

Dell & EMC are Positioned to Become a Converged Systems Powerhouse

...If They Get the Merger Right

Executive Summary

Enterprise IT organizations are transitioning to private cloud to drive efficiency within their datacenters. Many have turned to **converged systems** to improve time to market and to lower costs. Converged systems are pre-integrated configurations combining server, storage, and networking with unified systems management. Converged systems are different from traditional hardware platforms in that they are designed with a modular building-block approach to efficiently scale up resources and workloads.

Moor Insights & Strategy (MI&S) believes Dell is well-positioned to capitalize on the converged systems market opportunity with the company's imminent acquisition of EMC. EMC's strengths in this space lie in its enterprise customer expertise, "white glove" service and support capabilities, and converged systems leadership via the VCE brand. Dell's converged systems strengths include its midmarket leadership (along with success in enterprise), supply chain scale, and leadership in vertical-specific hyperconverged infrastructure solutions via the Dell Engineered Solutions portfolio.

Successfully combining the Dell and EMC converged systems organizations will not be easy, so work is clearly underway to hit the ground running on day one of the new Dell EMC. MI&S believes creating a synergistic product portfolio, an aligned go-to-market strategy, and a focus on technology leadership and innovation are critical to success.

IT Looks to Converged Systems for Simplicity & Agility

Many view the hybrid cloud as the path to IT modernization that is required to meet the needs of today's fast paced digital economy. IT organizations of all sizes have turned to converged systems—pre-integrated configurations combining server, storage, and networking with unified systems management—for use in their private clouds to improve efficiency and get to market quickly. The converged systems space continues to grow faster than the market, with an [estimated](#) run rate of more than \$10B annually.

Converged systems' rapid growth stems from a multitude of vendor approaches to meet customers' varying needs. Customers can choose across a size spectrum from small scale single-node appliances to multi-rack scale clusters. Customers can opt for prescribed configurations or configurable, flexible solutions. Customers also have a range of choices to meet their specific workloads from traditional applications to leading edge cloud-native workloads and everything in between. IT organizations evaluating converged systems are looking to vendors for an integrated solutions-level approach, encompassing not only the hardware configuration, but also the unified management

plane, highly-tuned software and application stacks, global services and support capability, financing, and maintenance models over the product lifecycle.

Dell & EMC Bring Together a Rich Fabric of Assets

Dell and EMC are well-positioned to combine their expertise in the converged systems space, once Dell’s pending acquisition of EMC becomes final. Each side brings a set of complementary strengths in terms of product portfolios, IP, and go-to-market focus. Figure 1 provides an overview of some of the key contributions from both Dell and EMC for the future combined entity’s converged systems business.

Figure 1: Key Contributions from Dell and EMC for Converged Systems

Dell	+	EMC	=	Dell EMC
Dell Engineered Solutions for hyperconverged & Dell converged platforms	+	VCE portfolio for traditional enterprise-class converged, hyperconverged, integrated systems	=	Converged Systems Leadership
Compute (Server) leadership, Networking IP	+	Storage leadership, Cisco relationship for networking	=	Core IP Strength
Engineered Solutions for VDI, Cloud, HPC, Big Data, Dell Validated Systems	+	VCE Portfolio, VSPEX	=	Vertical Solutions
Dell Active System Manager, Dell System Builder	+	VxRack Manager, VCE Vision, Vopr, RackHD, VXRail Manager	=	Management Infrastructure
Joint solution development with Microsoft, RedHat, Cloudera, SAP, Nutanix	+	VMWare, Federation assets for multi-cloud enablement, Data Lake, ScaleIO (SDS), Investments in open source	=	Strong Solutions Stacks
Dell Blueprints, Flexible financing models via DFS	+	EMC Playbooks	=	Go-To-Market Expertise
Dell Pro-Deploy Suite	+	Virtustream	=	Global Service & Support

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EMC’s converged systems strengths lie in its enterprise customer expertise, “white glove” service and support capabilities, and converged systems leadership via the VCE brand. EMC specializes in solutions for customers looking to “buy” instead of “build” (customers who want to take out the guesswork of optimization with a fully integrated, prescribed solution). The EMC Federation has a rich set of software assets including those from VMware, Pivotal, Virtustream, and others used to develop end-to-end enterprise-class solutions.

Dell’s converged systems strengths include its midmarket leadership (along with success in enterprise), supply chain strength, and differentiation in vertical-specific hyperconverged infrastructure solutions via the Dell Engineered Systems portfolio. Dell specializes in servicing customers who prefer to “build” instead of “buy” (customers who want some design flexibility and configurations options to align with their specific requirements). Dell enhances its “build” capability through a partner-centric solution development strategy with large ecosystem partners like Microsoft, RedHat, Cloudera, SAP, and others. Dell also has a long-term vision of using Dell Active System Manager to provide heterogeneous unified systems management capability for both Dell-built and third-party developed solutions.

Key Factors to Ensure 1 + 1 > 2

The goal for the new Dell EMC converged systems organization is to merge two converged systems business units to create an organization greater than the sum of its parts. To be successful, MI&S believes Dell EMC must create a synergistic portfolio, align go-to-market strategies, and focus on technology leadership and innovation.

Create a Long-Term Synergistic Product Portfolio

Dell and EMC have an opportunity to create a world-class portfolio of converged systems products with the combined strengths each brings to the table. These include solutions that service both the “build” and “buy” segments of the market for customers that range from SMB to large enterprise. In the months following the merger, Dell EMC must align to one roadmap of products that leverages the strengths of each individual portfolio. As is true with any merger of two product portfolios, we expect to see some pruning of certain products and roadmap migrations where overlap exists. It is important for the new Dell EMC to provide clear and compelling migration paths for customers to help build confidence that the company will remain a leader in converged systems.

While streamlining the portfolio will be important, a key opportunity for Dell EMC with all of its assets will be continuing to offer portfolio breadth and customer choice. This includes maintaining key partnerships with third parties where it makes sense. For example, we expect Cisco technology to remain a part of the VCE Vblock portfolio strategy and Microsoft to remain an enablement partner for many of the hybrid cloud solution stacks. In addition, Dell EMC should evaluate where new IP leverage may exist to strengthen the portfolio. For example, we expect to see increased use of Dell technologies within the VCE portfolio over time.

Dell has created solution focus areas as part of its converged systems strategy that include big data, cloud, HPC, VDI, and virtualization. Dell has an opportunity to leverage EMC IP to enhance its offerings. In hybrid cloud, the EMC Federation includes strong technologies like Virtustream, vCloud Suite, Pivotal Cloud Foundry, along with investments in OpenStack enablement to provide broader choice for private and public clouds. For big data, EMC’s storage roots help round out the portfolio with technologies such as the EMC Data Lake, and scale-out HDFS storage through the EMC Isilon portfolio. For VDI, EMC offers VDI capabilities at very large scale.

Align Go-To-Market Models

In addition to their combined product strengths, Dell and EMC have a synergistic go-to-market strategy for converged systems with Dell’s historical strength in midmarket along with EMC’s strong reputation in the enterprise. MI&S expects there to be some overlap in the Dell and EMC channel and sales organizations that will need to be streamlined over the coming quarters. We expect there to be particular overlap in the enterprise segment where Dell EMC will need to make efforts to present a unified voice to customers.

- **Sales & channel enablement:** [Dell Blueprints](#) have been a solid foundation to help Dell sales teams and channel partners provide customers with validated solutions that include hardware, software, and services. EMC also focuses on developing turnkey prescriptions to recommend solutions to customers. Dell EMC should combine these capabilities to provide a central repository of solution options for sales and channel partners.
- **Dell flexible financing solutions:** Dell Financial Services (DFS) has become known in the industry as a thought leader in flexible financing with options that include OpEx-based financing, pay as you grow, and consumption-based payment plans. This differentiation is critical, as many IT organizations evaluating converged systems have experienced the OpEx-based financing benefits of the public cloud firsthand. Combining DFS' flexible payment solutions with EMC's expertise in enterprise solutions can help extend this differentiation to a broader set of products and customers.
- **Enhanced reach for global services & support:** Professional services is a critical capability to marry with converged systems to ensure solutions are right-sized to meet customers' needs and deployed effectively. Dell has a pending sale of its Services business to NTT that will leave a potential gap in Dell's professional services capability, but EMC brings a strong set of resources and "white glove" services expertise to the table. Dell also has strength in support and deployment services through its ProDeploy and ProSupport Enterprise offerings, which are not part of the NTT sale. With seasoned veteran Howard Elias heading the new global services and support organization, Dell EMC will need to figure out how to create a best-of-breed organization with appropriate global scale to serve the increasingly diverse needs of its customers.

Combine Technology Leadership & Innovation

As a combined company, we believe Dell and EMC are well-positioned to offer strong technology leadership and innovation as customer needs for converged systems continue to evolve. Michael Dell [confirmed](#) ongoing commitment to innovation when he claimed the combined Dell EMC will spend an estimated \$4.5B annually on R&D and it is important that this investment continues. Below are a few key areas where we expect Dell EMC to invest in the near term.

- MI&S sees an opportunity for Dell EMC to innovate in the area of **software-defined infrastructure**, through existing software IP, open source enablement initiatives, and strong partnerships with industry leaders.
- Taking software-defined one step further, [Dell's vision](#) for **service-defined infrastructure** provides insight into how Dell sees the market evolving in the future. The long term requirements for service-defined capabilities include infrastructure that is dynamic, programmable, and composable based on a set of IT policies, service level agreements, and workload requirements. As technological advances make dynamic infrastructure a reality over the coming

years, we expect this area may be one of the first major co-development projects that comes out of the combined R&D entity.

- As IT looks to cloud as the future, Dell EMC should consider how to best enable **multi-vendor hybrid clouds** through partnerships with leading public cloud vendors and continued development of robust private cloud solutions stacks (VMware, Microsoft, OpenStack, and others such as EMC's Enterprise Hybrid Cloud and Native Hybrid Cloud solutions). Dell Active System Manager could be a strong foundation for unified management of multi-vendor cloud ecosystems.

Conclusion

Dell and EMC have an opportunity to bring together a strong portfolio of products, expertise, and scale for customers of converged systems. The companies have a unique and synergistic set of capabilities and assets including Dell's strength in servers, EMC's expertise in storage, and a range of differentiated assets from the EMC Federation. Both companies also bring to the table tight-knit partnerships with major industry leaders.

IT organizations evaluating converged systems are looking to vendors to provide a solution-level approach that encompasses not only the hardware configuration, but also the unified management plane, highly-tuned software and application stacks, global services and support capability, financing, and maintenance models. Dell and EMC have the right set of capabilities in place to execute on continued delivery of solution-focused converged systems for its customers.

Executing on an acquisition of this magnitude is a monumental task. Even if Dell and EMC are unable to achieve every synergy promised by the merger, each one has the opportunity to remain a leader in its own right. If they can execute to plan, Dell EMC is positioned to become a powerhouse in the important and lucrative converged systems market.



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