

EVENT FLASH

HP's Procurve Strategy

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IN THIS EVENT FLASH

This IDC Flash looks at the high-level enterprise strategy of HP and its HP Procurve network equipment division, as outlined at the HP worldwide analyst event in San Jose, California, on June 8–10, 2004.

At the center of this strategy is HP's Adaptive Enterprise strategy, which aims to apply key design principles, including simplification, standardization, modularity, and integration, consistently across businesses, applications, and infrastructures while taking people, processes, and technologies into consideration.

The Adaptive EDGE architecture of the HP Procurve unit is closely linked to HP's overall strategy as it aims to provide business-driven networks that behave uniquely for every user's business requirement, with specific solutions in the areas of convergence, security, and mobility. A critical part of the architecture is to put more intelligence into network edge devices, such as workgroup LAN switches.

To be successful with this strategy, HP Procurve will have to:

- Convince (new and existing) customers that HP Procurve is able to provide customers with network solutions that are good alternatives to vendors that offer a one-stop-shopping model.
- Further expand its partnership program.
- Create more brand awareness for the HP Procurve brand.

SITUATION OVERVIEW

HP's Procurve unit has seen a strong increase in both its port shipment and revenue market share in the Western European LAN switch market in 2003 as the division was able to grow faster than the market. HP port shipments increased by 40.0% to 5.3 million ports in 2003 for a port shipment share of 11.9% compared to 10.0% in 2002. HP's revenue in the LAN switch market increased by 12.8% to \$374.4 million compared to \$332.0 million in 2002. Its revenue market share increased from 7.7% in 2002 to 11.2% in 2003.

Intelligence and control at the edge of the LAN network is a key element of the Adaptive EDGE architecture. HP Procurve believes that many network problems and challenges, such as security, could be met at the edge, instead of at the core of the network.

As part of this vision, HP announced on June 7 that it would acquire Riverstone Networks' XGS enterprise-networking technology platform and the associated rights for \$28 million. HP Procurve's plan is to build a new advanced edge fabric and launch new products and solutions based on this technology later this year. IDC expects that the acquired technology/platform will help HP Procurve to speed up the launch of 10-Gigabit Ethernet LAN switches, as the XGS is a 10-Gigabit Ethernet platform. In addition, HP also hired the 10 engineers who created the platform for Riverstone with the aim of further developing the platform. It will be interesting to watch what will happen with the HP Procurve–Foundry relationship, as HP Procurve currently OEMs Foundry's 10-Gigabit Ethernet modular LAN switch products.

In addition, on June 14, HP Procurve introduced a number of wireless and LAN switch products, including Power over Ethernet (PoE) switch modules for the 5300 switch series and a new version of HP Procurve Manager.

FUTURE OUTLOOK

The Adaptive EDGE architecture of HP Procurve clearly formulates its vision and strategy. It shows that HP Procurve does not believe it has to offer a one-stop-shopping model to its clients in order to be successful in the enterprise network equipment market. However, HP Procurve still needs to further expand its partnership program in order to be able to offer enterprise customers network solutions specifically tailored to their needs and wishes. In addition, HP Procurve needs to increase its marketing efforts, as many enterprise customers do not view HP as an enterprise network company. In conclusion, IDC believes that although HP Procurve is faced with a number of challenges, it is becoming a serious contender in the enterprise network equipment market and will likely continue to grow as it launches more advanced products.

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