



Market Roundup

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IBM's AIX 5L V5.2 Improves UNIX Server Utilization

By Charles King

IBM introduced AIX 5L Version 5.2 for its pSeries UNIX servers this week. According to IBM, the new OS includes features and enhancements that improve server utilization over competing UNIX systems from vendors such as Sun Microsystems. AIX 5L Version 5.2 offers administrators the means to create virtual servers on "dynamic partitions" as small as a single processor and 250MB of memory. By contrast, the smallest partition allowed on comparable Sun systems is two processors and 2GB of memory. Other enhancements include dynamic Logical Partitioning (LPAR), which allows system resources including processors, memory, and other components to be assigned to independent partitions without rebooting the system; and Capacity Upgrade on Demand (CUoD), which can be employed to implement new processors. CUoD and dynamic LPAR support automatically bring a new processor online with no interruption in service or performance. Logical Partitioning also allows administrators to divide pSeries systems into smaller virtual servers concurrently running either AIX 5L v5.2, v5.1, and/or Linux, so many systems may be consolidated on to a single IBM eServer. IBM also announced Clustered Systems Management (CSM) Version 1.3, which provides a single point-of-control for installing, configuring, maintaining, and updating IBM xSeries servers running Linux and IBM pSeries servers — or their logical partitions — running AIX. AIX 5L V5.2 is currently available and CSM for IBM eServer 1350 and 1600 clusters is planned for October 25, with further product enhancements planned for December 2002.

OS enhancements can be slippery little devils, and UNIX upgrades are often particularly tough to get a handle on, but we see IBM's addition of LPAR and CUoD capabilities as a continuation of the company's long time server and business infrastructure strategies. On the server side, dynamic logical partitions are yet another example of how IBM is migrating mainframe-derived technologies to its other server product lines. The company's eLiza initiative may be the highest profile of these efforts, but this new delivery of LPAR and CUoD capabilities to the company's pSeries products is another step along the same path of creating increasingly powerful and flexible computers that have implications for virtually any and every business process. The same strategic approach applies to the broadening of CSM support for mixed UNIX/Linux (and Intel/Power) cluster environments. Does that mean these enhancements to AIX 5L constitute a new digital business revolution? Hardly, but they are positioned to notably ease the computing headaches of businesses and their IT support personnel.

That may be the customer side, but what does AIX 5L Version 5.2 mean to competitors such as Sun and HP? Both companies' UNIX servers utilize hardware-based partitioning which is less flexible than IBM's software

approach. In practical terms, a 32-way IBM pSeries “Regatta” can be sliced and diced into thirty-two partitions, while a 72-way Sun 15k “StarCat” can support eighteen domains and a 64-way HP “Superdome” can support sixteen partitions (nPars). This difference could make IBM solutions especially attractive to customers who want to consolidate server workloads in order to simplify infrastructure/management complexities and gain potential savings. To our way of thinking, IBM’s enhancements to AIX 5L Version 5.2 suggest the company clearly recognizes that long term strategic planning can offer significant market results.

HP and Dell in Each Other’s Back Yards

By Jim Balderston

This week HP unveiled its new direct sales Web site, where consumers and businesses can go to configure and buy PCs. The site offers a wide range of options, including the adding of memory, enlarging or enhancing graphics, storage, connectivity hardware, and the like. In short, HP is offering both pre-built computers starting at under \$500 to the custom-build options that can run the price substantially higher. When doing a custom build, the site calculates prices as the customer adds or subtracts items. Meanwhile, Dell announced that it would be selling ink cartridges for its recently announced printer line in conjunction with Lexmark, a printer manufacturer. Dell will sell ink cartridges for its own products but will no longer carry those for HP printers. Dell officials predicted they would drive down the price of both printers and printing supplies like ink cartridges as a result of entering this market.

Clearly this is a sign of the tightening spending by both consumers and enterprises as both Dell and HP are entering markets or channels that they not only have ignored recently but have even ridiculed. This is a departure for both companies and one where each is eyeing the possible revenues from the other’s once core business or business model. Impacts of these moves — resulting in the companies becoming less and less distinguishable at least on the consumer and SMB front — should be fairly notable. Prospective customers will be able to not only do a certain amount of head-to-head, apples-to-apples price comparisons, but also to compare service and support options and costs. These factors, at least in the short term, we believe will determine the relative success of each of these companies’ forays into its competitor’s turf. But in the long run, it is likely that price alone will diminish as the determinant factor in buying decisions as matters such as product stability and support for retired products may in the end become real differentiators that determine who wins the battle. These companies are both selling commodities whose prices will be largely dictated by supplies of the hardware components; their value add will increasingly come in the form of the quality, depth, and consistency of the service and support for the systems sold. The winner of that contest will be the winner of this back yard brawl.

Security Extra? Not So, Says Microsoft

By Jim Balderston

Published reports this week indicated that Microsoft CTO Craig Mundie caused at least a minor fuss when he implied that Microsoft might begin charging for additional levels of security within its product base. Mundie made his comments at the RSA Conference in Paris, and those comments drew a quick clarification from Microsoft HQ. Instead of describing new charges for higher levels of security in Microsoft products, the clarification went, Microsoft was exploring the idea of offering distinct security products at some point in the future.

We have always been intrigued with the apparent long-standing decision by the Redmond crew to steer clear of any sort of even the simplest of security products. Yes, the company has been forced to repeatedly offer security patches to its core product offerings, but the company has never shown interest in getting into the leading edge security product market. Instead, it has let others set the bar, and has followed a “trailing edge” strategy in incorporating the more basic security features into its core OS and application offerings.

It is entirely possible — and perhaps probable — that Mundie’s comments were grossly misinterpreted. But even hinting at the idea that security is an optional, extra cost add-on smells like an over-reaching effort to

squeeze more money out of a customer base that has few options. Microsoft must understand that security is an essential part of the operating system and its affiliated applications. Any other assumption risks alienating customers in large numbers. Would the auto makers charge extra for seat belts? Turn signals? A horn? Functional brakes? Of course not. To date, gradually integrating security technologies into the OS has been a relatively successful strategy for the Redmondites, even if regular security patches must be distributed on a weekly basis. At least that steady stream of responses to a constant and ever more threatening list of hacks and exploits demonstrates some level of commitment to the user base. Software as a service is a long-term commitment. Charging extra for next year's installment of that commitment seems not only short sighted, but notably customer abusive.

Duding Up the Enterprise?

By Charles King

In an interview this week, Dell Computer CEO Michael Dell reiterated his company's intention to push beyond the desktop market by strengthening its enterprise server, storage, and service offerings. According to Dell, most of the company's recent profits came from non-desktop products. In particular, Dell noted that in the past quarter the company had shipped more than 250TB of storage per day. Additionally, the company's services business now contributes 10% of total revenues, and had 2,000 professional service engagements during the past year. Dell states that the company will continue to expand its products and services globally, and cited the networking and printer markets as areas with particular opportunities.

To begin, we admit that Michael Dell is a bright and able guy whose company has been astute in its approach to the market. While Dell Computer has never been a technical innovator (and is unlikely to ever be one) the company is adept in identifying mature, relatively risk-free IT sectors dependent on industry standard technologies, then seizing market share by undercutting competitors with inexpensive alternatives, a strategy that has been particularly resonant during the current recession. Dell makes its profits by focusing on products that require minimal development effort and by employing legendarily efficient supply chain processes. Dell's success will likely continue as it pushes further into the enterprise, an effort that should be enhanced by the company's long time strategic relationships with Intel and Microsoft, and its more recent partnership with EMC.

However, we are less sanguine about Dell's claims concerning the company's expanding services initiatives. While Dell Computer has a seemingly limitless golden touch in any and everything requiring creative manufacturing and distribution, it has never expressed much interest in or capacity for the technical expertise required for successful professional service offerings. Dell's desire to press into the service arena is smart enough, though it may be a touch belated. Every major IT vendor on the planet has been moving in a similar direction for the past two years or more, since recognizing that softening profits have become a natural feature of the industry standard hardware landscape. With IBM as the poster child for enterprise services success, and HP and other business vendors following close in its wake, how will Dell fit into this dynamic? Over the short term, we believe the company is unlikely to succeed among enterprises with support-intensive data environments that, understandably enough, will be unwilling to turn over business critical processes to a service vendor with a limited track record. Dell could partner its way around this roadblock, as the company has done successfully in other areas where it lacked technical expertise or products. While that strategy would cut into any short term profits Dell hopes to realize from its services efforts, it could provide the time and cushion necessary to develop adequate, reliable and believable enterprise service offerings. Without such an effort, we expect Dell will find the IT services sector slow going, at best.