A huge tech vs. start-up battle simmers

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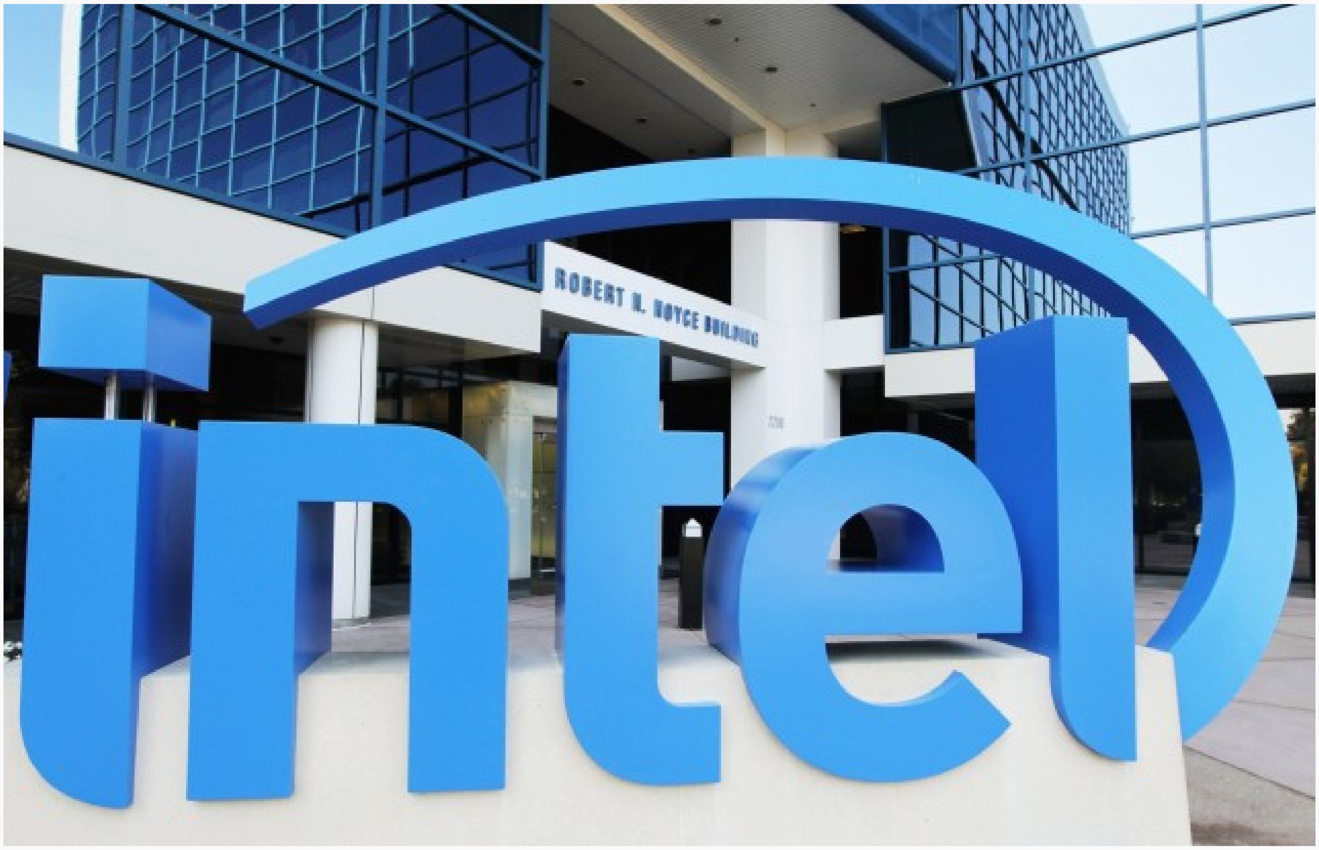

The Intel logo is displayed outside of an Intel office. Getty/ Justin sullivan

A new battle in the war between lithe start-ups and huge tech is simmering.

It's been bubbling for some time. But Intel brought the next major round closer to a head last week when it said it would buy start-up Mashery for a reported $180 million. The seven-year-old business helps people manage their application programming interfaces, or APIs.

An API is like the connector on a Lego block. Developers use it to connect sites and apps to a variety of technologies. Thus, they don't have to create these technologies on their own.

Intel's move is simultaneously important and ironic. It was once a part of the same start-up scene it is now trying to penetrate by buying Mashery. So, on one hand, Intel wants to be at the center of an Internet-focused developer ecosystem. But, on the other, the need to buy into it shows huge tech firms like Intel need help relating to a lot of these start-up technologists.

As an example, take its new foray into media. Intel is developing a subscription-based online TV service. It wants to compete with cable carriers by selling a high-end package of highly interactive video programming delivered via its own set-top box.

Forget the merits of the strategy. What's interesting is that the start-up ecosystem is loaded with companies pursuing similar businesses. These range from helping producers sell video to audiences directly, to using social media to aggregate video into personal channels.

In other words, Intel wants to use Mashery to help these smaller players shape markets, and it also wants to compete with them by dominating the same markets they are trying to shape.

Clearly, the relationship between huge tech and newer Internet-based developers is complicated.

Most of these developers want to build software quickly using self-serve, plug-and-play technologies, such as APIs. By contrast, huge tech often works more slowly, jumps into big markets directly, and prefers software that relies on high-cost components and services.

The problem is that the start-up approach is less profitable, which is unsettling for huge tech.

Take Oracle. When it bought Sun Microsystems in 2009, the famed MySQL database came with it. MySQL is free-to-use, so is relied on by a lot of Internet-era developers. But, in 2011, Oracle added some extensions to it that aren't as free-to-use as many of these developers would like.

That decision helped encourage a group of them to create a new, independent version named MariaDB. Now, talk is bubbling up online about switching between the two databases.

The example shows how hard it can be for huge tech to work with developers who were formed in the Internet age. In other words, can Intel buy Mashery and satisfy this part of the start-up's clientele, or will it set policies that push them toward rivals like Apigee, MuleSoft, or 3scale?

Microsoft, the poster child of huge tech, is the canary in this coal mine. It followed Amazon online to offer a "cloud" services platform roughly three years ago. Its Windows Azure is reportedly pretty good, but hasn't stoked the same fire online as Amazon's Web Services division.

That's one reason Microsoft recently said it will match some of Amazon's Web Services pricing. It's also been adding features to woo more Internet-oriented developers.

Moves like these could establish whether huge tech can co-exist with new-era software firms – or if these start-ups will shrink the technology business as much as they've shrunk everyone else's.

(Disclosure: James Abels runs a software start-up focused on media creation and distribution.)