

HPC500 Group Call: The Impact of the IBM/Lenovo Deal on HPC

Laura Segervall
Christopher G. Willard, Ph.D.

Addison Snell
Michael Feldman

April 2014

EXECUTIVE SUMMARY

Intersect360 Research recently held its HPC500 quarterly members only call, and the discussion topic was the impact of IBM's plans to sell its x86-based server lines and associated assets to Lenovo. The HPC500 group is comprised of industry leaders who steer the direction of HPC and bring HPC technology to bear on challenging problems in science, engineering, and business. Members represent a worldwide diverse group of established HPC professionals from a cross-section of academic, government, and commercial organizations, spanning geographies, budget sizes, and application areas. All participants in this call influence future purchases of HPC equipment at their sites.

Once the IBM/Lenovo deal is complete later this year, Lenovo immediately becomes a major HPC system vendor; a unique position given the company currently has no representation in the HPC market. IBM will still be an HPC vendor, but with a specialized presence. Lenovo would need to acquire and retain two-thirds of IBM's server revenue, without HP or Dell gaining, in order to become the number one vendor. With the market view established, the discussion of this call focused on concerns about the transition, challenges for Lenovo, and which vendors can capitalize on this transition.

Not many of the participants were concerned about the sale and the transition. As one participant stated, "it is not one of my top three concerns." Another stated that IBM has assured them that "it will be business as usual." Most of this lack of concern was attributed to IBM's communication with the participants immediately following the announcement, answering any questions and concerns their customers might have, and identifying who their contacts (sales reps, system engineers, etc.) would be after the sale. IBM is making the transition as smooth as possible.

The future, however, is "up to Lenovo to make successful," as one participant stated. "There are many equally capable HPC hardware vendors out there," another participant stated. Both comments emphasize that the success of the IBM/Lenovo deal depends on how well Lenovo proceeds.

The discussion addressed the likelihood of future purchases from Lenovo, given that they are a Chinese company. For some, the fact that Lenovo is a Chinese company is a deal stopper. "A U.S. supplier is required," one participant stated. For another, the Chinese ownership is not a concern as "most systems are already not manufactured in the U.S."

Bigger concerns were voiced regarding the type of vendor Lenovo will be in the future. "Will Lenovo be a partner or a white box vendor?" IBM's vendor-customer relationships were valued by many, with benefits of this partnership ranging from access to IBM's intellectual property to research grants to "their broad basket and depth of capability." Many are waiting to see if these will be provided by Lenovo or if the company decides to "emulate the PC channel" in the HPC market. No firm assumptions have been made by this group, with one

participant saying “if Lenovo has long-term aspirations to expand their profile, it could be beneficial. We have no reason to think it will not be handled well...”

The last major issue discussed was which vendors can capitalize on this transition in future bids. One participant felt this deal “solidified HP and Dell’s position,” but it also “opens the door for a fourth bidder to go head-to-head with Lenovo.” Another participant pointed out that “Lenovo is not on our approved supplier list, so they will have to get over that hurdle first.”

As far as who might be the fourth vendor, comments ranged from Cray/Appro to speculations of new entrances providing x86 HPC servers, such as Intel or Cisco offering lower-end HPC systems. Another participant pointed out that it is “hard to differentiate what the HPC vendors are offering because so much of that now has been moved to the chip,” and that there is “not that much difference between the vendor offerings.” This deal has one participant looking more at HPC cloud options.

For HPC users interested in joining the HPC500, we encourage you to visit HPC500.com and apply for membership.

TECHNOLOGIES COVERED IN THIS REPORT

- HPC system elements
 - Systems, clusters
 - HPC Clusters
 - Supercomputers
 - Server technologies

COMPANIES COVERED IN THIS REPORT

- IBM
- Lenovo
- Cray
- Dell
- HP
- Intel
- Cisco