

DC Palter

From: John Katsaros [jkatsaros@irg-intl.ccsend.com] on behalf of John Katsaros [jkatsaros@irg-intl.com]
Sent: Thursday, September 10, 2009 12:00 PM
To: dc@apposite-tech.com
Subject: Infrastructure 2.1 Newsletter - September 10, 2009



INTERNET RESEARCH GROUP
Infrastructure 2.1
 September 10, 2009

Sign up for
 newslett

Special Issue — VMworld 2009 Wrap Up — Last week in San Francisco VMware held its annual user conference. We spent most of the week there and offer up our observations of how virtualization is shaping up. We hope you enjoy it.



VMworld 2009 — As always, this is one of the high energy user group meetings, with 12,000 attendees this year, not quite matching last year's attendance, but not showing the drops of other big shows. There were lots of free goodies from the exhibitors and even some scantily dressed show babes. The underlying business proposition was less clear: a lot of the vendors seemed to be selling features that VMware was strongly hinting were coming in future releases (hope

springs eternal). The non-aligned parties were a visible part of the event, not quite up to RSA standards but clearly heading that way. Microsoft was visibly absent. We're told that at the MS Partner Meeting earlier in the summer nasty things were said by Microsoft about partners playing with VMware and the potential consequences if you did, and this was the quid pro quo. VMware clearly isn't ignoring Microsoft anymore. A lot of the new management team has been hired out of the software industry and its top leadership combined has nearly 50 years of Microsoft experience — CEO Paul Moritz (14 years at Microsoft), COO Todd Nielsen (12 years at Microsoft) came from Borland most recently, as did CMO Rick Jackson; CDO Richard McAniff (directly from 21 years at Microsoft). — Peter Christy

Our next report — We're in the final stages of completing a new research report on the early use cases for **Cloud Computing**. There are a lot of interesting companies doing interesting things in the cloud. This report takes you behind the curtains to see how Cloud Computing early adoption is shaping up. Interested? — JKatsaros@irg-intl.com.

Is that a chip on your shoulder? — VMware spent a disproportionate amount of time in the Analyst meeting "explaining Microsoft's competitive playbook" (the Karl Rove perspective on industry competition) apparently in hopes of explaining how MS was lying and cheating and distorting the facts about virtualization. Given that a younger and brasher VMware in the not so distant past redefined vendor arrogance on more than one occasion, this seemed to fall in the category of "the pot calling the kettle black," and for us probably had the undesired outcome of demonstrating how much VMware really fears the Evil Empire from up north. Or are we unduly cynical for assuming that all vendors spin the facts to suit their pleasure? Isn't that the definition of "marketing?" Many of VMware's top execs spent significant successful portions of their careers at Microsoft and seem to be overly conscious of the Microsoft threat to the point where they may be caring more about Microsoft's reactions to what VMware does than to how customers may react. We had to sit through rather long diatribes about the "Microsoft Playbook" and what to expect from Redmond. There's an old adage in the advertising business that says you're winning the battle if you can get your competition reacting to what you do rather than paying attention to what customers want. Without even firing a shot across the bow, Microsoft is commanding more of their mindshare than it may be due. Let's hope that's not the case here. — John Katsaros

VMW VDI and Windows 7 — In the earlier days, Diane Green predictably spoke contemptuously of Microsoft, sort of like Khrushchev at the UN pounding his shoe on the podium and yelling "we will bury you" (for those of you who are old enough to know what the UN is). The new, wiser VMware is a lot more aware of what's going on in the rest of the industry (good!) but still a little bit psychitizo when it comes to MS. VMW recognizes that Windows 7 may well unleash a major upgrade wave within enterprise customers (all those who never did Vista but are running out of headroom and support with XP) and that this upgrade wave is an ideal time to call the question on remote application delivery alternatives (smart marketing). But it seems that many at VMW still find it distasteful to even speak the word "Windows" without spitting so this strategic argument comes out wrapped in condescension and denigration. VMware needs to think a little more about why people would adopt Windows 7 now in the first place ('because they are idiots' is probably the wrong answer) and more to the point carefully look at all the things in W/7 that make VDI less valuable (sorry VMW, Microsoft hasn't stood still). Part of the maturation process I guess. — Peter Christy

VMware Acquiring SpringSource — Paul Maritz seemed a little discouraged that the analysts didn't want to ask questions about SpringSource, which is understandable since the acquisition clearly has strategic importance for VMware beyond the \$420M they are paying (not chump change). The lack of questions isn't surprising if you ask how many of those analysts really know what a framework is (having managed Dev Tools for Apple, I do.) The underlying question is whether VMware can thrive building systems that manage virtual machines or whether they need to get much more involved in what happens *within* those VM's in order to solve the customers' important problems and profit by providing those solutions. I've never thought that VM's were the do-all, end-all, and apparently VMW has come to the same conclusion. A framework is an architecture for implementing applications and a lot of code ("subroutines" in the good old days) to support that architecture and make application programming easier by providing a higher level abstraction. Utility and Cloud computing have great benefits but come with their own challenges. For example, what kind of data storage systems work well across multiple data centers and improve application performance for remote users? Or how do you know enough about what an application is doing in order to better automate its operation (e.g., provide desired availability and scaling)? In both cases, VMware's ability to play in the game is considerably improved with access to a framework than if complex technology can be largely concealed under the framework abstraction and just come to play when needed behind the scenes without much involvement from the application programmer. Microsoft already has broadly used frameworks (Microsoft Foundation Classes and more recently the .NET Framework). It's really hard to create a framework from scratch — the value of a framework goes up quickly as more people use it so you need both the framework and the users. The Spring Framework was created as an alternative to complexity of what Sun had developed for Java application architecture, and caught on in no small part because it was open source and free. As a way of getting into the framework business (more specifically, getting in a position of influence with the developer community and being able to add mechanism behind the scenes) VMW didn't have many alternatives and SpringSource was by far the best, subject only to the high cost (spending \$420M for SpringSource isn't "accretive" by any stretch of the imagination). As noted above, it isn't as if MS doesn't have frameworks or developers — they certainly do — but it does redefine how VMW views the competition and competes. (VMware declined to comment on this story) — Peter Christy



And Now The Paperback — Thanks to many of our newsletter readers who bought the hard copy edition our publisher, Praeger, has issued a new paperback edition of our book "[Getting It Right The First Time](#)." The big news here is that it's priced at \$19.95 on Amazon (and \$17.96 for you Kindle owners). For those of you unfamiliar with our book, it's about our methodologies to accurately predict market conditions--especially the market changes that will occur within the crucial 18-to-36-month innovation window. Or, to paraphrase the advice hockey superstar Wayne Gretzky received from his father: "Skate to where the puck is going to be, not to where it is." [More >>](#)

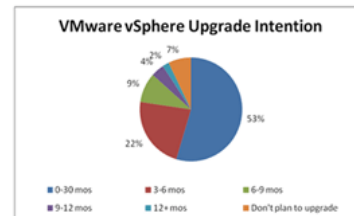
Finally — A Major Acquisition — Unfortunately, where its ecosystem of software business partners is involved, VMware has been its own worst enemy. Potential partners have had difficulties building a business around the VMware platform not knowing what categories VMware is planning to compete in and which will be left to business partners to pursue. Compounding the problem, VMware has, until now, been low balling its acquisitions (see table below). Cisco is often accused of overpaying for startups it acquires but it surely makes it worthwhile for investors to back companies in new networking categories. On the other hand, venture capitalists have been cautious and overly negative about funding software companies in the virtualization space. Maybe the price it's paying for SpringSource might be an indication that Moritz intends to make a change here too and brighter days may be ahead. — John Katsaros

| Company | Date | Key Product | Acquisition Price |
|--------------------------------|---------|---|-------------------|
| Asset Optimization Group (AOG) | 05/2006 | Capacity Planning | ? |
| Akimbi Systems, Inc. | 06/2006 | Virtual Lab Automation | \$47.3 M |
| Propero | 04/2007 | Virtual Desktop Infrastructure | \$25 M |
| Determina | 08/2007 | Host-Based Intrusion Protection Systems | \$15 M |
| Dunes Technologies | 09/2007 | VM Lifecycle Management | \$45 M |
| Thinstall | 01/2008 | Application Virtualization | ? |
| Foedus | 01/2008 | Consulting Services | ? |
| B-Hive | 05/2008 | Virtual Data Center Automation | ? |
| Blue Lane Technologies | 10/2008 | VirtualShield | ~\$15 M |
| Tungsten Graphics | 11/2008 | Linux graphics | ? |
| SpringSource | 08/2009 | Enterprise and Web App Development | \$420 M |

Virtualization and Security (Redoux) — Up until now, VMware treated security by saying as little as possible about it, knowing that arguing that virtualization didn't open up new security surface area just gave credibility to the thought that maybe it did (let sleeping dogs lie) which could only impede sales. Now that VMware is looking beyond the individual virtual machine, and thinking about the Cloud, they have started to talk (credibly) about how virtualization actually *helps* security. The issues are ultimately complicated (thank goodness there are bright analysts to think about them J) but here's the basic story line. (1) If you want to talk seriously about the Cloud or even utility computing you need to talk about entire applications — virtual applications or Vapps — that include all the bits needed to get the job done, not about single virtual machines. (2) In order to deploy a Vapp to the Cloud (or even to a private utility or DR data center) you need to specify how it is to be protected. At first blush, a good answer is "just like you did before" except now the security can be largely provided by virtual appliances rather than the physical appliances used previously. (3) When specified on a Vapp by Vapp basis, and implemented by virtual appliances, the security can be as specific and customized as desired. For example, you can think about offering data leakage protection (DLP) tailored to the function and specifics of the application. You need to bind these security specifications in with the other application details so you know what else needs to be provisioned when the application is provisioned and you know where you can and

cannot run the application (e.g., what other applications you can co-mingle with). Where it makes sense, part or all of the security can be specified parametrically (e.g., "PCI protection") so that as the regulations change, the specifics of the protection change automatically. VMW's observation is that binding security to the application and assuring it is provisioned as specified is a lot better than what we have now, where in most cases this is partially a manual process, and often requires coordination between multiple teams, all of which is complex, expensive, and prone to errors. The automation also makes it possible (and reasonable) to be much more specific about each application which is also good. Thus, virtualization makes security easier and better. — Peter Christy

Upgrade Status — In his keynote at VMworld, Paul Maritz predicted that 75% of customers intend to upgrade to VMware vSphere by the end of 2009. The chart below illustrates the anticipated adoption rate. Considering that vSphere shipments started in May and that VMware has such a large installed base largely made up of enterprises, meeting this year's end goal would be one of the more remarkable upgrade adoption rates in the software industry and a real testament of the customer loyalty that VMware has built. If this is the case, then many companies in the VMware ecosystem need to quickly understand the difference that vSphere adoption will make with regards to customer demand. — John Katsaros



Apparently Brilliant — One of the more interesting demos that was at VMworld this week was at the Apparent Networks booth. The company has moved its AppCritical performance monitoring software into the cloud so that, rather than buying and installing a monitoring tool, customers can instead go to a self-service portal for monitoring critical business applications. So not only can an IT department sign up for Apparent's monitoring service, but even a business unit can monitor its applications with little or no IT intervention. This is an interesting example of how infrastructure companies can use cloud computing services to modify their business models and reach broader audiences. — John Katsaros

Funding News — In the past two weeks seven infrastructure startups received \$157M in new funding

| Date | Company | Sector | Detail | Amount (\$millions) | Total Investment (\$millions) | Investors |
|------|------------------------------------|------------------------------------|----------|---------------------|-------------------------------|---|
| 8/31 | Calix | Communications Equipment Supplier | | \$100.0 | | |
| 9/1 | Virtustream Inc. | Infrastructure Services | | \$25.0 | | Columbia Capital, Blue Lagoon Capital |
| 8/17 | MobileIron | Smartphone Solutions | Series B | \$11.0 | | Norwest Venture Partners, Sequoia Capital, and Storm Ventures |
| 8/11 | Ubiquisys | 3G Femtocells | | \$11.0 | | |
| 8/13 | Crescendo Networks | Optimized Web Application Delivery | | \$5.0 | \$45.0 | Trilogy Equity Partners, Evergreen Venture Partners, Apex Partners, StageOne Ventures, and Challenge Fund |
| 8/14 | BroadHop Inc. | Policy and Service Management | | \$4.25 | | Peninsula Ventures and Boulder Ventures |
| 7/15 | ProtonMedia | Social Collaboration Platform | Series A | \$2.5 | | Originate Ventures, Osage Partners and individual investors |
| 8/31 | Queplix Corp. | QueCloud Platform | Series A | \$1.5 | | Javelin Venture Partners |
| 8/20 | SkyBlox LLC | Wi-Fi Provider | Series A | | | |
| 8/14 | Nfon AG | Web-Based Telephone Systems | Series C | | | |

TOP STORIES

Quarterly Reports — [Aruba Networks, Inc.](#), wireless LANs and secure mobility solutions, released financial results for its fiscal Q4 and fiscal year ended July 31, 2009 with revenues for Q4 FY2009 were \$53.3M, an increase of 10.5% over the \$48.3M reported in the Q4 FY2008. GAAP net loss for the Q4 FY 2009 improved to \$4.5M compared to a net loss of \$6.8M, in the Q4 FY 2008. Revenues for the fiscal year ended July 31, 2009 were approximately \$199.3M, an increase of 11.8% from \$178.3M reported in the prior year. [Blue Coat Systems, Inc.](#) Application Delivery Networking, reported its financial results for its first fiscal quarter ended July 31, 2009 with total net revenue for Q1 FY 2010 was \$116M, an increase of 13% compared with net revenue of \$103M in Q1 FY 2009, and an increase of 2% compared with net revenue of \$114M in Q4 FY 2009.

Corporate — The US District Court in Delaware has ruled in favor of [Finjan Inc.](#), secure web gateway products, affirming a jury verdict against **Secure Computing Corporation** currently owned by McAfee, issuing a permanent injunction against the sale of the WebWasher and TSP Products for infringement of Finjan's U.S. Patents.

Mergers & Acquisitions — [Fortinet](#), network security provider and unified threat management (UTM), acquired certain assets and intellectual property of **Woven Systems**, formerly a provider of Ethernet fabric switching solutions for the high-performance computing market. [VoIP Logic](#), voice-over-IP (VoIP) managed services and solutions, agreed to absorb **Sundial Network Services**, a VoIP engineering professional services firm. [RenewData](#), services for the discovery, archiving, and governance of electronically stored information (ESI), acquired **Digital Mandate**, discovery lifecycle management solutions including Vestigate document review software.

Partnerships — [RMI Corporation](#), high-performance processors, and **6WIND**, embedded software solutions that simplify networking and application development, extend their existing partnership that includes 6WIND expanding the availability of its 6WINDGate embedded software solutions that will be newly optimized for RMI's XLR and XLS multi-core, multi-threaded processors. [Cobalt Computers](#), data

solutions, has teamed up with **Sonosoft Corp.**, providing their legacy product SonaSafe Integrated Archiving, Replication, and Backup software to Cobalt Customers. **Proofpoint, Inc.** and **Purewire, Inc.**, providers of SaaS-based security services, announced a go-to-market partnership to protect enterprise customers against Web and email threats and that **Technical College System of Georgia (TCSG)** has deployed the joint SaaS security services. **NewServers Inc.**, Hardware as a Service (HaaS) dedicated cloud servers, announced a reseller partnership with **Silver Peak Systems**, scalable Wide Area Network (WAN) acceleration.

New Products — NetQoS introduced network-based virtualization management offerings and NetQoS Performance Center restores visibility into network and application performance data across virtual environments. **Reflex Systems** released version 2.0 of its "Virtual Management Center" which brings improved policy management, role-based access control, and a new Cloud API to their virtual management console. Reflex also announced support for the Cisco Nexus 1000V series of virtual switches. **Virtual Computer Inc.**, PC management through virtualization, released a new version of NxTop that supports Microsoft's latest desktop and server platforms. **HP** announced several new products, solutions, and services including HP Insight Control for VMware vCenter, HP SAN Readiness Assessment for Server Virtualization, HP Migration Services for VMware vSphere, HP Business Service Automation Essentials, and virtual client reference architecture. **Gladinet**, integrating cloud services directly onto a PC desktop, introduced Gladinet Cloud Desktop version 1.2, a Google Docs Backup service that allows users of Google Docs to back up their files to an array of cloud storage. **Altor Networks**, virtualization and cloud security solutions, announced that the Altor VF virtual firewall with intrusion detection has successfully completed and met VMware's VMsafe certification requirements. **Citrix Systems** released new HDX 3D technology, as a feature of Citrix XenDesktop, delivering high-definition virtual desktop applications to users in any location, over any network.

Appirio, cloud solution provider, announced a new cloud-based professional service automation (PSA) solution built completely on the Force.com platform, the Professional Services Enterprise delivers end-to-end support for managing people, projects, customers and transactions. **Xen.org**, open source Xen hypervisor, formally announced the Xen Cloud Platform (XCP) initiative — a new community-led effort to build on the Xen hypervisor that will accelerate the use of cloud infrastructure for enterprise customers by providing open source virtual infrastructure technology that makes it easy for service providers to deliver secure, customizable, multi-tenant cloud services.

Chelsio Communications, Inc., 10-Gigabit Ethernet (10GbE) networking and storage solutions, delivered its Unified Storage Server (USS), which provides NAS and SAN capabilities for creating enterprise-class storage systems and also announced six new Unified Wire 10Gb Ethernet adapters based on its T3 architecture. **Broadvox**, VoIP Communications, and **NEC Unified Solutions, Inc. (NEC)** announced interoperability certification with NEC's UNIVERGE SV8100 and UX5000 IP communications servers. **Interface Masters Technologies**, networking solutions, introduced the Niagara 32265, a low-cost, low-profile Dual Port Copper NIC, which includes bypass, based on Intel's latest Gigabit Ethernet controller, the 82576. **ViewCast Corporation** unveiled the Niagara 2120, streaming media appliance that supports H.264 streaming via the Adobe Flash platform. **Blue Coat Systems, Inc.** Application Delivery Networking, announced an enhanced version of software for its Blue Coat PacketShaper appliances, PacketShaper 8.5 appliances provide a new level of tightly integrated application visibility, enhanced application intelligence and policy-based control. **Zecurion Inc.**, information security systems, launched the Zecurion Advantage Partner Program (ZAPP), partner-centric channel initiative with a suite of products that plug costly information data leaks and stop theft attempts from the inside — where more than 69% of reported security breaches occur. **Aruba Networks, Inc.**, wireless LANs and secure mobility solutions, announced that its 802.11n solution and ArubaOS Release 3 validated within the FIPS 140-2 Federal Information Processing Standard for cryptographic security. **Hibernia Atlantic**, diverse transAtlantic submarine transport cable provider, to offer native, 40 Gbps wavelength (WL) capacity across the Atlantic Ocean, without the need for external equipment. **TelcoBridges Inc.**, hardware and software supplier for telecom system integrators and service providers, launched Tmonitor TM2000 and Tmonitor TM3000 real time network monitoring devices, which detect, filter, and record all signaling and voice traffic to develop next-generation network monitoring. **3Com Corporation** plans to deliver a broad array of high-performance, network-embedded and overlay security solutions with the Secure Network Fabric that includes the integration of TippingPoint's intrusion prevention system (IPS) technology and its H3C enterprise network and security solutions and also H3C SecPath F-Series and H3C SecBlade VPN Firewall products. **Hostway Corporation**, a Microsoft Gold Certified Partner and global provider of enterprise-class hosting solutions, released a new line of virtual servers and cloud services based on Release 2 of the Microsoft Windows Server with Hyper-V. **ClearOne**, high performance audio conferencing solutions, announced the CHAT 60, a new personal speakerphone specifically designed for use with Skype software.

Momentum Announcements — Citrix Systems, Inc. announced that more than 10 percent of Global Fortune 500 companies have downloaded and activated its Citrix XenServer virtualization platform for production use in the last four months.

Customer Wins — DataDirect Networks is testing its new Web Object Scaler (WOS) cloud storage system utilizing **Apposite Technology's** Linktropy WAN emulator to simulate network cloud conditions. **Shiseido China Co., Ltd.** has deployed **Blue Coat's** ProxySG appliances, resulting in reduced data backup windows across its distributed network. **City of Hays, Kan.**, has deployed **NetMotion Wireless' Mobility XE(TM)**, a mobile Virtual Private Network (VPN) that maintains wireless data connections across coverage gaps and multiple networks, on dozens of its police officers' laptops. **ProRail**, the Infrastructure Manager of the Dutch National Railway, is using **GigaSpaces XAP (eXtreme Application Platform)** to implement a platform to optimize train routes, helping to reduce energy consumption and improve punctuality within the Dutch Rail Infrastructure. **London Business School** is deploying **Aruba Networks' adaptive Wi-Fi** network at its North London campus and **NCC Construction Sweden**, construction and property development companies in the Nordic region, has deployed Aruba's Remote Access Point (RAP) and network rightsizing solutions at more than 200 remote sites and 32 major offices across Sweden. **Prairie North Health Region**, a regional health authority located in Saskatchewan, Canada, providing health services to over 74,000 citizens chose **Expand Network's** Accelerator range of WAN optimization devices to increase network capacity, accelerate virtualized desktop applications and deliver quality of service to ensure LAN-like performance for remote users. **Sephora**, the retail beauty chain, is using **Kontiki's** enterprise video delivery solution, delivered in a SaaS model, to communicate with and train its employees more effectively. **Swisscom IT Services**, one of Switzerland's leading IT service providers, has selected **Tufin Technologies**, Security Lifecycle Management solutions, SecureTrack to streamline its firewall operations.

Executives On The Move — Webroot, Internet security provider, appointed **Dick Williams** as president and chief executive officer. **Mark Cashman** has been named CEO of Queplix Corp., and Kevin Brown and Carl Wright have joined the company's Board of Directors and Advisory Board, respectively. Sundial CEO, **Ardeshir Ghanbarzadeh**, will assume the role of Vice President of Operations for **VoIP Logic**. Online video platform provider **Ooyala Inc.** announced that investor **Fred Warren** is taking over chairman duties after two years of serving on the company's board, **Jay Fulcher** as President & Chief Executive Officer and former CEO and Co-Founder **Bismarck Lepe**, who led the company since its inception in early 2007, has been appointed President of Product Strategy, **Mimosa Systems**, next-generation email, file and SharePoint archiving solutions, named **Michael Sheridan** as Chief Financial Officer. **Openwave Systems Inc.**, mediation platform and tools to mobilize the Internet, appointed **Heikki Makijarvi** as vice president of business development. **Ubiquisys**, femtocell, selected **Alison Sparshatt** will be joining as CFO. **Aruba Networks** appointed **Hitesh Sheth** to the newly created position of Chief Operating Officer.

Crossroads Systems, Inc., solutions to connect, protect, secure and restore data, appointed **Don Pearce** as the new Chairman of the Board of Directors and **Elliott Brackett** as Chairman of the Compensation Committee and **Alan Howe** remains as Chairman of the Audit Committee. **Calix** has added three new directors to its board, **Michael Marks** of Riverwood Capital, **Adam Grosser** of Foundation Capital, and **Robert Finzi** of Sprout Group. Online video platform provider Ooyala Inc. announced today that investor Fred Warren is taking over

chairman duties after two years of serving on the company's board.

The **Infrastructure 2.1 Newsletter** and www.infrastructure2-1.com are produced by [Internet Research Group](#). For more information or to keep us updated, contact John Katsaros at jkatsaros@irg-intl.com.

Infrastructure 2.1 - September 10, 2009

This E-mail is sent from your friends at:
Internet Research Group
334 State Street, Suite 201
Los Altos, California 94301

©2009 Internet Research Group - All Rights Reserved

[Forward email](#)

 **SafeUnsubscribe®**

This email was sent to dc@apposite-tech.com by jkatsaros@irg-intl.com.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Internet Research Group | 334 State Street, Suite 201 | Los Altos | CA | 94022