



## Instant Insight

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### Heeding the CLARiiON Call: EMC/Dell Ink Multi-Billion Dollar Enterprise Storage Agreement

*By Charles King*

EMC and Dell have announced a five year, multi-billion dollar strategic alliance agreement to accelerate the development of both companies' storage system businesses. Under the agreement, EMC and Dell will co-brand EMC's CLARiiON line of enterprise storage systems, and the alliance will make Dell the leading reseller of CLARiiON products. The CLARiiON product line will become Dell's standard offering for storage area networks (SAN) and high-end network-attached storage (NAS) installations. For storage-related services, Dell will augment its Premiere Enterprises Services group with tools, methodologies and practices from EMC, and EMC's global services organization will support and train Dell personnel. The companies have also agreed to work together when opportunities in Dell's enterprise customer base require the features and functions of EMC's high-end Symmetrix enterprise storage systems, and the companies will explore and collaborate on the joint development of future open, networked storage systems. Additionally, EMC and Dell will look for opportunities to leverage Dell's procurement and manufacturing capabilities for the production of EMC's CLARiiON products.

#### **Timing/Availability**

Both companies will continue to sell their existing storage products directly and through existing partners. Dell plans to begin offering EMC products including the FC4500, FC4700 and IP4700 in November.

#### **Net/Net**

On its face, this agreement makes good sense for both EMC and Dell. For EMC, the partnership offers quick enhancement of the company's channel strategy, since Dell's position at the top of the PC vendor heap makes it an enviable Microsoft/Windows-based buddy. Given Dell's strength in business desktop sales, it should also offer EMC a host of new sales opportunities in the Global 2000 arena for its CLARiiON product line. But the benefits do not flow solely to EMC. For Dell, partnering with a key player in high-end storage should broaden its own end-to-end product offerings, and could open doors to new large enterprise customers. On a more tangible level, reselling EMC's CLARiiON hardware and software and having access to the company's Symmetrix product line should enhance Dell's standing among existing enterprise customers, and save the company significant R&D costs from having to develop additional storage products of its own.

But the deal also has wider repercussions beyond the two principals. For business customers devoted to Dell's well-regarded desktop products, the agreement provides access to a host of co-branded products from one of the industry's premiere storage vendors, as well as the potential for co-developed SAN and

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900 Veterans Blvd, Suite 500  
Redwood City, CA 94063-1743  
650-366-0700 fax 650-649-2302  
Europe (London) 44-020-7900-2819

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NAS products in the future. Additionally, having a single point of entry for both server and storage products should potentially streamline service and support from both companies. So everyone concerned should be a happy camper of the best sort, right? Well, not exactly. The folks at Network Appliance, who signed a similar product distribution deal with Dell in 1998 are likely feeling left out in the cold right about now, to the point of being a bit frosty. The deal could also cause concern among some of EMC's and Dell's traditional competitors. Compaq, especially, which has been pinched by Dell's growing presence on the corporate desktop and felt some pressure from the success of EMC's CLARiiON products, may find this deal falling a little too close to home for its liking.

Looking at a longer time frame, we think the EMC/Dell deal could portend greater ramifications for both companies and their sectors. While this agreement may appear limited at first glance, it touches so many essential points across both organizations that we believe it could portend interest by the principals in a deeper relationship further on down the road. Call this alliance a pair of training wheels for the future, if you like. If the partnership opens the kinds of doors to EMC's Global 1000 customers that Dell assuredly hopes it will, and if EMC can realize the real savings it wishes from leveraging Dell's widely-respected procurement and supply chain management organization, we will not be surprised if these two well-matched partners decided to exchange today's friendship rings for something more permanent.

All in all, while a devil or two may yet be found in the details, we believe that the EMC/Dell alliance has the potential of delivering everything such an agreement should: tangible short-term benefits and wide-ranging, long-term opportunities to the principals, reasons to smile for customers and confusion to the opposition. While time and circumstance will almost certainly offer EMC and Dell myriad challenges to overcome, this agreement also suggests that the two companies are entering into it with the essential good will that portends any and every successful marriage.

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