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Annex Newsflash 2006-05

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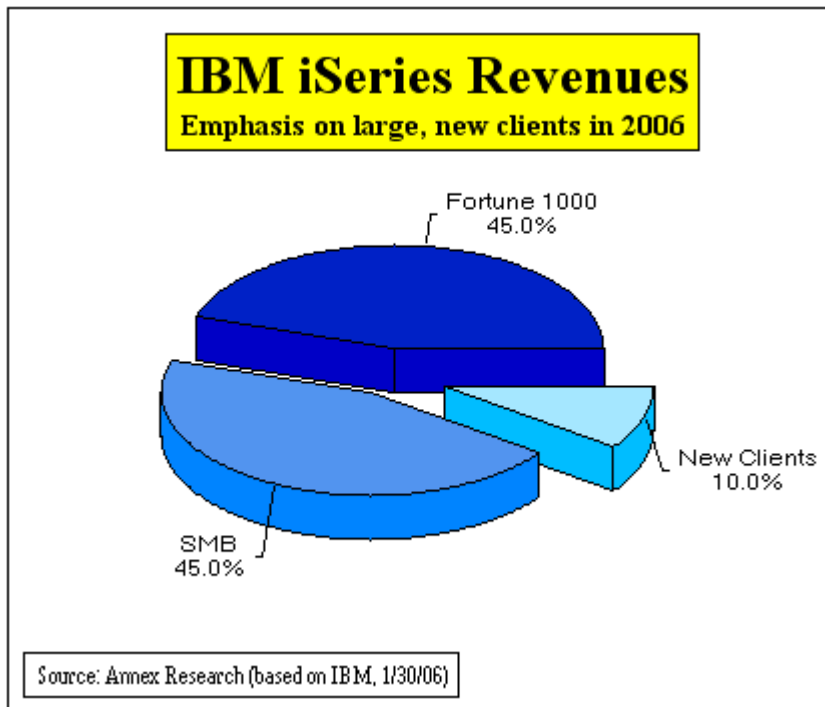
Updated 1/31/06, 10:50AM MST, adds [Lennox photo](#)

Analysis of IBM's iSeries Product Enhancements

IBM Beefs Up iSeries

Marketing Focus on Large Accounts and New Business

SCOTTSDALE, Jan 30 - IBM did not waste much time revamping a product line that [stubbed its toe in the fourth quarter](#) after three successive periods of growth. Big Blue announced today spiffy new features that will make the iSeries more appealing both to large customers as well as to new users. The former account for about 45% of the iSeries revenue; the latter for about 10%.



"Just over a year ago, IBM made a multi-year commitment to really refresh everything about this product line," said Mark Shearer, the iSeries general manager, in today's teleconference with analysts. He hailed the latest announcements as "a major milestone in this multi-year journey."



A new accelerator and the new version of the operating system software, including a 32-bit Java Virtual Machine, will make it possible for some 70% to 80% of the iSeries shipments to take advantage of the new web-based applications (Websphere, Lotus, Tivoli, Apache, DB2...). And all customers will benefit from a 15% to 20% performance boost that the new Power5+ chips will deliver.

IBM also enhanced the Unix interfaces and support of its (big) 570 model, and the BladeCenter and the xSeries (Intel-based servers) integration on the iSeries platform.

But perhaps the greatest benefit that the iSeries has been delivering to its customers, and will do so even more effectively after these announcements, is the *simplification* of their IT environments. Which translates into lower operating costs.

"Distributed (computing) model has created a crisis of complexity," said Charles ("Chip") McClelland, a marketing manager for the iSeries.

Even companies with less than 100 employees average more than 20 servers, IBM said. Midrange **2006 Solutions Opportunity and 2005-2008 CAGR**

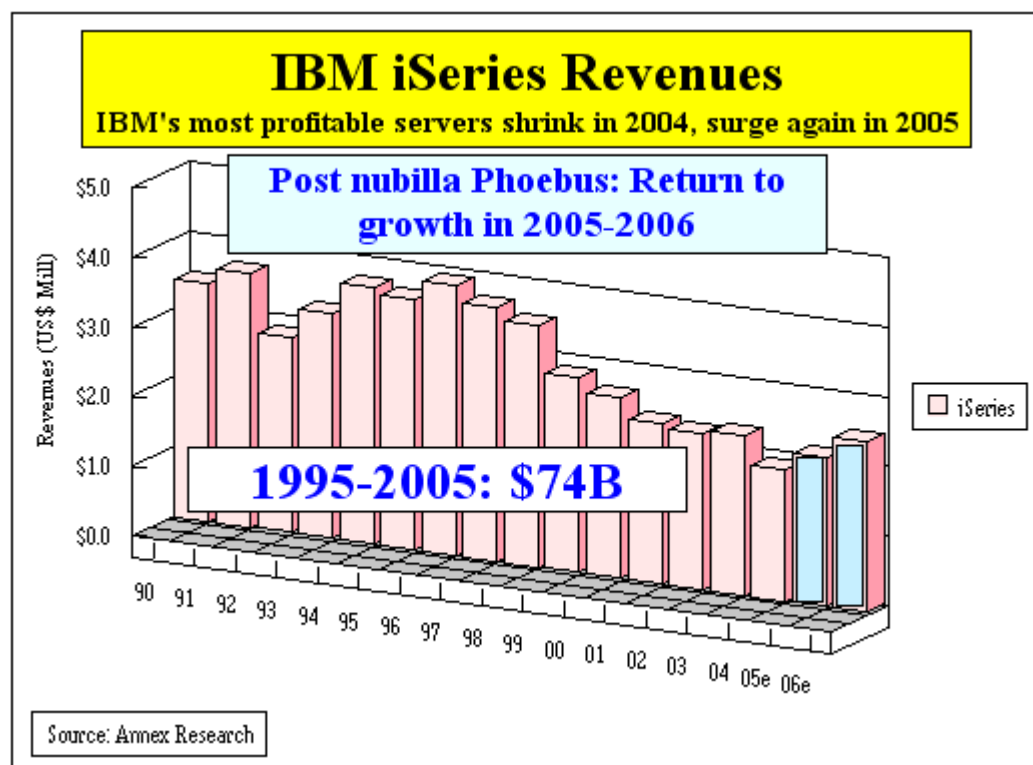
accounts (100 to 500 employees) average 24 servers, while companies with 500 to 1,000 employees deploy 41 servers on average. No wonder many customers are spending 70% of their IT budgets managing their infrastructure. And 87% of the i5 (latest technology) users have multi-vendor and multi-platform environments.

That's why the iSeries message about its simplicity resonates well with a wide range of customers. "I like to think of the iSeries as 'IBM in a box'," said Shearer during the teleconference.

Solid 2005 Results

The preceding positions the iSeries well for a continuation of the renewal that we predicted in the first quarter of last year (see ["An iSeries Renewal"](#) whitepaper, Mar 2005).

"We are right at the center where IBM believes the systems are going," Shearer said, referring to IBM's Systems Agenda (see ["Hardware Revival,"](#) Nov 2005). The 2005 results proved that.



"We had the strongest revenue growth last year since 1996" (in terms of the "stack" - a combination of hardware, software and services), said Shearer. Hardware revenue was up, while software grew in double-digits. Six of the iSeries geographic regions grew in double digits, led by the strength in the Americas of which the U.S. market is the biggest part.

IBM gained over 2,500 new iSeries in 2005, signed up more than 300 ISVs (Independent Software Vendors), increased the market awareness by 20% through its advertising, and doubled its coverage in the media. In short, it was a solid year.

Personal Touch

And now, Elaine Lennox, a former IBM SMB executive, who was schooled in Europe and had managed Hewlett Packard's business on the Old Continent before joining IBM, will take over the iSeries marketing torch for the rest of 2006 and beyond. What Lennox has behind her is the momentum of a turnaround



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story. What she has ahead of her is the challenge of accelerating the growth of a product line that has evidently surprised many. Doubting Thomas's with its resilience and resurgence.

An "i" turnaround Shearer, her new boss, described Lennox as "an energetic and passionate leader" with good ties into IBM SMB and software operations. Both will be needed to scale "Mount iRevenue" this year. But it will take more than that.

"This (iSeries) is a very personal business, with clients and ISV's who really care," Shearer summed up the 37-year old platform whose aficionados have elevated it almost to the status of a cult.



Which means it will take pressing flesh, patience to listen, and a lot of light-hearted personal stroking to keep the marketing momentum going. If you're getting the impression that we are describing an incumbent politician's reelection challenge, you're right.

No, Shearer and Lennox probably won't have to kiss babies in their marketing quest, though you never know with a product line as colorful as the iSeries (see ["What To Do When Cow Runs Dry"... and other iSeries lore stories](#), 1996).

Happy bargain hunting!

Bob Djurdjevic




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Bob Djurdjevic, Editor

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e-mail: annex@djurdjevic.com

8183 E Mountain Spring Rd, Scottsdale, Arizona 85255
TEL/FAX: (602) 532-7789

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