MARKET NOTE

HPE-Arista Partnership Takes Aim at Cloud-Centric IT Infrastructure Market

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: HPE-Arista Partnership Takes Aim at Cloud-Centric Market

IDC believes that the intensifying partnership between Hewlett Packard Enterprise (HPE) and Arista is a notable development, likely to result in commercial gains for both companies. HPE positions Arista's datacenter networking portfolio as its preferred option for the cloud-centric segment of the market, which is growing much faster than the market for traditional datacenter networking. The partnership benefits both companies significantly and should develop even further, with HPE gaining a compelling datacenter networking capability and Arista benefiting from HPE's extensive market reach and channel partners.

Key Takeaways

- HPE's partnership with Arista Networks continues to evolve and strengthen, presenting significant opportunities for mutual benefit to both companies.
- HPE segments the datacenter networking market into three categories: cloud centric, open networking/network disaggregation, and traditional datacenters. For cloud-centric customers, HPE is proposing solutions that leverage Arista's product portfolio, whereas it is positioning HPE Altoline for open networking and HPE FlexFabric for traditional datacenters.
- HPE began offering Arista products in November, and the two companies already have achieved joint customer successes in the field. There are HPE part numbers and SKUs for Arista products. HPE has trained its sales force on the Arista portfolio, and it has brought Arista into its Partner Ready channel program.
- Another facet of the relationship emerged earlier this month when Arista announced a containerized version of its EOS network operating system (cEOS), which is capable of running on HPE's Altoline switches and will be offered to HPE customers.
- The partnership is likely to result in commercial gains for both companies while serving to intensify competition with Cisco Systems.

Source: IDC, 2017
Hewlett Packard Enterprise’s (HPE’s) partnership with Arista Networks continues to evolve and strengthen, presenting significant opportunities for mutual benefit to both companies, with the potential of impacting the IT infrastructure market.

The relationship began in the summer of 2015, when Arista became an HPE datacenter networking reference-architecture partner for converged infrastructure. At that time, HPE announced that Arista’s datacenter switches, running its Extensible Operating System (EOS), would be provided in conjunction with HPE’s server and storage products – as well as HPE’s OneView management software – as converged infrastructure. It was a mutually beneficial arrangement, providing HPE with a stronger datacenter networking offering in conjunction with its in-house server, storage, and management products while providing Arista with access to converged infrastructure sales opportunities that were difficult for it to reach on its own and giving it broader access to regional and country markets.

Last September, the relationship expanded, with HPE announcing that Arista would become its preferred datacenter networking partner for cloud-centric customers pursuing software-defined infrastructure. That distinction is important because HPE believes the datacenter networking market has become increasingly segmented according to customer types and use cases. Generally, HPE believes customer types fall into three categories: those who are cloud centric, those that favor open networking and network disaggregation, and those that represent traditional datacenters. For cloud-centric customers, HPE is proposing solutions that leverage Arista’s product portfolio, whereas it is positioning HPE Altoline for open (disaggregated) networking and HPE FlexFabric for traditional datacenters.

For cloud-centric customers, HPE believes it brings significant differentiation and value in conjunction with Arista’s datacenter networking portfolio. Here, HPE points to several factors, including its Pointnext consulting services and global support services, global footprint, HPE OneView, Flexible Capacity, Azure public cloud, HPE Financial Services, HPE converged infrastructure, and HPE+Arista reference architectures.

HPE began offering Arista products in November, and the two companies already have achieved customer successes in the field. While not a formal OEM relationship, HPE has created part numbers and SKUs for most of the core Arista products (adding SKUs as needed) and trained its sales force on the Arista offerings. HPE also has brought Arista into its Partner Ready channel program. HPE has proceeded systemically in its embrace of and support for the Arista datacenter networking portfolio. Indeed, considerable forethought was put into how the companies would work together, with rules of engagement enacted on both sides to enhance collaboration and avoid conflict.

Another facet of the relationship emerged earlier this month when Arista announced a containerized version of its EOS network operating system (NOS). Arista cEOS can be deployed as a container on platforms such as Docker, with Linux providing the native operating system for the network and offering state mechanisms analogous to Arista’s NetDB.

Arista sees cEOS being used in various ways, principally as a mechanism that allows switches to be managed as servers, enabling uniformity of management and cost savings. Other use cases involve cEOS hosting other containerized applications, cEOS being deployed in public and private clouds to provide networking between virtual machines and containerized applications, and using cEOS to
simulate network behavior. In addition, cEOS can work with Open Compute Project (OCP) network technologies such as Microsoft SONiC or Facebook's Wedge switches.

As mentioned previously, there's also an HPE angle to the introduction of cEOS. Not only can cEOS work in conjunction with HPE servers, providing consistency and visibility across compute and network infrastructure, but cEOS also can run on HPE's Altoline switches, opening an opportunity for HPE to offer cEOS as a NOS option for network disaggregation.

While Arista says the push for cEOS came from web-scale customers — or what Arista calls "cloud titans" — looking for a means of uniformly managing servers and ToR switches through orchestration systems, it's also true that the creation of cEOS means that Arista's containerized network operating system now can run on third-party ToR switches, including those offered by HPE Altoline, which are sourced from Accton Technology.

**IDC'S POINT OF VIEW**

IDC has closely monitored the relationship between HPE and Arista, and we believe it is evolving into a substantial partnership with significant implications for the vendors directly involved and for the datacenter networking market in general.

For collaborations to be sustainable and successful, both partners must perceive and realize meaningful benefits from the relationship. There's no question that HPE and Arista both see advantages accruing from this partnership. By leveraging Arista, HPE gains a datacenter networking capability for a growing and lucrative segment of the market represented by cloud-centric customers. By partnering with HPE, Arista gains access to a broader addressable market, including HPE customers adopting converged infrastructure, HPE enterprise customers embracing hybrid cloud, and customers addressed by HPE's channel partners. In this context, while IDC views the partnership as a significant positive, this has to be ultimately much more than a solid resell arrangement. Integrations with OneView and other HPE solutions, and then with next-gen platforms such as HPE Synergy, are going to be key if this partnership is to reach its full potential.

What's more, the HPE partnership should help Arista make further inroads in geographic regions such as EMEA, where HPE is relatively strong and where Arista's brand in datacenter networking has yet to attain the same degree of commercial success it has achieved in North America. HPE also sees opportunities to bring Arista to greater prominence in Latin America and APJ.

Another consideration, of course, is the competitive dynamics underlying the partnership. HPE and Dell-EMC — market leaders in their own right — compete aggressively in the sizable IT infrastructure market, and the Arista partnership takes the intensity up another notch. Similarly, HPE and Arista both compete aggressively against Cisco, which offers not only datacenter networking but also other datacenter infrastructure, including servers. Through this partnership, HPE and Arista enhance their ability to compete against Cisco in accounts where the latter's market reach and product breadth have conferred advantages. In this context, a key factor to consider is the ongoing litigation between Cisco and Arista pertaining to IP issues, which adds an element of uncertainty.

Intriguingly, the advent of Arista's cEOS presents HPE with opportunities and challenges. As mentioned previously in this document, HPE is positioning Arista's datacenter networking portfolio for cloud-centric customers while positioning Altoline for customers predisposed to network disaggregation and open networking, including web-scale companies and some enterprises with
specific workload requirements. That said, the containerization of Arista's EOS effectively decouples it from Arista's hardware and brings it into the realm of network disaggregation, making it possible to run cEOS on Altoline switches while blurring the lines between HPE's market segments. This could introduce ambiguity into HPE's sales engagements, in that it will be possible for customers to identify as both cloud centric and open networking, availing themselves of Arista's software but running it on HPE Altoline hardware. HPE undoubtedly would contend that this is good problem to have, and it believes strongly that market growth and progression will lean toward cloud models, where Arista offers a proven solution that is now capable of disaggregating to address a greater number of use cases.

This is a paradoxical time for datacenter networking within the context of IT infrastructure. On one front, the largest of the "hyperscale" providers have shown an affinity for ODM-sourced white-box network gear. On another front, the major vendors from Greater China, including Huawei, ZTE, and Lenovo, are increasingly taking share in emerging markets. Further, the datacenter networking market is consolidating, with Avaya's networking business in the midst of being acquired by Extreme Networks and Brocade's datacenter networking portfolio currently up for sale. But it's also still growing, albeit primarily in the cloud-centric realm that HPE seeks to address with Arista, which has itself grown impressively and gained market share steadily during the past few years.

Given the current context, IDC believes that the evolving partnership between HPE and Arista is a notable development, likely to result in commercial gains for both companies while stoking intensifying competition with other infrastructure leaders such as Cisco Systems and Dell-EMC.

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**Related Research**

- *Cloud Focus Amplified in Juniper's 4Q16 Results* (IDC #lcUS42296917, February 2017)
- *Arista and Brocade Announcements Illustrate Growing Importance of Programmable Silicon for Ethernet Switching* (IDC #lcUS42060316, December 2016)
- *Datacenter SDN Moves Into the Early Mainstream, Growth Moderates Through 2021* (IDC #US41313916, December 2016)

**Synopsis**

This IDC Market Note discusses the evolving relationship between HPE and Arista Networks, which originated in the summer of 2015 when Arista became an HPE datacenter networking reference-architecture partner for converged infrastructure. Since then, the relationship between the two companies has broadened and deepened, with HPE now positioning Arista's datacenter networking portfolio as its preferred option for cloud-centric customers.
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