

Sun's server share hit as antitrust scrutiny looms

September 2 2009, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- Uncertainty about Sun Microsystems Inc.'s future appears to have contributed to serious erosion in the company's market share for computer servers in the latest quarter, according to new data being released Wednesday.

The latest numbers from market-research firm IDC show that Sun's market share in servers stood at 10 percent in the second quarter, down more than a full percentage point from the same period last year.

Sun is the world's No. 4 maker of computer servers, which power Web sites and corporate back offices. Rivals have siphoned off business by stoking fears about the future of Sun's product lines under [Oracle Corp.](#), which has agreed to buy Sun for \$7.4 billion but has been prevented from completing the deal because of antitrust scrutiny in Europe.

Rivals IBM Corp. and [Dell Inc.](#) gained market share in the latest quarter, to 34.5 percent and 12.4 percent, respectively. Hewlett-Packard Co.'s [market share](#) dipped slightly to 28.5 percent.

It was the toughest quarter for the server industry in 13 years, according to IDC. Overall server revenue was the lowest it's been in any quarter since 1996, as many companies clamping down on spending on new servers and other computer hardware because of the financial crisis.

But Sun faces an added challenge: Oracle's planned acquisition could see further probing and more delays. The European Commission has until

Wednesday to approve the transaction or launch a more detailed investigation. The deal has already been approved in the U.S. by the Justice Department.

Any further antitrust review of the Oracle deal would likely include a closer look at Sun's MySQL database, an open-source product that is popular among Web-based companies and competes against Oracle's market-leading database software.

Sun and Oracle declined to comment.

Daniel Harrington, an IDC analyst, said Sun was hurt in part because demand for specialized servers that aren't based on the widely used x86 microprocessors were hit badly in the latest quarter. Pressure from rivals compounded the pain.

"Non-x86 servers did poorly for the quarter overall, and since Sun's business is largely exposed to that segment it suffered because of it," Harrington said. "Without a doubt there were also negative affects on their business due to 'Sun Attack' programs launched by both IBM and HP in an effort to go after those uneasy customers. I think you are starting to see the first signs of that in these numbers."

The IDC report found that total factory revenue for the top server makers fell 30 percent over last year to \$9.8 billion, the fourth consecutive quarter of revenue decline. Sun's factory revenue was down 37 percent year-over-year to \$981 million, according to IDC.

Sun reported Friday that it lost \$147 million in the April-June quarter while sales dropped 31 percent to \$2.63 billion. Revenue from server sales fell 36 percent year-over-year to \$1.1 billion.

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Citation: Sun's server share hit as antitrust scrutiny looms (2009, September 2) retrieved 23 June 2024 from <https://phys.org/news/2009-09-sun-server-antitrust-scrutiny-looms.html>

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