

IBM, HP Look to Small Businesses

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Top-tier OEMS continue to push their technology down to the smallest businesses as they try to expand the reach of their portfolios.

IBM on April 10 rolled out two new System i Express servers and a new pricing plan - and highlighted a partner program - as it attempts to carve out space in a market traditionally dominated by Windows-based servers.

The move by the Armonk, N.Y., company came two weeks after rival Hewlett-Packard unveiled its ProLiant ML115, a system powered by Advanced Micro Devices' Opteron processor that starts at \$499 and can perform such essential small-business functions as networking, file and print, and shared Web access.

Illuminata analyst Gordon Haff said it makes sense for these companies to turn their attention to smaller businesses, particularly for IBM, which historically has done little business in this arena. "IBM has a very well established medium-business play with System i," Haff said. "Although they've called it SMB - small and midsize business - ... it's quite clearly a medium-business play."

At an event here announcing the offerings, IBM officials said they hope 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 opt for Windows-based solutions.

With the System i 515 - designed for five to 40 users - IBM is targeting small companies with 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, IBM has a thriving midmarket business, said Steve Solazzo, general manager for IBM's SMB unit. About 20 percent of IBM's overall revenue comes from that segment, Solazzo said. The new System i 525 is more of a midmarket play.

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

Both IBM and HP, of Palo Alto, Calif., view small companies as a potentially lucrative segment of the marketplace, where businesses - and their IT needs - can grow rapidly.

"This is a very broad offering that can fit the needs of an office with 20 employees, 10 employees or four employees," Krista Satterthwaite, a group manager for HP's Industry Standard Servers, said of the ML115. "As these small and midsize businesses continue to grow into bigger and bigger businesses, HP has the ability to offer them products that can take them all the way up the chain. A small business with an entry-level server can turn into an enterprise customer for us."

IBM officials estimated that smaller businesses offer a \$50 billion market.

Illuminata's Haff said that for HP, which has had a presence in markets of all sizes, the new server is a "more tailored offering" for smaller companies and is less of a stretch than for IBM. IBM has to battle the perception that it doesn't work with smaller companies, as well as the lack of name recognition for the System i platform, he said. Partners will be the key.

"Integration is clearly a big plus - for IBM - ," Haff said. "The challenge is that you can go into a small business, and they'll say, 'System i? What is that?' And that goes back to partners really being the lead here."

Along with the new servers and per-user pricing model, IBM touted its System i Vertical Industry Program, a partner initiative launched in January and designed to bring the System i platform to SMBs.

Paul Paciello, director of IT for Polar Beverages, said IBM is addressing the key issues with smaller businesses when it comes to technology, particularly with the integrated software stack and management capabilities in the System i platform. "It's not about the technology," Paciello said. "It's about business. All technology does is enable business to do a better job."

Polar Beverages, in Worcester, Mass., 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, Paciello said. However, he has found it easier to consolidate many of those applications running on Windows systems onto the System i server rather than keep growing his Windows environment.

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