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Feature

Hardware upgrades

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More about necessity than compelling technology In the words of the now infamous Chinese curse, at present, hardware vendors are living in very interesting times, and the outlook is anything but rosy.

IF STATISTICS SUPPLIED by BMI-TechKnowledge (BMI-T) are any indication, recent technological advances in both the desktop and server space are certainly not spurring corporate customers into action.

Overall, the desktop and notebook market grew a whopping 30% in the first half of 2006 after barely creeping into positive territory in the last six months of 2005 (see chart on p.27). "The corporate market only accounts for about 12.5% of total sales in this sector with the balance, over 80%, made up by SMB customers and consumers," says analyst Hannes Fourie.

On the upside, Fourie points out that this has been offset by a significant upturn in consumer spending as well as increased expenditure by small to medium business (500 employees and less).

MOBILITY RULES

Another trend is the ever-increasing interest in notebook PCs over their desk-bound counterparts. According to Fourie's data, the last 18 months have seen this ratio go from 25:75 to 30:70, a trend he puts down to the recent availability of notebook PCs for as little as R4 000.

Interestingly, SA appears to be ahead of global markets in this regard. Butler Group analyst Richard Edwards says recent briefings with Dell, HP and IBM indicate that notebooks account for around a quarter of all procurement globally, a figure he says will continue to climb.

However, Gartner's Mark Margevicius believes that estimate is on the low side, estimating that 35% to 40% of all systems purchased in enterprise accounts are notebooks. He agrees with Fourie on the primary reason for this shift: "That's because the price point in notebooks has really come down."

Henri Slabbert, CIO of Edcon, differentiates between the 4 000 loyees based at the group's head office and those in the stores. Currently, he says, about 25% of head office personnel are equipped with notebooks, but the ratio will continue to change.

Henk van der Watt, service delivery executive manager at Edcon, confirms this: "About two years ago we changed the policy to procure laptops instead of desktops for people who require it."

Interestingly, the company's current procurement ratio of notebooks to desktops is 80:20 but Van der Watt says this will probably settle at around 50:50 once the bulk of Edcon's mobile workers has been accommodated.

SPECS? WHAT SPECS?

On the subject of desktop upgrade trends, Margevicius says technical differentiation is no longer a factor for corporate customers. "A PC is a PC is a PC in most organisation's minds today; they make their decisions on upgrades based on life of equipment and/or budget."

Damien Durrant, notebook product manager at HP, is not so sure, noting that basic specifications such as CPU speed, memory volume, and hard-disk size are important because they have a major bearing on performance. However, he concedes that customers do appear more concerned with reliability, security and manageability these days.



Henri Slabbert, CIO, Edcon



Hannes Fourie, analyst at BMI-T

Van der Watt says Edcon has some basic minimum requirements in terms of memory but that technical issues like processor clock-speed are completely irrelevant. "For us, the ability to deal with peripherals is more important," he says.

Slabbert adds that Edcon has standardised on a single brand, but that the decision was made purely for management reasons. "The PC is not the differentiator. It's the service that you get from the supplier, the management infrastructure and those things that make the difference," he explains.

And then there's that old chestnut: TCO. Butler's Edwards says total cost of ownership is not the major issue it once was. "What budget-holders and business decision-makers are looking for is an injection of business value.

"TCO can be important in trying to keep the costs down, but if you're really looking to make a difference through the use of your technology, then it's that added business value that is more important," he says.

Although Gartner believes it is important, Margevicius says that he has experienced a negative reaction when he talks to CIOs and IT managers about it. "Their eyes just kind of glaze over when we start talking about TCO," he admits.

"We still advocate that TCO is a great way to give organisations a benchmark about how their operations are working, a benchmark against their peers, and establishing true cost versus imagined cost. But customers we speak to want to know about it, but have a hard time justifying business decisions around TCO benefits," he concedes.

NO NEW VISTA

As in years gone by, many hardware manufacturers have been pinning hopes of a revival in their fortunes on a new operating system from Microsoft. Unfortunately, that doesn't look likely to influence corporate spending in the next year or two.

In fact, Gartner doesn't expect business customers to seriously consider Vista for 12 to 18 months after release next year. Says Margevicius: "Most of the clients we speak to on the enterprise side are looking at at least 12 months after release before deploying any kind of new OS. Honestly, you're looking at somewhere in the middle to end of 2008 before any deployment begins."

Ben McDonald, client brand manager at Dell SA, reports that local corporates are questioning the business value of Vista. He notes that Microsoft's new Aero Glass interface will be driving the hardware requirements of PC acquisitions next year, but that this has little appeal for business customers.

Of course, the fact that AssetMetrix last year reported that 50% of enterprise customers were still using Windows 2000 may also be a factor. Butler's Edwards suspects many customers will look at XP now, and possibly move to Vista once it stabilises.

However, HP's Durrant reports burgeoning interest in alternatives to Windows on the desktop, specifically different flavours of Linux.

ON THE SERVER

Sun Microsystems' Helen Constantinides identifies server consolidation and virtualisation as key trends but suspects they are being driven by a need to optimise existing resources to enable business growth. This, she adds, includes load balancing and an increasing incidence of horizontally scalable applications.

Doug Downing, enterprise brand manager at Dell SA, agrees: "Some customers are seeing utilisation of 5% on their existing servers. Where a customer had 30 servers in his server farm and now needs to expand [to cater for] more applications, instead of going and buying more tin, as we call it, or more hardware, he's now seriously considering virtualisation software," he acknowledges.

This certainly seems to be reflected in the latest server sales figures from BMI-T, which points to a severe contraction in local sales this year. The server market, according to Fourie, shrank almost 9% and he says this is due almost entirely to delivery problems experienced by a single vendor, although he wouldn't be drawn on which vendor it was.

Conversely, the global picture looks considerably different, with Gartner reporting server sales in the second quarter of 2006 up a whopping 12.8% by volume. Far from indicating that SA is behind global trends, Gartner analyst Philip Dawson says virtualisation technology and server consolidation is likely to herald a dip in global server sales over the next couple of years.

"Sales of physical servers will decline in growth compared to the logical servers. The percentage virtualised today is still fairly low. The speed bump hasn't taken effect yet but there will be a big speed bump," he says.

If Dawson is right, there are probably troubling times ahead for server manufacturers, although not necessarily so for customers. However, Edcon's Van der Watt doesn't believe server sales will dry up completely.

THE SILVER LINING

"Firstly, you must buy [new] servers to consolidate because your old servers won't work. So you're going to buy a very different type of server to consolidate. And secondly, I don't know what other shops are like but my guess is we won't be able to consolidate and virtualise more than 50% of what we've got," he says.

Slabbert agrees, noting that some applications simply do not lend themselves architecturally to

running on a virtualised server. "There are also a lot of [retailers] refreshing their point-of-sale [POS] systems as we are and that means a lot of store servers," he says.

That said, Slabbert makes the point that the POS system has been on site for 15 years or longer and has only lately been undergoing a hardware refresh in preparation for the roll-out of a new POS system. "We started our hardware replacement about three years ago and the intention is to be ready in a year or 18 months to start with the rollout," he notes.

Van der Watt adds that the lifecycle of the new POS system is likely to be seven to eight years, meaning it will be some time before another hardware refresh takes place at Edcon.

This is consistent with the picture at local steel products distributor Macsteel Service Centres SA. CIO Tertius Campbell has a policy of sweating the assets as much as possible.

"We do not believe that a strict refresh cycle or upgrade policy is the most cost-effective and efficient policy to have. In an environment like ours, with dozens of branches scattered all over Southern Africa, PC management is an expensive and frustrating business. Issues like the maintenance of the actual PC, virus protection, patch/version management and technology refresh costs drove us to investigate alternatives a few years ago," he explains.

The result is that Macsteel elected to deploy terminal services. "The roll-out takes place over an extended period of time as machines are only converted to either a dumb-PC or exchanged for terminals as and when needed. We envisage that no more than 5% of our users will remain on PCs or notebooks in the future," adds Campbell.

One of the primary benefits of going this route, he says, is that the need for a desktop refresh cycle has largely disappeared and the company need only focus on keeping its server farms current, which he describes as a far easier and practical alternative.

Desktop specialist at Sun Microsystems, Sean O'Hare, reports that local interest in thin-client technology is growing. "There will always be a requirement for PCs or notebooks on the desktop, but there is a big drive for a common general purpose device that can be used in large organisations," he adds.

Butler's Edwards confirms a similar trend in Europe: "We're seeing virtualisation being used to deploy a business user environment down to a personal desktop. So you provide an image of a machine that is capable of running on a home PC but that virtual PC is locked down and protected from other applications running on the user's PC," he says.

In the final analysis, it would appear that customers are becoming far more demanding of their IT suppliers. Macsteel's Campbell perhaps best illustrates this: "We refuse to be led by the nose by marketing hype, scare tactics, etc. used by the industry and others. We try to base all our decisions on the real facts and our real needs." Which is as it should be.

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