

**Sun and IBM Agree to Distribute Solaris x86 on IBM's System x servers Worldwide**

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Sun and IBM are teaming up on Solaris x86, with IBM deepening its support of Solaris 10 on the IBM System x x86 servers (<http://www.sun.com/aboutsun/pr/2007-08/sunflash.20070816.1.xml>) it sells worldwide.

This time, the agreement goes beyond the companies' initial agreement to sell Solaris on IBM System x blades in October, 2005 (http://blogs.sun.com/jonathan/entry/ibm_adopts_solaris_for_bladecenter), extending now to a total of five IBM System x servers, including IBM BladeCenter HS21 and LS41 blades, the IBM System x3650, the System x3755 and the System x3850. IBM and Sun will work together to test and optimize Solaris x86 on those systems.

What does each company get from this? Sun will be able to ramp up sales of its Solaris subscriptions in the important and expansive x86 segment of the market (more than 90% of all server units worldwide), and enhanced subscriptions, which will generate recurring revenue streams for Sun's software business. The key to subscriptions is getting higher volume sales. Because subscriptions are sold on a per-employee basis, the larger the number of subscriptions, and the greater the reach into large organizations, including governmental agencies worldwide, the higher the cash flow will be, on a recurring basis. Sun will provide all of the support for the subscription service, and IBM's sales force will be enabled to sell the subscriptions and support contracts.

IBM, the number 3 provider of x86 servers worldwide (for both revenue and units in Q107), is looking for volume, too. IBM wants to increase the number of System x sales worldwide, and it wants to leverage the Solaris "pull" worldwide, in terms of Solaris footprints and the total number of Solaris applications, estimated at more than 3,000 ISV titles. IBM's x86 strategy has largely been driven by consolidation, and has been working to attract more workloads, including Solaris and Linux and Microsoft Windows, to its System x offerings. The Solaris installed base is very large, and there are Solaris custom applications peppered throughout some of the most important vertical markets for both companies: financial services, telecommunications and government. IBM gains in another way, with support for IBM middleware, including IBM WebSphere, IBM Domino and IBM DB2, already available on Solaris 10 for x86 servers.

Co-opetition? That's part of this deal, too. Although Sun and IBM are both major server vendors—IBM's reach into the local geographies beyond North America, Europe, Japan and the largest countries in Asia/Pacific is both wider and deeper. It has more channel partners for x86 servers than does Sun, and it offers more local resellers close to the customer in many of the states, counties, provinces and prefects within those geos.

This agreement is all about go-to-market (GTM). It's all about channels, and partners, and getting more of them to sell Solaris on x86 servers. The products are already in-hand, and the agreement is set to go into effect by this fall. Both stand to benefit in terms of gaining net-new customers and customers who will buy additional Solaris systems. Importantly, both vendors will continue to compete in the server hardware business—not only in the x86 server space (where Sun is the number 6 vendor in Q107 in revenue and units), but also in the Unix/RISC server space, where both companies compete with HP for each major Unix server deal worldwide.

Virtualization is another element in the mix—because there are many ways that Solaris 10 could get installed on x86 server systems. Sun offers its own virtualization features within Solaris, such as the

containers feature that isolates multiple application workloads within one Solaris 10 operating system domain. Both companies have partnerships with VMware, which would allow Solaris 10 to be installed side-by-side with Linux or Windows on x86 servers—each operating system running in separate virtual machines (VMs). And, the Solaris 10 operating system will support the Xen hypervisor technology by year's end, Sun has said. That will be another path to virtualizing Solaris x86 server deployments.

There may be one more avenue of interest: that of scalable servers. One of the System x servers is a scalable four-socket System x3850, which supports the X3 "Summit" scalable x86 server design. And, during the announcement, IBM also mentioned the option of having a third party port OpenSolaris to the IBM System z mainframe. If Sun and IBM work to optimize and test Solaris on more scalable System x and System z offerings, that would address more end-users—and that would bring Sun more Solaris subscription revenue on a recurring basis, along with services—all of which would go directly to the top line and bottom line of Sun's software business.

Where could this lead, and how will it "play" with other IBM initiatives for Linux running on all IBM servers—and for IBM AIX Unix on POWER servers? Clearly, IBM AIX (now in the AIX6 version) is the Unix operating system that runs on IBM's POWER-based Unix server architecture—but the Unix server world is growing in terms of total unit shipments (including both RISC and x86 server platforms), and there are more "footprints" out there to be gained by IBM's System x business with Solaris than without it. Both IBM and Sun position their Solaris x86 announcement as an "open systems" play that gives customers more choice—and it is that. But it also a way to generate more revenue for Solaris software subscriptions and for IBM System x servers and IBM middleware than would have been possible otherwise.

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