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By Jonathan Schwartz

There's an interesting phenomenon in the computer marketplace, which strikes some as counterintuitive: If you double the performance of a machine, customers don't buy half as many, they tend to double their order. Same goes for utilization: If you can double server utilization via Solaris containers or VMWare, people don't buy fewer computers — they buy more.

The value of innovation, at least to our core customers, is growing so fast that if the price declines, the overall return (value/price) goes through the roof — encouraging a feedback loop. Moore's Law and free software drive relative pricing down, and customers accelerate their growth.

We can prove it.

We've had impressive share gains across our systems business — from our aggressively priced Niagara (sorry, Sun Fire X4500) servers to our multi-billion dollar systems. And although I'm thrilled to see our share gains, I'd like to see more growth among customers that don't buy \$250,000 at a time, but more like \$2,500 — startups and small companies. Granted, we are making headway with a few very cool startups, but we have work to do in a market that daily redefines the network.

So we organized an “unconference” for startups in the Silicon Valley area. We had solid, even overflow attendance at this event. Nearly all of the feedback was positive. But there was a troubling, and consistent message. It usually went like this, “Wow, this is a great idea... thank you, Sun. But hey, why are you guys here? I thought you built big expensive stuff that ran in banks?”

Ouch.

It was a message delivered with sufficient frequency that we've started to really focus on acquiring new customers in the startup community, a traditional stronghold for Sun. So if you are a startup, or you know someone who is, please send them the following:

Sun is committed not only to growing in today's Fortune 500, but tomorrow's, too. And as you know, all our software is free for the asking (you pay only for commercial support, when you want it). And we know that you're price sensitive on hardware — so we're going to drive prices into the ground to lower the cost of using Sun's newest innovations. And that's exactly what we've done.

If you're a US business that's been in business less than 4 years, and you employ fewer than 150 people, I know you'll find our pricing very interesting. By our calculations, Thumper costs about half the price versus any of our storage competitors.

Why are we doing this, even though we're showing great growth?

Because growth in our installed base is nice. Growth in the competition's installed base is better.

But growth in tomorrow's installed base is best of all. And by definition, every large customer Sun serves today started as a small customer.

Jonathan Schwartz
CEO and President
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ceo@sun.com



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Making the Web Your Business Platform



Sun Vice President of Web Properties Curtis Sasaki shares with Sun *Executive Boardroom* readers his views on the evolution of the Web as a business platform and key things to keep in mind when developing your model for e-business. First in a two-part series.

Q: How has the Web evolved to become the next business platform?

Sasaki: The Web has evolved from a place of looking up information to one where you conduct transactions and share information. In some

households, it is used more than television. With all of the personalization today, the Web is evolving into what users want to see versus what companies want them to experience. You're seeing things like product ratings, blogs, forums, wikis, podcasts, and RSS data feeds driving more content about products and services than even the companies who develop those products. You're seeing e-commerce evolving to be more than just a storefront — to being seamlessly integrated into the overall customer lifecycle experience.

In commerce and business sites alike, we are seeing **mashups** of technology. There are APIs from Google, eBay, and Amazon that people are integrating into their sites. People are creating a seamless experience from multiple vendors all mashed up as one thing. While you could have done those things on separate sites, the power of putting them together and offering them in this personalized context is much greater. The customer is effectively driving their experience.

Q: How does Web 2.0 influence this evolution and what does it have to do with business?

Sasaki: Web 2.0 has come to mean three things. First, it means richer interactivity on Web sites so that you can click and see information instantly without page refreshes or delays. Second, it means clever use of distributed services and capabilities by way of the mashup concept I just mentioned. And third — most important — Web 2.0 is about having customers and communities interact with you on the Web. It's a big difference from the static, output-only corporate sites of just a few years ago.

Related Resources

- » [Wikipedia Definition of Web 2.0](#)
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Web 2.0 is the community aspect of having very open information that is shared and commented on by many people.

Web 2.0 puts the user in control of their experience and illustrates the power of communities. Who could have predicted the power of the MySpace community, or YouTube, or that people would buy a digital camera based on what others wrote in reviews?

Your voice is more important than in the past when you bought products based on information that companies provided you. Today, if you want to book a hotel, you can read blogs and reviews from others who have stayed in the hotel. Web 2.0 is the community aspect of having very open information that is shared and commented on by many people.

Five or six years ago, vendors controlled all the information. For companies to stay relevant, they must participate in these community conversations. They must represent their products as best they can and dive into conversations with their audiences. On sites like Netflix, everything is driven by ratings and preferences. They keep you engaged by presenting movie choices based on what you've checked out previously and what others with similar tastes have rented.

The e-business sites that succeed — particularly in the U.S. — are finding a way to provide value-added context that can be heard above all the noisy conversations going on. Companies who only provide their own locked-down view of

things are going to be left out. And it's self-correcting. If someone lambastes you with a bad review, chances are in today's environment, if you've done a good job, people will jump to your aid to refute anything that was spuriously written.

Q: What do executives need to know to take advantage of this trend?

Sasaki: This level of openness may be frightening to some. Companies fear that negatives will be exposed. But sometimes that is necessary to fix problems. You also get positive feedback when you do things right. More importantly, this level of transparency makes a company look more honest and trustworthy in the long run, but it does require a breakthrough in terms of overall thinking and philosophy to accept the risk.

Q: What about that risk and how do you get buy-in at the top level?

Sasaki: In the case of Sun, we are fortunate because the original founders and executives that have followed in their paths believe in transparency and openness. That has been our corporate heritage, so it has been easier to embrace. But even if you get top management buy-in, there may be disparate groups that are afraid of the approach. The way to manage that is to open up pieces at a time. We tried it on several products to see what would happen.

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Even in the software area, where some were very nervous, they said it was very helpful to get realtime feedback and actually altered a release based on that feedback. They now view the approach as very positive. Having champions on the development side has made it easier to convince other groups that what we're doing makes marketing and business sense.

Q: What if there is negative backlash? How do you manage that?

Sasaki: Nothing is ever perfect. Some of the first reviews of one of our products had some areas that were not good. The bad reviews gave the product group valuable information about what to work on. And when they fixed the problems, the next set of reviews communicated that Sun is a company that listens to its customers and makes changes to products to improve them. If you have no negative feedback coming in, it doesn't seem genuine.

Q: What is the secret to engaging customers from a UI perspective?

Sasaki: You want a site that is interesting, compelling, and relevant. One of your objectives is to get visitors engaged within a few seconds because they can scan a page in a second or two. If they don't see anything relevant, they're gone. One area many people don't consider is wording, content and how you label things. Visitors usually come to do something very specific, and if you use confusing labels or company jargon and the customer gets confused, they'll leave.

Once they get engaged, you want to develop a rhythm in the experience of the site. Even a business-oriented site should be enjoyable. That's why you see people putting a lot of real-time interaction with Java, JavaScript, AJAX and other interactive tools. It's not glitz that makes the site more responsive; an enjoyable, efficient outcome is what counts.

Q: How compelling is a positive Web experience for increased business?

Sasaki: If a person has a positive experience, they will spend more time on your site and are more likely to come back. The reverse is also true. We try to give our visitors engaging content based on their role — whether it be CIO, CTO, developer, etc. Probably the biggest mistake companies make in terms of user experience is focusing on themselves rather than the experience they want the customer to have. If customers have a bad experience, it will tarnish the brand image of your company. Forward-thinking companies spend a lot of time trying to present things as their customers understand them. Your Web site is your brand and how people identify with your company.

Q: Where does a company go to get started?

Sasaki: Turn to the expertise within your own company if you have it. Second, have a Web 2.0/Internet strategy in mind. This will come from a combination of your company's strategy and where your customer base is going. Once you have those nailed, you can take those concepts to your internal team or hire an outside agency to help design the vision and storyboard it out to see if it maps

Your Web site is your brand and how people identify with your company.

to the most common things people will do on your site. A grand vision is great, but it must be possible to implement. Also, include your technology groups in the design and vision conversation. They often know of the newest things and have clever, innovative ideas.

Q: How does e-business fit into a broader multi-channel strategy?

Sasaki: Traditionally, e-business has been conducted through Web-based consumer storefronts. But a large volume of transactions are doing direct B2B transactions through partners. One of Sun's visions is to enable our partners to enable their customers to interact with them based on Sun's back-end, e-commerce environment. This saves time and should improve the overall customer experience of buying Sun products through partners.

In the '90s, there was a buzzword called "frictionless e-commerce," which no one really understood. It means taking the information cost and time lags out of the overall supply system — basically democratizing the information so that it's available for partners to use as an extension of your company.

From a channel perspective, this has accelerated services. As [service-oriented architectures](#) (SOAs) get built and identity technologies are employed, consumers start demanding more instant data, and channel partners and others in the supply chain demand more efficiency. It all blends together to be a good thing for the customer because they are getting accurate information more quickly.

Q: Any predictions as to what this might look like 10 years from now?

Sasaki: It's always hard to predict what will come next, but there seems to be a clear trend on more community, more openness and transparency, more use of multimedia. More important, will be business models that change the value proposition.

Companies that not only provide a great user experience, but also take into account the full end-to-end experience that exceeds expectations, are likely to succeed. Communities, mashups, seamless e-commerce experiences, and products and services that offer true value are happening today and are likely to continue for the next 2-3 years. And with wireless broadband, the next evolution may be a desktop Web experience on a mobile phone enabling "wherever, whenever" transactions.

About Curtis Sasaki

Curtis Sasaki is vice president of Sun's Web Properties. His team is responsible for the strategy, business development, content, and execution for Sun's global Web presence. Prior to this role, Sasaki was vice president of engineering for Desktop Software Solutions at Sun Microsystems. Before joining Sun in 1996, Sasaki served in various senior management positions at General Magic, NeXT Computer, and Apple Computer.

On the Spend Management Journey to ROI with Ariba



Managing costs throughout the enterprise requires controls, but as with any initiative, these controls become more effective as they become adopted throughout an organization. Enter spend management, the discipline of squeezing the most out of each procurement dollar throughout the enterprise. Once a somewhat mysterious element in a financial department's bag of tricks, spend management has increasingly become integral to other areas in the enterprise, from operations to marketing and product development.

Ariba Inc. (NASDAQ: ARBA) is one of the pioneers of spend management — and over the last 10 years, the Sunnyvale, California, company has tirelessly advocated its use as a key component in nearly any business decision. Sun recently spoke to Christine Crandell, Ariba vice president of marketing, about how spend management can increase competitiveness for companies of all sizes in the global marketplace — and how Sun is helping Ariba develop these offerings.

Q: How does Ariba define spend management?

Crandell: Spend management is how you maximize the return on investment (ROI) from every dollar a company spends. We think of spend management as a journey — and every company is at a different stage in the voyage. Typically, companies start out trying to control their rate of spend — looking for cost savings in procurement or making sure processes are in place for purchasing — and then wind up using spend management as a major contributor to the overall corporate strategy. With the right strategy and solutions in place, companies can do more than just identify savings. They can make sure these savings make their way to the bottom line and improve profits, reduce supply risk, and gain competitive advantage.

Q: What are the milestones in the spend management journey?

Crandell: Initial cost savings are merely the starting point. For example, one of our customers, a supermarket chain on the East Coast, saved \$17 million in the first year after implementing Ariba spend management software. That's a starting point that leads to more visibility into how every dollar is spent across the enterprise — both direct and indirect spend.

Another Ariba customer, this one in the new glass business, has approximately 95 percent visibility into its spend. Once savings are recognized and spend is visible across the organization, companies can then use spend management to drive business change. Mergers and acquisitions can be performed more quickly. And other areas that impact competitiveness, such as global resource provisioning and risk management, get done faster, with more consistency and cost-effectiveness.

Q: What are some of the misconceptions about spend management?

Crandell: It's important to understand that spend management is more than supplier management or supply chain management. Sometimes, people mistakenly think that enterprise resource planning (ERP) is spend management; ERP is really focused on nuts and bolts transaction processing. In our software, we have modules for sourcing, contract management, procurement and expense, invoicing and payment, supplier performance management — and, very importantly, modules for visibility into all these activities.

Additionally, Ariba also has over 400 commodity specialists that help customers build world-class sourcing processes, as well as Ariba Supplier Network, the world's largest supplier network. All three — software, expertise and the network — are critical to realizing fast ROI from spend management. They enable companies to see things much more strategically at risk points, which turns procurement into a strategic process.

Q: How do the needs of larger and smaller companies compare?

Crandell: The conversations we have with large and small companies are often quite different. When we talk to a \$200 million or \$500 million company, the conversation usually revolves around the starting point of the spend management journey, which is saving money in areas like procurement. For these companies, staying competitive

in the marketplace often means figuring out how to source products so that the prices of these materials aren't passed down to the end customer. But when we talk to a \$20 billion company, the conversation is usually about organizational transformation, strategy, and risk management.

Q: How do on-demand capabilities help customers?

Crandell: On-demand capabilities help smaller companies get started quickly in activities like global sourcing. We're tapping into our 400-plus commodity experts — people with expertise in everything from sourcing resort vacancy space to steel ingots. This way, a \$200 million company can tap into numerous best practices just as easily as a \$200 billion company that uses our commodity experts. We also look at on-demand solutions a little differently than other software companies. Instead of having two code bases — one for the on-premise version and the other for the on-demand version — we've taken the time to build one common code base for both versions. This helps our customers, particularly when they're doing business globally.

Q: Let's talk about the most recent Ariba survey findings of C-level executives released in November 2006. Ariba asked these respondents about spend management challenges and requirements. Were there any surprises?

Crandell: There were some surprises. After our 2005 survey, I suspected that there would be more movement in the ability to measure ROI in 2006. I also expected to see more people on the same page with internal alignment and the adoption of spend management practices. But we did find that many companies are further along in the spend management journey. We saw emphasis on visibility in areas such as the origins of spend at all levels of operation. And C-level executives also wanted the ability to consistently deliver measurable results in spend, which tells us that we're having a significant impact on the bottom line.

We also discovered continuity with past surveys. For example, different industries still move at varying paces in their spend management journeys. Financial services, for example, tend to be further along in this process than other industries. But these surveys are good windows into what the market is doing, and give us a great tool for letting market requirements influence our product road map.

Q: How has your relationship with Sun helped Ariba?

Crandell: We've done a lot of joint development with Sun over the years. That includes putting Ariba on Sun servers, doing sizing and porting and working on two-way projects as well. It's a mutually beneficial relationship. Without it, we'd be hard-pressed to serve many of our customers in sectors like financial services and high tech. Sun and Ariba have a lot of joint customers.

To serve these customers cost-effectively, we're involved in a project with Sun to port older Ariba spend management software releases to different Solaris platforms. Many of our customers are on different Solaris releases, and we want to make sure that Solaris customers can take advantage of Ariba. Also, we use a lot of Sun technology internally for the same reasons that many of our customers use Sun — reliability, speed, and cost-effectiveness.

Q: How does Sun help Ariba's internal development efforts?

Crandell: Solaris is a core platform for us, and it's part of our long-term IT vision of everything from reducing costs to driving enterprise strategy. These days, we're looking at how we can make Ariba run faster and better on Sun — particularly on UltraSPARC servers. We're also doing a lot of joint development work with the Open Java II platform. Ariba is J2EE-compliant, and working with Sun on Open Java II helps us provide more advanced, flexible and reliable offerings to our customers.

Q: How do those efforts benefit your customers?

Crandell: These are the kinds of projects that make spending decisions more automated and accessible, and that is part of a phenomenal shift in procurement. It is becoming more apparent to many companies that procurement has an extraordinary role to play in shaping business strategy. At Ariba, we've done the relatively easy stuff with spend management, but now we're helping companies shape business strategy. And that is a significant and exciting challenge for us.

About Christine Crandell

Christine Crandell is vice president of marketing for Ariba, Inc., where she is responsible for the design and execution of the company's global marketing programs. Prior to joining Ariba, she served as vice president of worldwide marketing for IPLocks, Inc., a database security and information risk management software vendor.