
Market Roundup

October 29, 2004

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Big Blue Moves Some Big Green

By Jim Balderston

IBM announced three new SMB-related offerings this week on the second anniversary of the company's launch of its ongoing SMB initiative. The first, IBM Integrated Platform Express for Web Application Serving, is a bundle that includes WebSphere Application Server Express running on an IBM eServer pSeries. The second offering, IBM Process Integration Solution Express, includes the WebSphere Business Integration Server Express running on either an eServer xSeries or iSeries machine. The company also unveiled a new Express Portfolio Interactive Web site, which will allow customers to research the company's Express offerings in depth. IBM announced that it will be spending \$200 million in advertising and marketing of its SMB offerings.

IBM has certainly covered a lot of ground in two years. The company now has some thirty-five or so Express software offerings and another thirty-plus bundled express offerings or SMB Express-labeled product promotions. The SMB program is a company-wide affair, with every segment of Big Blue chipping in to varying degrees. For example, IBM Global Finance is participating in the promotion of the new offerings announced above. From what we continue to observe — and based on real commitments measured in dollars — IBM is dead serious about capturing a significant part of the SMB market.

We believe that traditional large enterprise vendors like IBM are very well positioned to make significant inroads to the SMB market. SMBs of 2004 are producing data at rates that are doubling each year. In many cases, today's SMB is producing and managing data at a rate comparable to a large enterprise of just a decade ago, if not more. But today's SMB has a much more daunting task at hand: it must store, manage, access, and expose that information in ways that the large enterprises of just a decade ago could not imagine. SMBs today must participate in a value net of relationships with customers, partners, and suppliers that no enterprise of any size was even considering at the end of the last century. The raw amounts of data may be comparable between then and now, but the demands placed on that data today far outstrip those placed on any enterprise of yesteryear. For these and a number of other reasons, SMBs are finding they must go to IT vendors that can give them the type of reliability and resiliency that was the stuff of only the most demanding of IT environments in the near past. IBM recognizes this fact, and in the past two years has rolled out a series of SMB-specific products that offer the best of the enterprise class descendants at price points and configurations that fit SMB requirements. Throwing another \$200 million into the effort will only help accelerate IBM's profile in the SMB market, and aid and abet the positive impacts their Express portfolio is having in that market, both in direct sales and through IBM channel partners. We only can wonder where IBM will be, and what it will be offering, two years from today.

HP Announces New Storage Solutions Targeting SMBs

By Clay Ryder

HP has announced new SAN and NAS solutions that are specifically designed to target SMB customers. The new offerings include the HP StorageWorks Modular Smart Array (MSA) 1000 Small Business SAN Kit, an entry-level solution targeting first-time SAN customers; a new family of NAS offerings, the ProLiant ML350 G4, ML370 G4 and DL380 G4 Storage Servers; and HP ProLiant Application Storage Manage software, an enhancement to the iSCSI Feature Pack that simplifies management of Microsoft Exchange storage on HP ProLiant Storage Servers. The SAN Kit is designed for customers that have minimal storage expertise but want to migrate from DAS to a first-time SAN deployment. The kit is a turnkey SAN solution for channel partners and their SMB customers that includes a StorageWorks MSA1000 2GB Fibre Channel disk array, two QLogic SANblade host bus adapters, and an eight-port Fibre Channel QLogic SANbox Switch. The ProLiant Storage Servers are based upon x86 architecture servers and Microsoft Windows Storage Server software. The ProLiant ML350 G4 Storage Server targets SMBs or remote offices deploying file, print, and Exchange solutions with up to 1.2TB of storage on four 300 GB SCSI drives with optional remote management. The ML370 G4 is for those seeking more performance, features either a single- or dual-processor configuration, and includes Standard LightsOut support for remote management plus an upgraded Smart Array controller for future expansion. The DL380 G4 is available in multiple variations including a gateway model for NAS and SAN fusion that is targeting enterprise customers and workgroup environments wishing to quickly implement network storage with multi-protocol file support and scalability up to 48TB. The HP StorageWorks MSA1000 Small Business SAN Kit is expected to be available on November 1, with an estimated U.S. street price of \$9,999. The new HP ProLiant Storage Server portfolio is expected to be available through HP and its channel partners beginning November 1.

There is a lot going on behind the scenes in these announcements, and most of it we would argue is on the right path. One would have to have been sleeping under a rock to not realize that SMBs are in the crosshairs of concerted sales and marketing onslaught by the industry as a whole. However, few vendors understand that sales to SMBs are not simply a matter of shrinking existing product offerings. From our vantage point, HP has hit the mark by positioning most of these offerings as viable channel partner sales. By offering turnkey solutions to partners who have their own value to add, HP can help drive deployments in a SAN laggard market segment while bolstering the competitive positions of its partners. Happy partners with happy customers provide an expanding upstream revenue opportunity.

While there is plenty of technology to discuss in these announcements, on the product level we find an interesting parallel in product direction that was first manifest by IBM's TotalStorage DS6000 and DS8000. The notion of Storage Servers is an intriguing one. Although based upon different underlying technologies, both IBM and now HP have brought to market storage solutions that at a first glance look an awful lot like servers with disks in them. As we commented previously, we suspect that some smart soul will notice the industry-standard underpinnings of these storage servers would make an interesting environment in which to place an application that exercises data stores in a rather demanding fashion. In addition, this is another illustration of the value of owning some intellectual property and R&D spending. While these solutions may be based on commodity processors, the total solution is anything but commodity owing its differentiation to the intellectual capital of HP. So once again, we are faced with the question: "When does a server stop being a server and become storage?" Power processor-based storage is available from IBM and EMC, yet one solution looks like a server and the other one does not. ProLiant x86-based storage looks a lot like a server, yet it is definitely a storage solution. However, one thing is striking. Systems vendors such as HP and IBM can offer these kinds of solutions by leveraging their breadth of product offerings, whereas storage specialists cannot. Overall, we are encouraged by the scope and detail of the HP announcements and their focus on properly scaled and packaged SMB solutions for partners and direct sales. Now the challenge for HP will be to market these solutions by articulating business value, as opposed to relying on endless technobabble and spindle speed comparisons.

Back from the Gamma Quadrant

By Jim Balderston

Dell has announced that it will begin offering pre-installed SUSE Linux Enterprise Server 9 on certain PowerEdge servers worldwide. The offering will cover both single- and dual-processor servers. The SUSE Linux Enterprise Server 9 is based on the new Linux 2.6 kernel. Novell has positioned the Enterprise Server 9 as a means for enterprises to shift UNIX-based applications to Linux or as a means for deploying Linux for the first time. Dell will offer Enterprise Server 9 for \$175 per single processor and \$269 for dual-processor units. Dell said it would provide support for the new offering in conjunction with Novell technical staff, with Dell being the single point of contact for support issues. SUSE Linux will be made available on Dell PowerEdge 1850, 2800 and 2850 servers in the fourth quarter of this year.

We have previously noted that Novell's January 2004 purchase of SUSE Linux was a realistic means for Novell to move back into the alpha-quadrant of the IT universe, as it had been slowly but surely moving further and further out, ranging as far from perceived relevance as the far reaches of the Gamma quadrant. By bringing SUSE Linux into the fold, Novell now had an enterprise-ready offering that it could credibly sell to the market along with its existing enterprise offerings. In effect, SUSE Linux made those products like exteNd application servers and Netware, among others, relevant again.

The expansion of the relationship between Dell and Novell should continue to offer benefits to both companies, as Dell now has a trusted and well-established Linux offering and Novell has a high-volume partner to distribute its products. In the balance, we see Novell as being the big winner since Dell has the ability to move thousands of units of Novell Linux into the market within Dell's existing business model of many units sold at minimum margin. By offering Linux, Dell does, however, provide yet another low-cost alternative to its customer base, something the company has been successful at doing for some time. Will this bring Novell back to the center of the IT universe? Probably not. But it will provide the company with greater market visibility and decrease the number of potential customers who respond with the question "Who?" when Novell's name is mentioned.

IBM Announces Next-Generation TotalStorage Open Software Products

By Rob Kidd

IBM has announced four new TotalStorage Open Software Products, to assist in infrastructure simplification, virtualization, and automation. The products are TotalStorage SAN Volume Controller v1.2.1, which provides multi-vendor storage support (EMC, HP, and HDS hardware), increased I/O speed, cluster size, and partitioning; TotalStorage San File System v2.2, which provides policy-based data movement, store, delete, data-importance-based storage allocation with Windows, Linux, and UNIX file sharing; TotalStorage Productivity Center 2.1, which offers simplified installation, tightening IBM Tivoli Storage Manager integration, adding policy-based automated back-up/retention with common central deployment and new reporting capabilities; and IBM Tivoli Storage Manager 5.3, which features an upgraded GUI, installation and configuration tools.

These announcements, coming shortly after the DS6000 and DS8000 hardware introduction, emphasize the importance increasingly being placed upon storage software and open vendor interoperability. In an environment hungry for high availability, resource utilization, and productivity, superior storage hardware feeds and speeds are simply assumed. IT has to manage and exploit data, in-line with enterprise goals, for strategic advantage. Storage management and software that provide these capabilities are central to the customer storage value proposition. For the past few years, IBM has not held the storage leadership position, but these offerings are another demonstration that IBM is serious about regaining a competitive edge. Cross-platform support of the common EMC, HP, and HDS platforms, along with providing sharing of Windows, Linux, and UNIX files, allows IBM to have a conversation in heterogeneous accounts, perhaps win some software sales, and gain some competitive ground. Policy-driven data retention, archiving, and deletion provide much needed enterprise ILM capabilities and should help IT simplify, consolidate, and provide cost containment.

Storage hardware prices and margins have been declining for the last few years, a trend expected to continue for the immediate future. Thus, storage vendors are under pressure to find additional, incremental revenues; software and storage management revenue offer an attractive replacement revenue opportunity. IBM's strategy reinforces this point and is in alignment with vendors such as EMC. Besides having new stuff to sell, vendors are always searching for new markets in which to sell, something that drove the creation of the Express offerings. We believe that integration, simplification, and enhanced usability should help make IBM TotalStorage Open Software and storage solutions more attractive to SMBs. As such, an appropriately bundled and priced Express package of TotalStorage Open Software would be well positioned to capitalize on this opportunity.