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## E-Trade Taps Linux For New Web Site

Feb. 4, 2002

**Online broker expects big savings, a must in the tight economy**

By Paul Mcdougall

When E-Trade launches its beefy new Web site this week, it will throw the switch on one of the most high-profile proving grounds yet for Linux. To power the site, the cornerstone of E-Trade's online trading business, it's ditching expensive Unix systems from Sun Microsystems in favor of Linux-powered IBM Intel-based servers. E-Trade says it could eventually save millions of dollars as a result of the move.

Saving money by using what is essentially a free operating system has for years drawn academic and scientific users to Linux. But until recently, many business users shunned the software because of reliability and security concerns. Now, tight IT budgets and support commitments from major vendors have companies taking a second look.

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Linux will power virtually all of E-Trade's customer-facing Web sites, says chief technology officer Josh Levine. Analysts say the decision could pave the way for more big businesses to adopt the software. "E-Trade has always been on the cutting edge, so this is a huge endorsement for Linux," Forrester Research's Laura Koetzle says. But others say Linux requires learning a whole new skill set, especially for Windows shops not versed in Unix. "You'd have to factor that in to any cost savings," says Glenn Bonner, CIO at MGM Mirage in Las Vegas.

That wasn't a concern for E-Trade, which is moving off Sun Solaris. "We were looking for the hardware manufacturers to support it, patch it, run it, and be accountable," Levine says. Cradle-to-grave Linux support from a major vendor such as IBM was crucial, but the low cost of buying and maintaining Linux systems was most attractive, he says. "It's going to be almost 30 times cheaper to run and maintain" than Sun systems. The switch to Linux may take a year.

E-Trade's fortunes sank last year when the stock market bubble burst. Its 2001 revenue fell 5% to \$2.06 billion, and it reported a net loss of \$270.8 million, compared with net income of \$27.8 million the year before. That prompted it to slash technology-development expenses by 37% in the first nine months of 2001, according to a third-quarter SEC filing.

No problem, Levine says. The money E-Trade saves with Linux will let it get closer to customers via new CRM initiatives without blowing the tech budget.

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