
to success: they **develop clear strategic goals for the company as a whole**; they **undertake only those transactions that can advance those goals**; and they know how to **get transactions done quickly**, efficiently, and with the least possible stress to their acquisitions or themselves. Finally, they weave these transactional capabilities into their operational fabric.

Another common feature is that the transactions they undertake tend to be small compared with their own market value: on average, gold-standard companies pay less than 1 percent of their market capitalization for an acquisition. From *McKinsey Quarterly*. [Full Story]

**AOL-Time Warner two years later**

When AOL and Time Warner announced that they would merge in January 2000, *Fortune* analyzed the financial prospects for the merger but nobody could really know how this combination of an Internet whiz and an old-media giant would fare.

Now, financial magazine has revised its article to show what has happened. Just after the merger announcement, the two companies together had an enormous market value of $290 billion, a figure built on the Internet bubble and on the premium over Time Warner's market value that AOL was paying. Today the **market value of the company is below $135 billion**. From *Fortune*. [Full Story]

**Apple's future**

These are sweet days for Apple. According to the firm's CEO, Steve Jobs, 40% of all buyers at his stores are new customers. In this report, *Business Week* magazine interviews first Macintosh designer, Jef Raskin. Raskin believes that Apple and Steve Jobs should spend more time thinking outside the box about interface design -- and less time thinking about how to build a pretty box.

According to him, there has been a lot of research in usability over the past couple of decades but almost none of it has gone into the Apple.

According to Raskin, the computer vendor has lost market share due to its **failure to license the operating system**, but also, to the **lack of forward momentum** and the **loss of innovation**. From *Business Week*. [Full Story]

**Israel: High-Tech Haven**

Over the last 20 years, Israel has virtually transformed its economy away from tourism into a thriving and innovative high-tech promised land where **half of its $20 billion of exports in 2000 were in high tech**.

According to the article, Israel's success in developing its high-tech community and attracting the foreign venture capital needed to fund it results from a combination of very ordinary things: the country's government, people, military, and educational system, as well as the country itself. From *Upside Today*. [Full Story]

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**E-BUSINESS CENTER ACTIVITIES**

**Anna Birulés, Spanish Minister of Science and Technology, will inaugurate the 1st e-Business Meeting, organized by e-Business Center**

The Minister of Science and Technology, Anna Birulés, will open the **I Encuentro de e-Business**, organized by the research center, e-business Center, next February 7th in Madrid.

The meeting will gather well-known officials from companies with Internet ventures, such as Joaquim Agut, Terra-Lycos CEO; Javier Etxebeste; Yahoo! España General Manager; Manuel Galatas, COO of BBVA; or Antonio Massanell, 'la Caixa' deputy COO among others.

[Program]  [Inscription]

**Do you want to participate in the e-Business within Spanish companies 2002 survey?**
e-business Center is conducting its first survey, *e-Business within Spanish companies 2002*, that analyze the situation and the e-business expectations in the long and medium-term among 1,500 first Spanish companies.

If your company operates in Spain and has sales of above 18 m (Ptas 3 b) you can take part in our poll. Send us an email indicating your company’s name, operating sector and sales, as well as which people within general management and e-business department will answer our questions. We will quickly reply sending to you a username and a password.

Your contribution will grant you access to the complete study results as well as two interesting free working papers: *Radiografía de Internet en España* and *El nacimiento de Internet*. 

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