

# Newsline

## Getting a Head Start

Compaq and Oracle team up to work on midmarket solutions. **By Ed Sperling**

**C**OMPAQ COMPUTER and Oracle Corp. are about to jointly build a new base of faithful integration and consulting partners to push their combined product lines into midsize companies.

That dual effort sets the stage for an increasingly heated battle among a number of giant vendors that focus on partners as a key piece of their go-to-market strategies.

In recent months, **IBM, Microsoft** and **Sun Microsystems** all have targeted solutions providers that can focus on the middle market because none of them has the longstanding relationships or vertical focus necessary to sell into that space. But while they all consider that a vast untapped market, they are fighting for a

limited number of partners and frequently are forced to share the same ones.

Plans between Oracle and Compaq are still on the drawingboard and revolve around an alliance between the two companies that was disclosed last June, but which largely went unnoticed because it was eclipsed by controversy involving Oracle sifting through Microsoft's trash. The goal is to differentiate Oracle's 9i database by including clustering technology developed by Compaq using its Tru64 Unix operating system running on Alpha processors.

**Shake Hands** "This is all about channels development, training and awareness," says Jacqueline Kahle, Compaq's VP of Unix marketing. "We've each agreed to put \$15 million a year into a joint development fund for the next three years."

Kahle says the two companies will begin developing a base of partners starting now, so that when 9i can be clustered—a development effort slated for completion by year-end—the partner

base will be in place to bring it to market.

At least a portion of the partner recruitment effort will fall on the shoulders of Compaq's midrange distributors, including **Avnet** and **Pioneer**.

Compaq officials say that while the overall technology market is soft, this early effort will take advantage of a huge opportunity.

"When you look at the projections for transaction volumes for e-business over the next three years, only 90 percent of the enterprise infrastructure is in place," says Rick Frazier, VP of marketing at Compaq's business critical server group.

**Subtle Ironies** The efforts by Compaq and Oracle could not be any richer in irony, however. Compaq bought **Digital Equipment** in 1998 largely because of its consulting group, but with PC prices continuing to plunge, it is banking more heavily than ever before on back-end technology developed by Digital. Still, to get there it will need a



### Rules of Engagement

- ▶ Alliance between Compaq and Oracle with each putting in \$15 million for the next three years.
- ▶ The mission is to assemble an army of solutions providers to bring bundles of software and hardware solutions to midmarket clients.
- ▶ The goal is to differentiate Oracle's 9i database by including clustering technology developed by Compaq using its Tru64 Unix operating system and running on Alpha processors.
- ▶ Partner recruitment also will be shouldered by midrange distributors Avnet and Pioneer.

# Cisco Won't Ante Up

CEO delays acquisition strategy, as partners head to Las Vegas conference. **By The Sm@rt Partner Staff**

base of sophisticated midrange integration partners that Digital once owned, but which languished under the Compaq acquisition. Compaq focused instead on a high-volume reseller channel that secured its place in the PC marketplace.

The irony gets even thicker. Compaq is now banking much of its future midrange push on the archrival to its old R&B database, which was developed by Digital. It's also banking heavily on a superfast version of Unix, which was developed by Digital even though former Digital CEO Ken Olsen repeatedly panned Unix as "snake oil."

**Not Clusterphobic** Oracle, meanwhile, has been schizophrenic about working with partners. At times it has relied on them, at other times it has competed directly with them. Nevertheless, the company now finds itself in need of a base of partners that can move its databases downstream from the Fortune 500. That, in turn, will open doors for Oracle's process-management applications, which compete with the likes of **PeopleSoft** and **SAP**.

Still, Compaq isn't putting all of its eggs in Oracle's basket. Most of the clustering technology remains in the Tru64 Unix kernel and is not easily moved from one platform to another.

"It isn't everything," says Kahle. "We and Oracle have a common agenda. We want to move clusters up to 60 percent to 70 percent of all systems sold and make clustering easy."

Nor is Oracle betting the bank on its relationship with Compaq. In fact, Compaq executives say at least some of the clustering technology will end up on other platforms. But they add that Compaq is the only company that doesn't directly compete with Oracle. And just for added measure, Compaq intends to keep the crown jewels well hidden and protected by patents. ■

**C**ISCO SYSTEMS IS HOPING for a little luck during this week's Partner Summit in Las Vegas. The company is used to holding a winning hand, but CEO John Chambers has concerns about the economy and has halted Cisco's acquisition strategy for the foreseeable future.

Cisco isn't the only networking company down on its luck. **Nortel Networks** dismissed 10,000 employees in January and now says it needs to cut an additional 5,000 employees to compensate for slowing sales. **Lucent** and **3Com** also are hurting.

Still, it's important to keep the bad news in perspective. Unlike mismanaged dot-coms, Cisco remains very profitable and the company continues to refine its partnering strategy. A retooled pricing policy, for instance, will be a hot topic of discussion at this week's conference.

Cisco in March disclosed plans to eliminate volume discounts for allies at the top tiers of its partner program. Discounts will be based on a partner's certification and specialization. Translation: Box pushers that focus on sales volumes won't have the upper hand against solutions providers.

In the past, Web and catalog shops emphasizing sales volume over service undercut Cisco partners that invested heavily in specializations and staff certification. In some cases, customers hired solutions providers to specify and install a network but purchased Cisco products through a catalog operation.

Cisco's evolving specialization program encourages solutions providers to develop skills in Voice over IP, wide-area

networking, wireless, security and other networking fields.

"The whole idea was to give [partners] a level playing field from a price standpoint," says Jim Clark, president of **AC&C Network Services**, an Orange, Calif., network integrator.

Security also will be a hot topic at Partner Summit. Cisco recently extended its AVVID Partner Program ([www.cisco.com/go/avvidpartners](http://www.cisco.com/go/avvidpartners)) to include best-in-class allies that can help customers to implement, analyze and manage their security solutions, says David King, a senior marketing manager at Cisco.

Partners hope to hear more about the strategy. "I've been to every Cisco Partner Summit, and I look at it as the key strategic event of the year," says John Freres, CEO of **N2N Solutions**, a Cisco Gold Certified Partner. N2N has gone from zero revenue to nearly \$40 million in just three years. Freres credits much of his firm's success to lessons learned at Cisco's event.

"We were able to build this year's business plan based on cornerstones set forth at last year's summit," he says. Previews of Cisco acquisition **Geotel** inspired Freres to establish an IP telephony practice before

most rivals wised up.

Freres is such a Cisco Summit believer that he is taking two of his board members to the event on his own dime.

Everybody goes to Vegas expecting to hit the jackpot. This year, that won't be quite so easy for Cisco and its partners. ■

**David Hakala, John Moore** and **Joseph C. Panettieri** contributed to this story.



Chambers remains bearish.