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Cisco blades could sever tech alliances

By Alex Scroxtan

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Cisco has let slip that it is on the verge of launching a blade server line-up that will put it on a collision course with sector heavyweights and long-term technology partners Dell, Hewlett-Packard and IBM

The move raises question marks over Cisco's partner relationships, particularly with HP, which has been trying to grow aggressively in the networking space with its ProCurve brand – signing a distribution deal with Cisco house Comstor [last week](#) – but also has a dominant share of blade sales across EMEA.

CTO Padmasree Warrior, who over the weekend was tipped for an IT advisory role in the Obama administration, [commented](#): "There are markets where Cisco will compete with a few of our current partners."

"Cooperation among competitors in the tech industry is nothing new. This new environment will require even greater cooperation among major industry players," she added.

Others in the analyst community thought there was more potential for conflict with Nathaniel Martinez, IDC programme director for European server research suggesting, "It will end the union between HP and Cisco as it currently stands."

He revealed that HP had a market share in excess of 42% across EMEA but reckoned the blade sector was one of the hyper-growth segments and there "should be room" for other entrants into the market.

"All data centres are facing space constraints and are looking for greater efficiencies, blades are a good platform for consolidation," he added.

Though the specifications and pricing strategy remains under wraps, bundling the blades with virtualisation software was appropriate in today's economic environment, said Jeremy Davies, senior partner at channel analysts Context.

Networks First managing director Peter Titmus said the move was logical, but added Cisco might face a hard time selling it to the channel.

"I can't see it being easily launched to their existing partners; they will need to learn a whole new set of skills," he said, suggesting that networking dealers who traditionally add value by configuring an off-the-shelf solution could struggle with virtualisation software and other applications running on servers.

However, Titmus thought Cisco blade solutions might appeal to larger integrators such as Computacenter and SCC, and outsourcers, as well as some carrier partners who have been expanding into data centres.

Cisco could also face margin pressures; it makes gross margins of around 65% on its networking business, but average base points on servers tend to hover around the 25% mark.

According to sources familiar with the development, the initial assault on the market will come in the first week of March.

Cisco declined to comment further.



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