
Market Roundup

October 21, 2005

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CA iLuminates its Message Management Capabilities

By Joyce Tompsett Becknell

This week Computer Associates announced it has purchased iLumin, a provider of enterprise message management and archiving. CA will adopt iLumin's Assentor products and services and continue to develop them. The company has also stated that it is committed to retaining the iLumin staff. iLumin is headquartered in the U.S. in Virginia, not far from one of CA's sites. CA believes the acquisition will extend its Intelligent Storage Management (ISM) by providing email archiving, storage management, and data protection to its BrightStor solutions. iLumin provides message management and archiving for email, instant messages, and other unstructured data from numerous platforms, including Microsoft Exchange, Lotus Domino, and Novell GroupWise.

For CA, this is a smart move and expands their portfolio strategically. First, email archiving is a hot area. Not only is email a mission-critical application for many organizations, but the information residing in it is a significant corporate asset that companies have realized needs to be properly managed and manipulated. CA's choice of purchasing iLumin versus growing its own was savvy. iLumin has a strong base in the U.S., particularly in the banking sector. This gives CA a nice entry into the market. Additionally, iLumin has already done the hard work of building a product that works on multiple platforms which means an organization's decision to use the Assentor product will not be a limiter in future decisions about email products. It also means that organizations that span geographies or experience acquisitions and mergers and find themselves with multiple email programs will be able to manage with one dashboard. Of course there are challenges. CA will need to take a product from a small North American company and leverage it globally; however, CA itself is a global company, and should be able to roll the product out as it would any other. CA must address the competition as it would with a homegrown product. CA has also promised that it will maintain the development that iLumin has done with other vendors, including IBM which has traditionally been more of a competitor to CA than a partner. Hopefully this will give the two companies a place to find and build common ground which would only benefit customers of all their products.

The Assentor products bring an interesting change to CA's offerings. CA is primarily known to IT departments for products that help manage IT infrastructure. The iLumin products on the other hand move into the area where business and technology interact. The Assentor products will help CA build its vision of providing management products that interact with business requirements as message management implies that the business decisions are the foundation for IT activities around those messages. We believe CA has a golden opportunity to start working with its customer base and help IT managers familiar with CA to build inroads into working with business requirements if they have not already done so. Messaging technology is an area that both business managers and technology managers understand, and the implications to the business are fairly easy to work out. This product could be a way for CA to nurture its relationships with customers, expanding from technology supplier to a more advisory role.

When Small is Better

By *Jim Balderston*

Lenovo has announced a new line of desktop PCs designed specifically for the SMB market. The new offerings — dubbed the ThinkCentre E Series — are priced starting at \$379 with a standard one-year warranty. The computers are available with Pentium 4 and Celeron DR processors and six USB ports. The computers are also designed to be opened without special tools and come with automatic crash recovery software that allows the user to bring the computer back after a failure to its prior state without the need for intervention from IT staff.

The trend lines are getting clearer every day. PCs are not just commodities; they are commodities that are dropping in price faster than most folks would have ever guessed. It is interesting to note that there is a substantial market for used PCs bearing Pentium 4 or lesser chips. These computers are making their way not only into third world markets but to the desks of companies in the first world that realize their users do not need the latest and greatest offerings from Dell or HP or Lenovo to get their respective tasks done on a daily basis.

For its part, IBM showed solid strategic vision in getting out of the PC business, one that is under mounting market pressure from all sides. Users increasingly perform many functions once the domain of the PC on much lighter but increasingly powerful tools such as smart phones and PDAs. Instant messaging is turning email into snail mail for the most part, and the value proposition of the PC is reduced to Web browsing and word processing (yes, people do spreadsheets and PowerPoint presentations, but word processing is the dominant non-Internet use of PCs). In such an environment, low-cost PCs with Web-based services are increasingly all — if not more — than most users need. While road warriors look for the latest features in laptops, most PC users are largely if not entirely deskbound, and mobility is not an issue to be considered. As such, these users need functionality and computing power that was the apex of the industry some time ago. With each passing month, that time fades further in the rear view mirror. Lenovo apparently understands this simple fact, and instead of racing forward with the biggest, baddest, most powerful machine the company can make, are instead looking clearly at market needs and realizing that in this particular case, less is indeed more.

Virtualizing Thin Clients

By *Jim Balderston*

IBM has announced the new IBM Virtualized Hosted Client Infrastructure in which the company will offer desktop functionality from a blade server with a virtualized environment. The new offering comes with technology from VMware and Citrix, a long-time maker of thin client products. The new offering will allow users to have full Windows XP functionality at their desktops and up to fifteen users can be supported on a single blade. The IBM BladeCenter chassis holds up to fourteen blade servers. IBM said the offering should overcome many of the issues that have held up the adoption of thin clients, most notably the lack of autonomous functionality at the desktop because the desktop machines will have the same functionality as PCs. IBM is presently running pilot implementations with select customers, with full rollout expected in the first quarter of next year.

Thin clients, network PCs, and the like have all had their shots at the market and few have made much of an impact. Larry Ellison's disastrous Network PC initiative largely put the thin client idea to rest some time ago. Despite the obvious advantages of centrally hosted and managed desktop images, vendors could not overcome the resistance from users who demanded more functionality than a thin client could offer. HP has offered desktops running off of blades, but without virtualization, which forces each user to have a separate blade server, a solution that would seem to be offering more computing power than most desktops would require.

By adding virtualization to the mix, IBM seems on the right track by offering a fully functional desktop environment to each user, without having to do so on a one-blade-to-one-user ratio that is clearly computing power overkill. The ability to host a dozen or more desktops on a single blade makes the economics of the offering more compelling, and provides not only the ability to consolidate services but to improve server utilization as well. Given that these two capabilities are on the top of many customers' to-do lists for the near future, IBM may have an offering that fits very neatly with those customers' plans. Also of note is the fact that virtualization is becoming

increasingly mainstream technology, this announcement being the latest data point on the adoption curve of a technology that has been around for less than three years. Looking forward, we suspect that in less than three years from now, virtualization technology will be so ho-hum that it will barely merit mention as a significant feature in a computing offering, instead being just a commonsense inclusion that under no circumstances should be left off the product's feature list. For a technology as significant as virtualization that is one hell of an adoption curve.

Shipping Boxes and More: IBM Announces Q3 Financials

By *Clay Ryder*

IBM has announced its Q3 2005 financials stating operational income of \$1.5 billion, including one-time charges for repatriation of foreign earnings and pre-tax charge of \$320 million for a partial settlement of legal claims against IBM's pension plan. Absent non-recurring charges, earnings were \$2.0 billion, up \$292 million (17%) over the same period a year ago. Total revenues were \$21.5 billion, which is down 8% over a year earlier; however, the previous basis included the now divested PC business. Excluding the PC business, revenues increased 4% year over year. Revenues experienced solid growth in the Public and Distribution sectors, as well as in SMB sales and Business Performance Transformation Services grew over 35%. The Systems and Technology Group revenue totaled \$5.0 billion, up 7% over a year ago. Specifically, iSeries sales increased 25%; pSeries servers were up 15%; and xSeries increased 11%, while zSeries mainframe sales declined 4% compared with the year-ago period. However, total zSeries computing power delivered increased 18%. Revenues from Storage Systems and Microelectronics increased 11% and 14% respectively; revenues from Software were \$3.8 billion, an increase of 5% over Q3 2004.

For the most part, it was a good quarter for IBM and overall revenues were increasing, even when accounting for the now divested businesses sold to Lenovo. While macroeconomic factors have undoubtedly helped boost sales in many regions that are recovering from years of malaise, we are encouraged by the substantial improvements in hardware sales, specifically in the iSeries. Hopefully, the question of whether iSeries will be able to arrest a decline in sales can be put to bed, as we have seen consecutive quarters of growth at a rate that transcends having an exceptional order skewing the results. So, the question begs, how can this growth continue, or dare we even ask, accelerate? The iSeries remains a unique intersection of capability, manageability, and mid market opportunity, and this gives it an interesting play as the consolidation and/or management platform for smaller client/server implementations (read Windows Server). While we remain impressed with iSeries' ability to encompass and effectively manage the Windows world, largely through the IXA or IXS, perhaps it is time to move this a step further, i.e., delivering native Windows Server support on the iSeries Power5 platform. As noted in Sageza's [blog](#), we think this could be a very interesting play, one that could further the strategic value of the iSeries to the mid market, but also give the x86 players an interesting 64-bit run for the money, on an alternative hardware platform. Nevertheless, at a holistic level both eServer and corporately, IBM's strategy seems to be paying off, which should be music to the ears of the multitudes of employees, and even greater multitudes of shareholders.