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A rush for market dominance

'The Internet is a fantastic thing,' says Bill Gates of Microsoft, the software giant. 'It makes software and computers more relevant to what is happening in the world. There is something going on here that is very deep ... '

Bill Gates, chairman and chief executive of Microsoft, has become one of the leading advocates of Internet software. His enthusiasm is matched only by his determination to achieve leadership in what is expected to be the fastest growing segment of the software market.

Microsoft's ambitions are, however, being hotly challenged by a hoard of new software ventures led by Netscape Communications which has captured an early lead in browsers - the programs used to navigate the World Wide Web and the most visible segment of the Internet software market.

Like the introduction of minicomputers in the 1970s and personal computers in the early 1980s, Internet computing represents a fundamental shift in information technology that is expected to bring broad changes to the IT industry and to users. Historically, no company that has dominated one generation of computing has dominated the next, largely because they have been too closely wedded to the legacy of their past success.

'Internet computing will completely recast the dynamics of the software industry,' say analysts at Forrester Research, a US market research group. 'Microsoft will loose its dominance,' they predict.

GOVERNMENT EXHIBIT 83

Microsoft is also giving away software for Internet 'servers', the computers that store information distributed over the Internet and intranets, to purchasers of its Windows NT operating system. Netscape, which receives most of its revenues from selling server software, has had to slash prices on its basic server programs in response.

'Our business model works even if all Internet software is free,' says Mr Gates. 'We are still selling operating systems.' Netscape, in contrast, is dependent upon its Internet software for profits, he points out.

Yet browsers and basic servers are only the starting point for Internet software. One of the next important battle grounds will be in 'groupware' for the Internet and intranets; programs that enable people to work collaboratively over a computer network. In this arena, Oracle is claiming to be first past the post. Last month the company announced 'InterOffice', a groupware program designed to work with the company's Universal Server multimedia database, which it claims will provide all of the features of established products such as Lotus Notes, and more.

Similarly, Netscape is working on a new browser, code-named Galileo, that it says will match proprietary groupware features. Meanwhile, Microsoft and Lotus are rejigging their groupware products to incorporate Internet standards.

The most significant challenge to Microsoft's authority may, however, come from Java a programming language and development tools from Sun Microsystems that enable the rapid development of 'Internet ready' platform-independent applications. Since its launch last year, Java has taken the programming world by storm. Although even Sun executives acknowledge that Java is immature, it is in active use by thousands of developers, including dozens of innovative start-ups. These are 'kids who are willing to live in the 'Big Mac zone,' as opposed to the 'Chez Louis zone',' says Scott McNealy, Sun chief executive. 'They start from scratch, and now instead of just developing applications for the Windows world now they can develop programs for all sorts of computers and network access devices.'

Predictions

Collectively, these start-up companies will overthrow Microsoft's leadership in the software industry, Mr McNealy predicts. He also hopes that they will help him to sell lots of server hardware to build 'Java farms' - collections of computers that store and distribute applications to desktop computers on demand.

Mr Gates dismisses Java as 'one of dozens of computer languages' that will be used to create applications for the Internet. Neither is he impressed by the idea that Java will fuel the creation of a new generation of downloadable applications. There are 150m users of Microsoft PC programs, he points out - 'just because the Internet is out there, it does not mean that people will throw away their applications.'

Moreover, Microsoft itself is adapting to the network application model. Mr Gates suggests

that in the future PC users may install only the basic functions of an application on their own computer and access rarely used functions via the network. Unlike leaders of the mainframe computer and minicomputer eras, Microsoft is responding quickly to the changes that threaten to undermine its success. With its greater resources and well-honed tactics for competition, it may yet defy the prophets of doom to maintain market dominance.

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