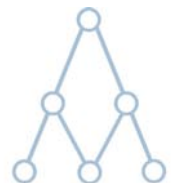


Interop Las Vegas May 2008

Observations and trends

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An Industry Tipping Point

I have been a regular visitor to the Interop conference and exhibition in the US for nearly 15 years. Why? Because I have found that Interop is a reasonable guide as to what is going to happen in the world of networking and communications over the coming months or years. This show has both scale (over 500 networking & communications vendors exhibiting) and focus, something that events in Australia cannot match simply due to the size of our market.

The keynotes have the CEOs of some of the major companies outlining their vision for the industry and of course their company, with sometimes a not too subtle plug for their products! For instance at this show I got to hear first hand from industry leaders such as Mark Templeton CEO of Citrix, John McNulty Chairman Secure Computing, David DeWalt CEO of McAfee and senior executives from Oracle, Motorola, Microsoft, WebEx etc. In addition for the major keynote Professor C. K. Prahalad (well known management & strategy academic with articles published by HBR etc) outlined his thoughts about why IT must change its approach, with current examples of industry best practice of adopting this new approach. For an insight into his thinking he has a new book out titled "The New Age Of Innovation".

At the end of each show I generally leave with an impression of the key technology trends I feel are worth watching. This is derived from a combination of the amount of exhibition floor focus (after filtering out the vendor hype) along with attending or observing the general conference sessions referencing these technologies.

However this event I felt was slightly different from other shows. While there were some "hot" technologies such as virtualisation, there were a couple of other technologies or industry forces that when combined are creating an industry tipping or inflection point.

The key individual themes I observed were:

Theme 1 – Green IT. This Interop was all about the greening of vendor's offerings. This in some cases got quite brutally competitive. I.e. Nortel was doing direct power consumption & running cost comparisons against Cisco with a comparable data centre switch. Here in the US a number of the leading vendors formed an alliance in 2007 called the Green Grid (currently about 170 members) to promote and showcase green initiatives. At Interop there were approximately 40 of their members exhibiting. Go to www.thegreengrid.org

This sudden switch to green is not entirely environmentally altruistic, as many US utilities and even some states governments are offering substantial rebates for green IT initiatives that reduce power consumption, to the point that these rebates can substantially change the ROI of new data centre initiatives i.e. up to US\$4m of rebates for physical server removals in California. That would buy a lot of new virtualisation technology if you get where I am coming from. Therefore most of the data centre infrastructure vendors both traditional hardware i.e. APC, Foundry (winner of the new Interop Green IT award) etc as well as the virtualisation vendors VMware, Citrix, Novell etc had strong green IT messages. Not to be left out if it were

the SMB/mid market vendors such as Netgear, McAfee, LG-Nortel all had their own green messages, which were often about collapsing multiple appliances into a single lower powered device.

The green initiative was not limited to the hardware vendors, the network test and monitoring measurement vendors were highlighting new features in their products that could estimate/project, measure and graph the power consumption of various components. Some vendor representatives were even touting how by deploying their products you could position your company as being a good green citizen, now that really does start to become trade show hype.

Theme 2 – Virtualisation. This space was attracting a lot of attention driven of course by the primary virtualisation vendors with hypervisor technology i.e. VMware, Citrix, Microsoft as well as the other Xen/Open Source vendors, but also a raft of complementary or supporting vendors. Some of these vendors are known in the Australian market place but many are smaller US centric players or are rapidly being acquired by larger vendors for their supporting role in the virtualisation solution i.e. Platespin is now a Novell company and was on the Novell stand.

The underlying theme was not why virtualisation, but more of an assumption of when and what are you going virtualise.

Theme 3 – SaaS. While most people would immediately think Software as a Service there were a number of vendors that were offering Storage as a Service in the same manner, an internet based per user per month subscription model. However back to the SaaS we are just beginning to know, the software as a service model.

A large number of the security vendors i.e. Barracuda, McAfee etc were offering their products as a) appliance b) server based or c) SaaS, please choose which method suits.

It was not just the security space where SaaS was the delivery mechanism, there were plenty of vendors offering applications as a service such as accounting, document management etc. However the more interesting observation was the number of vendors offering supporting tools or applications (some delivered as a SaaS model themselves) to assist with building, deploying and managing SaaS applications. I.e. billing, performance management including end user customer web experience modelling, hosting companies, ISV conversion tools, vendors that would interface your SaaS application to other leading traditional or SaaS vendors i.e. Oracle, SAP, Salesforce, etc.

SaaS has moved beyond a novel approach to deliver software by a few niche players into a mainstream delivery method with a supporting ecosystem, primarily driven by the “bill by the month or scale as you need it” financial model.

Worth watching – Web 2.0 for business. By now most people will have heard of the various Web 2.0 applications that are becoming more and more prevalent in the consumer space i.e. blogs, IM, wikis, social networking, etc.

While still in its infancy there were announcements from giants such as Oracle and Alcatel-Lucent as well as powerful new comer minnows such spigit (winner of the Interop Best Software award) about Web 2.0 for business suites. The concept is to harness employee participation by using these new social networking tools to capture the tacit or embedded knowledge within the organisation, thereby improving worker productivity and retained corporate knowledge. Facebook and Wikipedia meet the enterprise.

Other technologies – There were plenty of other technologies on display that while not the centre of focus were quite high in profile. These included WAN acceleration & optimisation, 802.11n wireless mesh networking solutions (business not consumer), wireless security & monitoring software, NAC with Interop Labs demonstrating a multi vendor NAC solution, mobility and unified communications (again Interop Labs demonstrating an innovative multi vendor albeit mainly Open Source solution) and making a noticeable Interop segment debut this show were a number of telepresence vendors offering full life size & HD video conferencing. Very timely given the increasing cost of fuel and therefore air fares.

Conclusion - So now that the show is over what does all this mean, other than get me out of Las Vegas ASAP, and if you have been here before you will know how I feel after 5 days.

Taking the 10,000 foot view of Interop and thinking about these themes I feel that the industry is at a tipping point of being able to do, or at least being forced to think about delivering business solutions in a very different manner. The cost savings and flexibility that virtualisation (and even telepresence) bring, potentially triggered by the stick or the carrot to become more environmentally friendly, combined with SaaS means that customers and the channel will need to start thinking about how and how much it costs to continue to buy and deploy infrastructure and applications in the traditional manner.

For resellers this means potentially a different business model and a very different value proposition to their customers. Not only due to the “less is more” of the environmental message but also the financial implications of a change to a more services driven or recurring revenue model from the traditional margin based model of the physical world.

To me the future looks very bright. I have not seen this much overall industry cooperation and commitment to delivering on new technologies that match the business and community needs in such a short period of time. Customers will be demanding a better return on their IT dollar along with more sustainable IT practices, not just the latest product hype. The opportunities are there for those in the channel that can skill up and adapt to meet these needs as change is coming, ready or not.