

Branding Irony

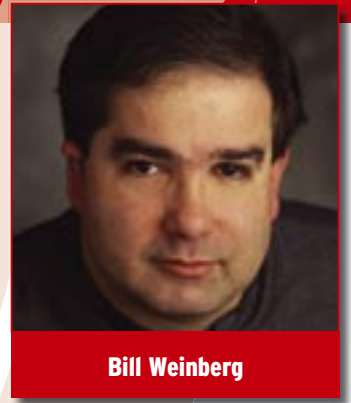
Detractors of Open Source often deride the movement and the methodology as being responsible for commoditizing so-called high-value software. I prefer to think of Open source as a new lens through which end users can more clearly see where added-value lies and where it does not. If, however, portions of the Open Source stack are to be viewed as commodities, then among the values that suppliers bring to the table is that most traditional of marketplace virtues, branding.

Even the most die-hard, socially-conscious free software aficionado is not immune to the allure of branding. The strength of global brands influences and informs decisions about the cars we buy, the food we eat, the beer we drink and the hardware and software we deploy in our homes and businesses. Branding gurus (like Interbrands) calculate the value of global brands the same way that industry analysts view other assets: current revenues stemming from that branded business, and estimations of what those companies/brands are likely to earn in the future.

Using these criteria, the top IT global brands are (in order) Microsoft (#2 overall), IBM (#3), Intel (#5), Nokia (#8), Hewlett-

based phone in the North American marketplace. While heralded as Microsoft's long-awaited entry into the phone market, completely absent was any indication of "whose" phone was running Windows. Two days after the initial announcement, Microsoft revealed that it had engaged contract manufacturer FlexTronics to build the phone to spec. Surprise - Microsoft is now in the cell phone business, at least in brandwise fashion.

Why did Microsoft have to resort to building its own handset? Its phone-specific OS spins (WindowsCE, CE.net, Phone2000, Stinger et al.) are widely acknowledged to offer the most complete and ready-to-deploy handset stacks in terms of included media



Bill Weinberg

Like its unassuming pudgy mascot Tux, the Linux brand is warm and friendly - not too hot, not too cold, but just right

Packard (#12), Cisco (#16) and Dell (#25). Interestingly, Interbrand calculates the worth of Microsoft brand equity at over US\$61 billion; IBM brand value comes in at US\$53.8 billion; Intel at US\$33.5 billion. So where does the Linux brand stand among these mega-marks? It depends on how you look at it.

The Linux brand is owned by the Linux Mark Institute (LMI) and administered by John "maddog" Hall acting on behalf of Linus Torvalds. By itself Linux™ does not show up in published rankings, since LMI accrues only token income from its trademark. Linux-branded sales are shared among players like Red Hat, Novell, IBM, HP, Intel and others, brand rankings by the likes of Business Week and Fortune tend to overlook it.

Using methods very comparable to those for brand value calculation, IDC recently estimated that Linux-related revenues (PCs, servers, and packaged software) in 2004 accounted for US\$15 billion, and will amount to over US\$35 billion by 2008. FIFTEEN BILLION DOLLARS - \$15,000,000,000 - that places Linux in the top 20 global brands, just ahead of Ford and Honda, and right behind BMW. Vroom vroom.

Strong equity is a major asset for brand holders - branding helps Coca-cola (the #1 global brand at US\$67.4B), Microsoft, and IBM market and sell their offerings through brand-pull as well as push marketing. Strong branding is a mixed blessing, however, for channel partners and resellers, who must leverage their suppliers' branding without being overwhelmed by it.

In February, Microsoft tried very very hard to draw attention to network operator T-Mobile announcing plans to field a Windows-

formats and CODECS, device drivers, integrated graphics, PIMware and other handset-specific features. They even priced their platform down to meet the margin needs of phone OEMs. Why are consumers today not up to their eyeballs in Windows-based featurephones and smartphones?

Because they would be MICROSOFT PHONES. The Microsoft brand and Microsoft branding requirements eclipse the name and equity of even top-tier handset OEMs. Nokia (#8), Sony (#20), Samsung (#21), Siemens (#39), Philips (#65), Motorola (#76), Panasonic (#77), to say nothing of emerging Chinese brands like Datang, Huawei, and ZTE, cannot afford to co-brand with Redmond - a phone running Windows is a Microsoft phone, plain and simple. What applies to the phone business applies to other areas of consumer electronics, and increasingly to other areas of IT.

So, while we may expend great volumes of breath protesting Linux technical superiority (more stable, secure, configurable and performant) and pen screeds extolling superior TCO (lower acquisition costs, cost-effective horizontal and vertical scalability, and longer fielded lifetimes), Linux also marches onward to a quieter beat - brand-neutrality. Linux adoption is growing not because the opposition is weak, but rather because the mark of Redmond is too strong. By contrast, the Linux brand is non-threatening. IT equipment manufacturers and device OEMs can exploit the Linux brand or obscure it at will, and still benefit from Linux technical and economic benefits. Like its unassuming pudgy mascot, Tux, the Linux brand is warm and friendly - not too hot, not too cold, but just right.