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TechAlpha Report Shows VMware Is Changing Course to Disrupt Large IT Markets

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While Success is Uncertain, Large Profit Pools Are up for Grabs
SAN FRANCISCO--(Business Wire)--
A new report from industry research firm TechAlpha illustrates how server virtualization will disrupt the storage, database, and middleware markets while creating large new opportunities in business continuity and cloud computing which VMware is well positioned to exploit.

Based on feedback by 200 IT customers on vendors VMware, Citrix, Microsoft, Oracle, IBM, Symantec, CA, BMC, NetApp, EMC, DELL, and HP, the report concludes:

Private cloud computing is the largest new profit pool in the virtualized data center.

Virtualization will transform IT investment from a fixed capital expenditure to a variable operating expense, delivering 10x greater IT staff productivity in the process. Cloud technologies in the enterprise, growing out of virtualization and service-oriented management, transform disparate applications and infrastructure into services that are delivered on-demand. VMware will face greater than expected competition from Microsoft and is turning towards systems management vendors such as BMC and CA for partnerships.

Virtualization enables business continuity for the mass-market.

Virtualization creates a new platform for delivering high availability (HA) and disaster recovery (DR) at much lower cost and complexity than that delivered by legacy solutions such as server operating systems (e.g., Windows, Linux, Unix) or applications (e.g., Oracle, Exchange). VMware, Citrix, and systems management vendors are trying to deliver HA/DR as part of a broader data center automation offering that guarantees end-to-end performance of multi-tier applications. "Our primary research shows that HA/DR penetration will triple by 2010," says George Gilbert, TechAlpha co-founder. "Half of new x86 servers deployed in 2010 will be virtualized, allowing VMware to defend its leading share with enterprise customers."

VMware is repositioning itself away from Microsoft's line of fire.

VMware's lead in server virtualization gives it time to prepare for the battle with Citrix over the desktop. "That strategy shift is necessary since VMware faces several challenges in delivering on the virtual datacenter operating system vision," says Gilbert. "Moreover, we expect Microsoft to turn up the heat by shifting enterprise-class virtualization features to a lower, nominal price point later in 2009. Microsoft appears more likely to be conflicted to drive innovation in desktop virtualization, which is why VMware is shifting more resources to that market."

Virtualization is cracking open the storage industry.

The storage industry is at the cusp of big adverse structural changes which are obscured by current enthusiasm over virtualization. "Efficiency gains due to increasing adoption of de-duplication on primary and secondary storage may permanently halve the rate of storage capacity growth in spite of the boost from virtualization," says Juergen Urbanski, TechAlpha co-founder. "Moreover, thin provisioning in conjunction with the recession will lead to a 2-year slow-down in storage purchases. To make matters worse, functionality emerging in the

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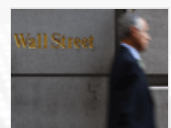
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virtualization layer will make obsolete a good part of what is today differentiating functionality in storage. Finally, customers are benchmarking storage vendors on hardware cost, driving down margins. VMware can commoditize EMC's core business or become its ultimate salvation."

Virtualization pressures databases and middleware.

Server virtualization will enable customers to buy and deploy databases and middleware just in time instead of just in case. "This may put an end to the wasteful spending common today, where average database server utilization is 5-20%. Buying minutes of capacity that can float across different physical machines fits the current economic constraints a lot better than buying perpetual capacity tied to a specific physical box. Oracle has the most to lose in this transition."

Report summary: <http://reports.techalpha.com/ExecutiveSummary.html>

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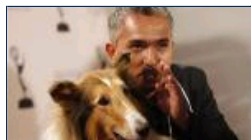
TechAlpha
Juergen Urbanski, 415-448-7639
info@techalpha.com

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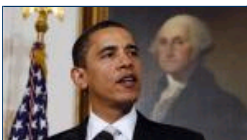
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