



HP Networking

HP's Acquisition of 3Com Heats Up Competition in the Networking Market. Alert Organizations Stand to Gain Across the IT Infrastructure.



HP Networking:

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The network market has been dominated primarily by one vendor for the last decade. This is still the case today—with one vendor holding more than 80 percent market share in enterprise routers and just under 70 percent in Ethernet switches. However as of this spring when HP acquired 3Com and merged the latter's networking gear into its ProCurve offering, HP became the other noteworthy name in networking.

The repercussions of HP's challenge extend beyond networking and reflect shifts in the balance of power between major players in the overall IT market.

The demilitarized zone that once existed between the leading systems and networking vendors. Now the line between the systems world and the network world has begun to blur. Traditional systems vendors are blending systems with network solutions and vice versa.

HP's nearly \$3 billion acquisition of 3Com and its aggressive launch of HP Networking is much more than a return volley in a territorial dispute over network market share. There is more going on here than just competition for network market share.

Broader Context

To understand the implications of the changes that are occurring in the networking market, it is necessary to put them in the context of the broader changes that are occurring in IT. The traditional silos that have existed around servers, storage and networking are coming down, and a new, holistic approach is emerging that treats IT and telecom as if they were a single, dynamic environment that needs to be addressed and managed in its entirety.

The challenge for IT departments traditionally compartmentalized into server, storage or networking specialties is that being an expert in one specialty is no longer good enough. Certain advances in server and storage technology, for example, can't be fully realized unless they are aligned with advances in network technology—and vice versa. One hand in the data center definitely needs to know what the other is doing.

Appearing on the horizon is an image of a dynamic IT environment consisting of pools of high-performing computing resources that can be centrally managed, readily automated and efficiently maintained. Security and compliance are built in instead of bolted on, and the upgrade path is evolutionary instead of disruptive.

The need to treat the entire IT environment as a coherent, technical ecosystem is reflected in the product strategies of all of the industry leaders



today. In their different ways, each vendor is positioning itself to participate fully in the IT environment of the future. Each one has its own overarching architecture: IBM's "dynamic infrastructure," HP's "converged infrastructure" and Cisco's "unified computing."

Seen in this context, HP Networking is much more than another line of business. In many ways, HP Networking is the capstone of HP's converged infrastructure. Thus, the full weight and resources of HP are behind this line making it succeed.

However, beyond the drama of the major vendors competing for market share, a whole new era is beginning. Informed organizations are looking beyond using technology to do what they have always done just faster and cheaper, and beginning to use technology to re-think the processes and relationships that define what the organizations do, who they are and who they want to become.

The technology industry is currently in a state of heightened evolution as virtualization, cloud computing, unified communications and other major trends converge.

Networking is one of the catalysts in this transformation, but so are server technology, storage and systems management. They all need to advance together.

Now that HP has entered the networking market in earnest, some CFOs will want to see a comparison of the options available before approving the next network upgrade. Forward-looking CFOs will also want to know how the networking strategy serves the greater good of the entire IT infrastructure.

Real Competition

Networking is not a new idea at HP. HP's ProCurve networking business dates back 25 years. Traditionally, ProCurve targeted the edge (where end-point devices are plugged in), and HP's products were used in SMB, small campus and wireless solutions.

ProCurve switches have earned a reputation for being extremely dependable and have always been sold with a lifetime warranty.

The story is told that during some office renovations one HP customer inadvertently dry-walled over the wiring closet where the ProCurve switches were kept because they never required any attention and no one ever went in there.

The same could almost be said about the ProCurve business inside HP until the business was re-discovered during a comprehensive

corporate re-organization by HP CEO Mark Hurd. Notably, this was around the same time that the “converged infrastructure” concept was being developed.

Shortly thereafter, HP began looking in earnest for an acquisition that would give HP Networking the higher-end switches and routers it needs to complete its offering from edge to core. Brocade, Foundry and Juniper were evaluated as well as 3Com.

3Com Acquisition

It is part of the mythology of the 3Com acquisition that internal HP networking engineers were won over by 3Com technology before HP’s merger and acquisition team were even considering 3Com as a potential acquisition target. During the downsizing of HP’s primary data centers from 80 to six, HP network engineers tested high-end switches from 3Com, and as the story goes, the engineers liked the switches so much they suggested HP buy the company.

Whether that story is apocryphal or not, HP acquired 3Com for \$2.7 billion in April 2010. And HP’s data center in Houston now has 34 3Com routers, 300 HP Networking switches and four TippingPoint intrusion detection and protection devices.

3Com has been a major contributor to the development of enterprise networking since the invention of Ethernet in the 1970s by 3Com’s founder Robert Metcalf. At the time of the acquisition by HP, 3Com was a \$1.3 billion enterprise with a major presence in Europe and China. One of the key assets that comes to HP from the acquisition is the portfolio of network solutions 3Com co-developed in a joint venture with the Chinese firm Huawei under the name H3C. The technology produced by H3C is based on chip sets made from merchant silicon which are less expensive and require less energy than chips sets using custom ASICs (application-specific integrated circuits). When 3Com acquired H3C in 2007, the combined sales made it the market share leader for networking gear in China.

The acquisition of 3Com brought HP a suite of solutions targeted at the core networking space, particularly in core routing, aggregation, campus core and enterprise core solutions that HP ProCurve did not have and gave HP Networking an array of products that spans the entire network space from high-end routers and switches to security and management. HP has since retired the “ProCurve” name and has rebranded its entire line of networking solutions as “HP Networking.”

Go-to-Market Strategy

HP has made it very clear that networking is an essential part of the company’s converged infrastructure go-to-market strategy. HP Networking is led by Senior Vice President and General Manager Marius Haas, and is part of the Enterprise Servers, Storage and Networking business unit led by Executive Vice President and General Manager David Donatelli.

HP has organized its networking portfolio into four categories:

- Advanced includes core routing and high-end switches and targets large complex organizations.
- Essential targets mid-sized organizations looking for future growth and scalability.
- Value targets SMBs looking for easy-to-use connectivity solutions.
- Security includes enterprise-class intrusion protection and systems management.

HP Networking’s Security offering starts off as a market leader. TippingPoint, which 3Com acquired in January 2005, boasts 90 percent of the Fortune 100 as clients of its intrusion prevention platform. In addition to other major clients, HP announced in July that the U.S. Department of Health and Human Services (DHHS) has selected the HP TippingPoint Intrusion Prevention System (IPS) platform to protect the department’s network from viruses, and other security attacks.

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Proof of Concept

To convince customers of the viability of choosing HP Networking, HP is aggressively seeding its customer base with proof-of-concept pilot programs. More than 200 customers are now testing HP Networking gear in their own environments.

Some have already made the commitment to HP Networking. Gardner Publications, for example, is North America's leading publisher of integrated media for durable goods manufacturing and has recently been enjoying booming success with its latest online offering: Map Your Show. Developed for the International Manufacturing Technology Show (IMTS) in Chicago, Map Your Show uses innovative mapping and floor plan technology to enable a trade show visitor to develop a detailed, personalized itinerary to get the most from his or her trade show experience.

The success of Map Your Show has strained the underlying IT infrastructure, and Gardner is currently working with Logicalis on a major upgrade that includes everything from virtualization in the data center to a complete network core migration from Nortel to HP Networking.

"The HP price/performance ratio won the sale for HP ProCurve," Monaghan says. "The ProCurve switch is guaranteed for life. That's a huge thing. The new switch will pay for itself in seven to 10 years just from the savings on maintenance fees."

Another Logicalis customer, a national web service organization that serves 70,000 small business customers with a variety of subscription, performance and display advertising and website products, needed to do a comprehensive upgrade of the company's IT environment to keep up with the rapid growth of services.

The final design is a complete sweep for HP's Converged Architecture, including HP Blade servers (replacing Dells), LeftHand storage, HP Networking (wired and wireless), and the Intelligent Management Center (IMC) management solution. A showcase Converged Infrastructure is being implemented by Logicalis Professional Services this summer.

Partner Share

The foundation HP is building for HP Networking is necessarily broad and includes integrating all its product lines, establishing supply chains and building a support community of qualified network engineers capable of supporting HP's ambitious sales projections.

HP is looking for help from its channel partners to ramp up and support networking sales. As part of HP's stepped-up partner offensive, the company has named Armughan Ahmad, who helped build out the 3Com enterprise networking channel, as vice president, Americas Channel Sales, HP Networking.

As HP's largest reseller of enterprise servers and storage in North America, Logicalis has built its business model on customer choice. Logicalis has expertise across the IT infrastructure in servers, storage and management, and is one of the first HP resellers to be fully trained on HP Networking.

"Networking is a \$40 billion-a-year business and growing," says Logicalis Vice President, HP Solutions Brandon Harris. "We think there is room for products from more than one network vendor. Being able to offer our customers an informed choice is one of the ways Logicalis distinguishes itself from our competitors."

Besides being a major HP reseller, Harris notes, Logicalis is also an award-winning Premier Partner for IBM and a Cisco Gold Certified Partner. "It's all about providing our customers choices," he says.

Mark Fabbi
Analyst
Gartner

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Open Standards

Open standards within networking facilitates HP’s course and makes it easier for customers to choose to integrate HP Networking into their IT environments. Most unified communications applications will run on HP networks, including VoIP apps from Avaya and Alcatel-Lucent and unified communications applications from Microsoft.

“The command line interface for an HP Networking switch is very intuitive and will be familiar to network administrators who have worked with other networking products,” notes Brett Anderson, Logicalis’ director for HP servers and networking. “You can put any experienced network guy in front of a ProCurve switch, and he would quickly be able to be proficient in the configuration and management of the HP Networking device. That means that customers who are considering HP Networking are not going to lose the investment they have made in their people.”

What Happens Next

No one expects any of the network players to concede market share to HP willingly. As the major vendors take off their gloves and compete aggressively with each other over the future of computing, it’s important for customers of technology to remember that market competition is not a religious war, or shouldn’t be. The point isn’t to choose sides, but to choose what is best for your business.

Shortly after HP’s acquisition of 3Com, Gartner analyst Mark Fabbi made these observations in an article in PC World:

“Overall, the HP/3Com deal introduces a new level of competition, giving customers more leverage in negotiations, even if they don’t choose to buy HP’s technology.”

“This can really return the balance of power back to the buyer as opposed to the seller. Enterprises are just foolish if they don’t take advantage of this.”

About Logicalis

Logicalis is an international provider of integrated information and communications technology (ICT) solutions and services founded on a superior breadth of knowledge and expertise in communications and collaboration, data center, and professional and managed services.

Logicalis Group employs over 1,900 people worldwide, including highly trained service specialists who design, specify, deploy and manage complex ICT infrastructures to meet the needs of over 5,000 corporate and public sector customers. To achieve this, Logicalis maintains strong partnerships with technology leaders such as Cisco, HP, IBM and Microsoft.

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