

here's looking at linux

You may not believe it, but Microsoft Windows is not the only option when it comes to operating systems. Simon Easterman looks at why so many organisations see the open-source Linux software as an increasingly attractive alternative

At a time when Microsoft and its allied industry giants are pushing to proscribe and standardise computing, there are signs that a more democratic form of IT could be the choice of the 21st century. Open-source software, in the form of Linux, can be used without licences and rewritten to suit users' specific needs, as long as any changes are freely shared with the community.

Along with lower costs and greater flexibility, Linux offers better security and freedom from manufacturer dependence, making it an attractive package to system managers. Already a favourite at network level – over 60 percent of websites are run using Linux-based servers – it's rapidly gaining currency at the desktop level too.

Too good to be true?

Led by the government, which constitutes the country's biggest IT customer, Germany has seen an unequalled surge of Linux uptake. Ludger Schmitz of German magazine *Computerwoche* says that, as the time for IT renewals comes around, more and more departments and councils are finding the practical and cost benefits of Linux an offer they can't refuse.

This public sector interest is found elsewhere in the EU, including the UK where several projects are up and running. The European Commission has also taken a keen interest. It has set up a pilot study through UK firm Netproject to plan and oversee the migration of the public IT infrastructure of the German town of Mecklenburg Vorpommern to Linux in June this year.

With the EU thinking carefully about how to take e-government forward, the success of this project could have profound effects on Linux's fortunes. Politicians across Europe are being persuaded, as the Liberal Democrats' IT



spokesman Richard Allan has expressed, that the way open source allows for collaborative development is "particularly beneficial in the government context".

Fee versus free

A more immediate incentive, however, is the bottom-line advantages Linux offers. With the large and heavily enforced licensing charges that Microsoft is levying on its software, cash-strapped IT departments are naturally drawn to the free Linux software. Savings can often be ploughed back into staff training, removing

The response to the enthusiastic marketing campaigns of IBM, SuSE, Redhat and the like have been encouraging, with Linux being one of IBM's main growth areas in the last year. Recent research by Open Forum shows that Linux is making 'inroads into business-critical application areas' and many previously perceived problems are no longer regarded as important.

Angelo Apa, IBM's North Europe manager for Linux, goes so far as to say that some City firms that have migrated to open-source systems are cagey about

publicising the new technology, as they don't want to lose the competitive advantage it has brought them.

Whether this is in keeping with the sharing nature of open-source software is debatable, but it

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the key problem of IT managers' relative inexperience with the platform.

With licensing so central to Microsoft's future plans, this could be the issue that divides or decides the market in the coming years. "Linux adoption is making Microsoft nervous," says Schmitz. Meanwhile, the private sector isn't far behind in realising the possibilities of open source.

demonstrates the great boon that early adopters of Linux are finding it to be. Years of tinkering by thousands of programmers around the world, all sharing their modifications through the Linux council's website, have produced a platform of great potential. ■

• For more information point your browser to www.opensource.org.

are warranties worth it?

To protect their purchases, many consumers buy extended warranties. But some experts claim retailers' warranties are a waste of money foisted upon us by commission-hungry sales staff. Wendy Brewer investigates

Extended warranties are meant to buy peace of mind, offering the reassurance of dedicated assistance if something goes wrong. But debate about the real value and benefits of such warranties is rife, and schemes provided by high street retailers are under the Competition Commission's microscope.

The CC has until the end of June to reach a decision regarding extended warranties. An unfavourable outcome could cost retailers millions, delivering a blow to an already struggling industry.

Retail giant DSG (Dixons Stores Group) is the extended warranties heavyweight; sales of its coverplans account for 25 percent of all extended warranties sold in the UK. Having such a large share only becomes an issue if DSG is found to be using its position to create uncompetitive advantages, such as withholding information about rivals' deals or adopting pressure-selling tactics. In this case the CC must act to protect consumers.

An informed choice?

At the Public Hearing, held at London's Institute of Electrical Engineers this April, Dixons chief executive John Clare was quick to quash claims that shoppers are being coerced into buying extended warranties – a practice which would be an abuse of the group's position.

"There is no reliable evidence to prove pressured selling exists. Our own research shows customers are less likely to make a purchase if pushed," says Clare.

Comet's managing director, Simon Fox agreed, claiming not only was there no proof of heavy sales techniques but "three quarters of [our] extended warranty holders are happy with their purchase".

But the Consumers Association was quick to hit back, claiming that most shoppers did not make informed decisions. It believes retailers should be forced to advertise a range of external cover options offering clearer information.

However, Dixons, Comet and Retra (the Radio, Electrical and Television Retailers



Association) dismissed this idea. "Retailers have to earn an income. Why should they offer information on competitors' extended warranties which would result in a loss of business to themselves?" asks a Retra spokesman. "How could they possibly know about all the options available anyway? The idea is lunacy," he continued.

The CC has to decide how to tackle this issue, but finding the balance is hard. The ideal solution is one that offers buyers the information they need without placing any unreasonable demands on retailers.

Profit and loss

The next bone of contention is profits. Some industry sources claim that extended warranties account for 40 percent of Dixons' profits, with the CA labelling all such warranties a rip-off, but Dixons' Clare says this is simply untrue.

"Our customer service helplines took 6.6 million calls last year and, as advances in technology increase, so the number of calls will continue to increase. We spent £100m on customer services last year. This is a substantial investment and yet we make less than 6p profit on every pound spent [on extended warranties]," states Clare.

Comet claims to be making even less – just £3.54 on every £100 compared to Boots' 12p and Next's 14p.

The CC must now decide whether Comet and Dixons are making so-called normal profits – that is, profits sufficient to cover all costs, sustain business and provide investors with a sufficient return.

Facts and figures

The extended warranties market is one governed by retailers; 87 percent of the one-in-five buyers who purchase extended warranties get them from retailers. Manufacturers only pick up about four percent of the remaining custom.

On the whole this is because extended warranties tend to be an afterthought, an extra service sales staff can flog with a product. They offer peace of mind and coverage is usually far wider than with standard warranties or statutory rights under the Sale of Goods Act.

But in many cases extended warranties, which can cost as much as a third the cost of the actual product, aren't ever used. Buyers don't have time to shop around and therefore need to know they are getting value for money.

In the words of a CA spokesman: "We need to ensure consumers make an informed choice and are getting the service they paid for – that's the most important part of the investigation." ■

• For more information log on to www.competition-commission.org.uk