

EVENT FLASH

Gloves Off! Cisco Crosses Blades with Long-Time Friends With Introduction of Holistic and Innovative Datacenter Strategy

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IN THIS EVENT FLASH

On March 16, 2009, Cisco unveiled its long-awaited entry into the blade server market, codenamed California, throwing another kink in the battle for datacenter supremacy. At the launch, Cisco demonstrated how its Unified Computing System (UCS) can run as one unified platform that will bring together three different technology silos (servers, storage, and networks), allowing organizations to lower operational cost and power utilization but more importantly, to improve overall datacenter IT management and performance.

SITUATION OVERVIEW

In the announcement, Cisco's UCS offerings highlight the coming together of servers, storage, networks, as well as infrastructure management/virtualization capabilities that help it have a much broader discussion within the datacenter. Inspired by the evolving needs of its customers, Cisco realized the need to develop an optimized IT fabric that helps provide answers to increasingly important issues around rising energy costs, shrinking space, and better management tools.

IDC's datacenter research shows that there are significant challenges today with datacenters in Asia/Pacific — most do not think they can continue for long without making changes to the design and equipment within the datacenter, which is not ideal for the new dynamic IT environment. In a recent *IDC Asia/Pacific (excluding Japan) Multi Client Study Survey*, 39% of respondents mentioned that they have concerns about the future operations of their datacenters, while 35% stated that their datacenter facilities are aging, and 31% are concerned that there would be insufficient floor space in the near future.

Cisco's UCS is a step by the vendor in treating the datacenter as a system and optimizing it through offerings that include integrated management software, leading fabric interconnect and extender, energy-saving blade enclosures, as well as unified fabric and scalable virtual adapter. Cisco has understandably used its networking prowess to its advantage by building more intelligence and unification of capabilities on network devices to enable a more dynamic environment where compute resources are mobile and the network policies can follow the movement. The key benefit of UCS is the reduction of operation costs via simplifying management, reducing complexity, and improving utilization, Cisco outlines its UCS value proposition as follows:

- ☒ **Consolidated datacenter infrastructure.** Cisco has endeavored to simplify the networking overheads on a blade enclosure by consolidating them using unified fabric. This should result in reduced infrastructure, complexity, better airflow, and lower power consumption. It has also shifted the basic management features to the network, therefore freeing resources on the server to deal with more pressing compute needs. Most importantly, this handles the management of both the physical and virtual servers more efficiently and effectively.
- ☒ **Unified management model.** Cisco has built a consolidated management module that will manage all servers connected to the UCS Interconnects as one, highly available, management domain. The management model is also designed to have network, storage, and server administrators work more closely together in a more efficient environment. According to Cisco, the USC manager will help establish a complete service profile for an application, including the storage, compute, and connectivity needs. This can be used to automate provisioning for new services, as well as build better turnaround and scale. Furthermore, services can be moved through the network across physical and virtual states. Last, Cisco has built the management tool such that it can integrate into industry-standard management software from mainstream vendors.
- ☒ **Optimization for virtualization.** Cisco is bringing a unique value proposition of a synergistic virtualization across memory, CPU, and I/O. Part of the plan is to bypass the hypervisor and manage VMs directly from the network, resulting in lower latency and improved provisioning when such technology is available in hypervisors. There is a vast ecosystem of partners backing this strategy, the details of which are expected in the next few months.

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FUTURE OUTLOOK

While this might be tantamount to a groundbreaking solution, the road to success is not guaranteed and there may be repercussions elsewhere. Below are some of the points that IDC believes will be interesting developments to watch for in the next 12 months:

- ☒ **The datacenter networking battle will intensify.** IDC believes that datacenters provide the single largest opportunity from a networking perspective, with the total addressable market in Asia/Pacific (excluding Japan) or APEJ estimated to be at US\$2.0 billion in 2009. This explains why networking vendors have launched full-frontal attacks on this key market with numerous initiatives and strategies. Juniper has partnered with IBM in Project Stratus, a converged datacenter fabric, while HP is expected to link its blade server more closely with its Procurve switch. Smaller networking players like 3Com, Brocade Foundry, and F5 Networks have also announced that they are looking into sharpening their datacenter strategies and not miss out on this parade. With the cost of managing datacenters exploding, organizations are on the lookout for solutions that will enable them to put a brake on escalating cost and some of the messaging above from UCS and Stratus on cost reduction and power efficiency will catch the attention of many organizations. How would this play out? IDC believes that datacenters will be ground zero for networking vendors and will represent the biggest prize.
- ☒ **Relationships will matter.** In an industry where relationships matter, Cisco's new initiative will put a strain on some of its existing long-term partnerships in the industry. In the region, server stalwarts HP and IBM have been close and strategic Cisco's partners for almost its entire portfolio of products would initially most likely not be part of the UCS partner ecosystem. Both relationships, which have played a large part in Cisco's success in the region, would be tested, and irrevocable damage could result from this aggressive move from Cisco into HP and IBM's turf. In the region, IBM has already made its intention known that it will be reducing its reliance on Cisco (UC/PT) and is looking for alternative solutions. HP, which has kept its networking arm, Procurve, at arm's length in the past, has now brought it into its TSG group, which consists of both its storage and server division. The question remains: will this result in open warfare among these three 800-pound IT gorillas, and what will the repercussions be for Cisco, will it possibly make enemies of long-term friends? While there is no doubt that all three players will now be directly competing against one another, they would have to tread carefully as well, and pay attention to what their customers want, especially if organizations will still insist on having Cisco networking and telephony products. In addition, can Cisco find a winning formula for UCS without IBM and HP? However, having said that, the Cisco extensive and comprehensive channel ecosystem does deliver a wide variety of skill sets in the IT space including datacenter expertise.
- ☒ **Success will not be guaranteed.** With two of the big IT vendors being ruled out as possible initial UCS partners, Cisco would have to recruit and train partners for this initiative. This will not be an easy endeavor, given the complexity of the platform that brings together technologies in storage, servers, and networking. Channels would be required to have deep expertise and experience in all three technologies, and Cisco should enable its partners to bring these silo skill sets together into one single entity. The challenge for Cisco in the region should not be underestimated, given that there is not a very deep pool of IT services companies with that broad array of skills, and even fewer with a regional reach. Cisco has identified six initial partners, both global and regional for UCS, which are: TCS, Wipro India, ECCOM China, Singtel Optus Alphawest, Datacraft Asia, and Dimension Data Australia. IDC believes that given the limited options, Cisco should also consider marketing UCS directly, especially in the initial stages, when targeting larger accounts is essential. While a direct sales approach might be a somewhat novel concept to Cisco, given its extensive channel reach, an "in-house" groomed sales team could be up and running much quickly, giving it early momentum. Another good point is that Cisco would not damage any existing channel relationships by doing this, given the small pool of channels it could recruit from. However, in the longer term, Cisco would probably need to find a way to work with both HP and IBM on UCS, since multinational corporations (MNCs) inevitably turn to these two for much of their datacenter needs, and they would inevitably ask for a UCS solution if early momentum generates good publicity and market penetration. IDC believes that MNCs will find Nexus and UCS appealing and most of them are strong Cisco-installed bases.

Cisco has thought this through well, and has come out with a holistic strategy that will help it offer datacenter solutions directly or with an IT services company. The challenge lies in the execution of this strategy:

- ☒ Customers that have already invested in a third-party infrastructure will need to be convinced to migrate to Cisco technology. It will be easier to work with customers that are building datacenters from scratch.
- ☒ Channels will be critical for Cisco in order to take this past the larger named accounts and into the larger market. This will require training and qualification, as well as maintaining balance with existing channels, such that they are not threatened and yet effectively qualified.
- ☒ Cisco's sales force will be another challenge, as they need to think differently while having conversations around datacenter transformation. The network-focused vision will have to be broadened to address issues around compute and storage needs.

IDC views UCS as a possible game changer, a bold and audacious move by Cisco that could possibly lead it into dominating the entire datacenter market, and not just the networking portion. It would be interesting to see the kind of partnerships and new alliances that could be formed in the next 24 months, as well as the existing strong relationships that could wither, and the possibilities of mergers that could open up.