WEEKLY INSIGHT

Microsoft backs down on Hailstorm due to privacy risks

Microsoft has quietly abandoned its Hailstorm platform, a consumer information service planned to offer communications, e-commerce and information from any device connected to the Internet. Hailstorm, later renamed My Services, was the centerpiece of web services .Net strategy. It was intended to permit an individual to keep an online persona, independent of the desktop computer, supposedly stored safely as part of a data repository where there could be easy access to it from the web. The lack of trust from end users and companies has been the main reason for this sudden shelving.

According to New York Times, the company will consider selling MyServices to companies in a traditional package, rather than as a service. The companies would maintain the data for their own users. From VNU. [Full Story]

Highlights
- Microsoft first introduced the .Net strategy in March 2001. The goal was to provide web services to users and companies from any device connected to the Internet. In order to do so, Microsoft invented an authentication platform code-named Hailstorm. The system consisted of a huge database with personal information from users. This database would be integrated with web services from different companies acting as a centralised contact center.
- The Hailstorm plan quickly became a lightning rod for privacy advocates who saw dangers in concentrating vast amounts of personal information in a single repository. Microsoft rivals, led by Sun Microsystems, AOL-Time Warner and RSA Security, soon created the Liberty Alliance consortium which is trying to develop an alternative identification standard.
- Sun Microsystems has been the most belligerent rival against Microsoft’s web services policy. It has told a federal judge that Microsoft could use its .NET Web-based services strategy to thwart competition and extend its monopoly power to the Internet.
- Microsoft acknowledges the shift in strategy but describes it as "a minor change". According to analysts, it is still in line with the vision of a "federated" model of separate-but-connected Web services that Microsoft also talked about when it first introduced Hailstorm.

Press Review

From The New York Times

"At the time of the introduction of My Services, Microsoft also proclaimed that it would have a set of prominent partners in areas like finance and travel for the My Services system. However, according to both industry consultants and Microsoft partners, after nine months of intense effort the company was unable to find any partner willing to commit itself to the program.

(...) Last fall a coalition of privacy groups complained in a letter to the Federal Trade Commission about the potential risks inherent in Microsoft’s collecting personal information from and about several hundred million personal computer users."
My Services also created **thorny privacy issues for Microsoft in Europe**, because of restrictions on transborder data transfers there. Microsoft has not resolved how personal information stored in one country can be easily transmitted internationally.

**[Full Story]**

*From Financial Times*

"Last week's news that Microsoft is rethinking its dot-Net My Services initiative, also known as Hailstorm, is further evidence that the **IT industry** is coming to terms with the **more conservative outlook of its customers**.

Hailstorm was always controversial. The idea was to build a federation of web services linking related transactions - rental cars, hotels and airlines were the most frequently used example - but it placed **Microsoft at the centre**.

Competitors screamed that Microsoft was attempting to **extend its Windows monopoly** to grab control of internet commerce. Privacy advocates complained that consumers' data would be held in a central repository and security experts questioned Microsoft's abilities to protect such a cache."

**[Full Story]**

*From Reuters*

"They were also worried about the idea of having a **single company** -- Microsoft, through its MSN Internet unit -- be the **sole repository for the personal and highly sensitive data** needed to make the services work, he said.

'There was a shift in priorities, so simply rather than focusing, as step one, on a big MSN-focused data center that others could use, we would focus on delivering technologies they need to do it themselves,' said Microsoft spokesman Adam Sohn."

**[Full Story]**

*From PC World*

"Microsoft executives here stressed that the company **isn't abandoning its consumer services**. However, it has not yet determined how it will package .Net My Services for enterprise customers.

'We've not changed our vision of user-centric Web services available from anyplace. What's changed is the question of the road we're taking to get there,' Adam Sohn, product manager for .Net platform strategy, said Thursday at the TechEd event.

(...) However, Microsoft quickly learned that that **model doesn't appeal to most of its corporate customers**, mainly because they don't want to store their customer data with MSN, Sohn said. Instead, enterprise customers interested in developing .Net My Services asked Microsoft for a **packaged version of the technology** that they could purchase to build and host services on their own. For example, corporations might create Web services for their employees, or ISPs and Web portals might offer services to subscribers."

**[Full Story]**

*From Seattle Times*

"The services were part of an ambitious plan by Microsoft **to issue keys to everyone on the Internet**. The keys could be used to access personal information such as music collections and bank accounts from any device that could connect to the Internet.

Microsoft was going to issue the keys free but charge for subscriptions to more advanced services, such as a calendar that would be updated automatically when the user bought tickets for a concert or when the Mariners released a schedule of games."

**[Full Story]**

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**Commentary by...**
Josep Valor, IESE professor

Hailstorm, another battle for controlling the standard

Officially, Microsoft's Hailstorm strategy consists of storing in a centralised database all the information, including secure sites passwords, that an end user may need to surf the Internet from any computer or any place in the world.

Probably, the system, which in fact behaves as a service integrator, would appeal to many mobile users who access the Net from different points and devices, be that the office, the home, the desktop computer or the mobile phone.

The problem found by both competitors and usual allies of Microsoft is that there is a hidden strategy to set a standard. It's quite evident that in the case a user identification service like this were accepted, there wouldn't be any room in the market for many providers. Thus, the race for controlling the standard is assured.

History teaches that Microsoft has been traditionally very clever at defining proprietary "standards" that ended up bringing succulent revenues. Office application formats, for instance, have become the de facto standard for the exchange of documents, so that to share information within the enterprise community it's compulsory to have an Office suite.

The counterweight comes from companies such as Sun, Oracle and AOL-Time Warner, who defend an open standard to which all the companies offering authentication services may adhere to without having to use proprietary software from a certain company.

Finally, the battle that is waging is not so much for the defence of privacy, which it also is in part, but for the control of a standard that could give its owner a continuous and long term flow of income.

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EBCENTER ARTICLE

Pros and cons of online training in companies
Cristina Cáliz, IESE PHD student

In spite of the fact that e-learning is able to solve many problems like the wide geographical dispersal of personnel and the incompatibility of timetables, the high level of investment that companies have to make renders its deployment difficult. [Full Story]

How to generate confidence among Internet users
Rita Ferreira, IESE PHD student

Companies wishing to generate confidence among Internet users must have a website which is clear and simple, guarantee security and provide facilities to carry out transactions. [Full Story]

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REPORTS

There will be a pervasive use of web services from 2005
Title: The Laws of Evolution: A Pragmatic Analysis of the Emerging Web Services Market
Source: The Stencil Group
Date: April 2002

Abstract: This study, which includes interviews with more than fifty IT organisations and software companies conducted in early 2002, describes and segments the emerging web services market. According to respondents, operational systems are dependent upon mainframes or other closed systems, and it's very difficult to extend beyond this limited sphere of influence. To solve this problem, implementing an open, flexible and common integration infrastructure, such as web services, has become the most pressing issue for IT organisations today.

The research indicates that the growth of the web services market can be projected to evolve in three distinct
and overlapping phases. From 2001 to 2003, an organic adoption of web services tools and standards is taking place. In the second phase (2002-2006) there will be a systematic deployment of services infrastructure. Finally, from 2005 on, there will be a pervasive use of services in collaborative business processes. [Full Story]

91% of the major companies use corporate web sites for recruiting

Title: Global 500 Web Site Recruiting
Source: iLogos Research
Date: 2002
Abstract: The Global 500 survey examines the top 500 companies world-wide use of corporate Web sites to achieve human capital acquisition objectives. According to the survey, 91% of businesses use corporate web sites for recruiting in 2002. In the healthcare sector 100% of companies use corporate web sites for recruiting in 2002, while 84%, the lowest percentage, account for companies in the utilities sector. According to the survey, with corporate web site recruiting now at the point of saturation in the Global 500, the next wave of innovation and competitive advantage will be in 2002-2003. It will occur in back-end automation and is already evident. [Full Story]

By 2006, PDA will be five to ten times better than current products

Title: World-wide PDA Forecast 1998-2007
Source: eTForecasts
Date: January, 2002
Abstract: Born ten years ago, the PDA topped 12M units in 2000. However, the current economic slump has lowered the growth rate substantially in 2001. Analysts hope to reach 61M devices in 2007 for a compound annual growth rate of 26%. The 2006 PDA will be a multifunction device with a variety of functionality. They will allow users to connect to Internet and corporate networks. PDAs will have Bluetooth or Wi-Fi capabilities and 2.5G or 3G cellular voice communication capabilities. Moreover, many PDAs will have built-in music players, a digital camera for low-end video conferencing and to take still pictures, and scanner for collecting printed information or scanning bar codes. [Full Story]

Positive effect when TV and online advertising are combined

Title: Media Mix Study
Source: Online Publishers Association y Millward Brown Intelliquest
Date: April, 2002
Abstract: The study tested recall and memorability of online and television advertising - each alone and in combination, and concluded that there is a positive, synergistic effect when TV and online advertising are used in combination. Advertising for the United States Air Force was used for the test. The online advertising appeared during an episode of a television show and as a sponsorship on a Web site. In a test of day-after ad recall, those who had been exposed to both the TV and the online ads were significantly more likely to remember the TV ad than those who were exposed only to the TV ad (32% vs. 23%). The study also found that day-after awareness of online Air Force advertising was significantly higher among those who had been exposed to the online ads. [Full Story]

COMPANIES
Softbank sells part of Yahoo
The Japanese Internet investment group Softbank has sold 2% of its holding in Yahoo to reduce debt. In spite of the transaction, which amounted to $171 million, the bank will still be Yahoo's leading shareholder with a stake of 14.3%. Softbank also has sold its stakes in other communications companies. From Financial Times. [Ful Story]

Microsoft, IBM and VeriSign Agreement about Web Security
The three companies, who are rivals in some markets, plan to launch a new technical approach that they hope will ensure greater security and thus stimulate commercial development of Web services. Microsoft, IBM and VeriSign planned to publish their proposed specification, gather criticism and suggestions from customers and other technology companies. From New York Times. [Full Story]

Commerce One will fire about 500 employees
Commerce One said it will fire nearly one-third of its remaining work force. After this round of layoffs, Commerce One will have about 1,100 employees, compared to 3,700 employees in 2001. The Pleasanton-based company reported losses of $220.6 million, or 77 cents per share, during the first three months of the year. From BayArea.com. [Full Story]

WE RECOMMEND
Business' Killer App: The Web
In the current environment, killer app doesn't mean taking the world by storm -- it means adding a couple of points to profit margins - or narrowing losses. And that's what the web can do, according to Business Week article.

For instance, 38% of APL's customers conduct their business via online transactions and the company has got a 20% reduction in the cost of processing bills of lading. Another example: IBM saved it $300 million in 2001 using e-learning.

Nevertheless, executives have learned not to expect miracles from the Web, even as they integrate it into every phase of their business. And they've also learned to think of it as any other tool that has to justify its expense. From Business Week. [Full Story]

PC Market's Future
The PC will continue to evolve into more than just a traditional productivity or Internet tool: it is an important part of a bigger movement toward the convergence of digital content across all media. Instead of focussing on increased memory and speed, manufacturers are touting wireless capabilities and embedded features that not only provide greater convenience but also save time and money. Every company has its own strategy, but all of them agree that entertainment and its links back to the PC environment are the killer apps for the home user. So "the battle for the living room" has started.

However, a number of factors are delaying the convergence: broadband deployment, and the end-to-end products prices. From Upside Today. [Full Story]

IBM and Microsoft's plot
Over the last two years, the two giants have been developing Web services protocols, which will one day be as important as TCP/IP.

ZDNet analysts warn that IBM and Microsoft not only own intellectual property within specific Web services protocols, but also have no intentions of relinquishing their IP rights to those protocols should they become standards.

Thus, users of Internet applications that depend on the protocols could be asked to pay based on metered use of those protocols. However, currently no plausible or globally scalable mechanism exists for doing so.