

# Cisco announces its first servers, riling rivals

March 16 2009, By PETER SVENSSON , AP Technology Writer

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(AP) -- Cisco Systems Inc. wants a bigger chunk of the corporate computing market, and plans to start selling servers in competition with old partners like Hewlett-Packard Co. and IBM Corp.

The [servers](#) are part of a package put together by Cisco and partners like BMC Software and VMware Inc. to harness the power of a recent technology called "virtualization" that lets one computer act like several.

San Jose, Calif.-based Cisco is the world's largest maker of [computer networking](#) gear, but Monday's announcement greatly expands its ambitions in the corporate "data center" market. It's moving from selling the switches that allow the computers to talk to each other to selling virtually entire data centers, in conjunction with its partners.

In a [videoconference](#), Cisco Chief Executive John Chambers emphasized that its "Unified Computing System" is not an attempt to move into the [commodity server](#) market.

"We have very little interest in the product space," Chambers said.  
"We're after: 'How does it tie together?'"

Chambers called the unified computing product the biggest step for Cisco since it added switches to its original [router products](#) through the acquisition of Crescendo Communications Inc. in 1993.

Since then, the company has used the cash generated by its enormously successful computer networking gear - it had \$29.5 billion on hand in its

last quarterly report - to buy up numerous companies, adding [consumer gadgets](#) and cable-TV equipment to its portfolio. This time, however, it's not diversifying through an acquisition, but by building its own products.

IDC analyst Michelle Bailey said Cisco isn't trying to take on HP and IBM in the broader market for servers, but rather is focusing on a certain set of very large customers. Their data centers, for instance, keep track of customer accounts, run large Web sites or deliver movies to PCs or cell phones. That's a \$20 billion business annually.

Through virtualization, servers can quickly be shifted between different tasks, reducing the number that are needed. Cisco said the new system can reduce the capital cost of a data center by 20 percent, and operating expenses by 30 percent.

"Every customer we're talking to around the world is looking to save money," said Rob Lloyd, Cisco's senior vice president for the U.S., Canada and Japan.

It's because Cisco wanted to make the most of virtualization that it decided to produce its own servers, said Mario Mazzola, senior vice president of the server access and virtualization business unit.

Monday's announcement, though widely expected, was light on specifics, and Cisco didn't say when the new system would be available.

It is clear that the server will be "blades" - thin devices that will be powered by Intel Corp.'s latest chips. HP dominates that market now, followed by IBM.

Other companies support the launch included software providers Microsoft Corp., Red Hat Inc., consultant Accenture Ltd. and EMC Corp., a maker of data storage systems and the majority owner of

VMware.

HP, which not only makes servers but competes with Cisco in networking gear, said it's already providing its own equivalent of Unified Computing, which it calls Adaptive Infrastructure.

"The vision they paint for tomorrow is one we're already delivering for today," said Jim Ganthier, vice president of marketing for enterprise servers and storage at HP.

He also said that making servers isn't as easy as it seems, requiring a long-term commitment to development and continuous investment.

"It may have looked like a really great idea on paper, but as they start to wade into the water they may find out that there are some things in the water that they don't like," Ganthier said.

Cisco's shares fell 6 cents to close at \$15.45.

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Citation: Cisco announces its first servers, riling rivals (2009, March 16) retrieved 16 June 2024 from <https://phys.org/news/2009-03-cisco-servers-riling-rivals.html>

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