

IBM Aims System i Servers at Small Companies

April 11 2007

IBM uses an integrated software stack and a per-user pricing model to attempt to entice customers away from Windows systems.

IBM is looking to use its System i platform to get a foothold among the smallest of businesses, a market traditionally dominated by x86 servers running Microsoft Windows applications.

At an event here April 10, IBM officials, along with a number of customers and partners, unveiled two new entry-level System i servers - both of which come with a per-user pricing model - and a new program designed to encourage application providers to create software for the System i platform in a number of particular verticals, including IP telephony, health care and retail.

IBM officials said they hope that their integrated platform - the hardware bundled with such applications as database management, security and job scheduling - combined with the low per-user fee will entice small companies to look at their offerings rather than simply opting for Windows-based solutions.

IBM is targeting small companies that can have as few as five employees and less than \$100 million in annual revenue. Despite having a reputation as a vendor that caters primarily to large enterprises, the Armonk, N.Y., company has a thriving midmarket business, said Steve Solazzo, general manager for IBM's SMB (small and midsize business) unit. About 20 percent of IBM's overall revenue comes from that segment, he said.

"IBM and the midmarket ... is not as much an oxymoron as it may sound," Solazzo said to a small gathering of reporters and analysts.

He added that while they differ in size, small and midsize companies tend to want the same thing: a stable infrastructure that is reliable and can grow with the business.

"These - smaller - companies have the same requirements, but have less - capability - to absorb technology than their larger brethren have," Solazzo said. "They don't have the IT staffs that the larger companies have."

Such companies are getting more attention from major vendors that see an opportunity to expand their businesses. IBM's announcement comes two weeks after rival Hewlett-Packard, of Palo Alto, Calif., unveiled the ProLiant ML115, a low-cost system powered by Advanced Micro Devices' Opteron processor.

IBM officials estimated that smaller businesses offer a \$50 billion market to move into, one that IBM historically hasn't had much of a presence in.

Initial price has been the determining factor in convincing many smaller companies to opt for Windows-based systems, said Elaine Lennox, vice president of System i marketing at IBM. However, the additional costs associated with those systems - from the administrative demands of patching the systems to the need to add more as a company's application portfolio grows - means that down the road, Windows servers tend to cost more than System i running i5/OS or Linux, she said.

In addition, with the new pricing model for System i servers, much of the initial advantage of Windows systems is gone, Lennox said. The System i 515 Express starts at \$7,995 for five user licenses, with

additional licenses for \$1,250 per five users. Both the 515 and 525 Express systems will be available later in April.

One customer, Polar Beverages, for several years has been running a System i5 550 for its more mission-critical applications, and a host of Windows servers for other software, said Paul Paciello, director of IT for the Worcester, Mass., company.

However, over the years, Paciello has found that it's easier to consolidate many of those applications running on Windows systems onto the System i server - it reduces the number of servers needed to run the company and the associated costs, from power and cooling to patch management, he said. Now, about 95 percent of the business is run on that single machine, he said.

The partitioning capabilities of the IBM server enable companies like Polar to run multiple operating systems - from i5/OS to AIX to Linux - on a single server.

Paciello said IBM is addressing the key issues with smaller businesses when it comes to technology.

"It's not about the technology," he said. "It's about business. All technology does is enable business to do a better job."

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