

Sunday, October 21, 2007

IBM: Signs of weakness?

At a first look it looks like a good Q3 for IBM, but it seems, that my point about IBM is correct: It's a consulting company with a associated hardware workshop. To cite TPM from the ITJungle(citations from his articles when not stated otherwise):IBM's Global Services group not only filled in the revenue gaps left by the hardware business, but cost controls allow the services business to drive a 25 percent increase in profits. (When is the last time this happened? When was the first time, in fact?) Global Technology Services had sales of \$9.1 billion in the quarter, up 12.8 percent, while Global Business Services had sales of \$4.6 billion, up 15.9 percent. Total services sales were up 14 percent to \$13.7 billion in the third quarter. But there are several signs of weaknesses: The Power6 line is still not complete. The p570 in it's two incarnations isn't exactly a product line, and we can only speculate what's holding back in rolling out the processor throughout all systems. I would assume problems in having a decent yield of this chips.

I really think, that we have driven IBM into the corner in the last year. There was only a short window to announce Power6 in the light of Sun Enterprise M-class launch and the UltraSPARC T2 launch. They had to launch the chip. Especially when you want to make the "We're the fastest" statement.

It seems that they announced Power6 too early to get the marketing thunder. They announced Power6 without having a line of systems ready. But it's like with last years model when buying a car. While a perfect car with less problems, nobody wants it. Nobody wants the old gear Thus the Power6 announcement hurts the Power5+ sales. Fujitsus distributor FSC made the same mistake from my perspective: They talked too early about the M-class, hurting the Primepower sales. FSC paid for this error with market share. And now IBM pays for this early announcement in the same way: the single Power6-based server that IBM is selling helped out the System p midrange Unix server business, which rose by 26 percent in the quarter, according to Loughridge, but overall System p server sales only grew by 6 percent. A classic case study for the Osborne effect. As the ITjungle reports, IBM reacts with price cuts (again by TPM. Timothy, by the way, don't city TPC-C for performance comparisons, ruins the credibility)

To close this article: System z mainframe sales, which have been growing for eight consecutive quarters, took a dive, with sales down 31 percent (34 percent at constant currency, showing how the dive was steeper in the United States) and MIPS shipments falling by 21 percent in the quarter. The cash cow for IBM had some problems, too. A drop of 31 percent at this point is a really bad message.

Posted by Joerg Moellenkamp in English, The IT Business at 21:17