

## HP/Compaq Storage: Customer Uncertainty, Little Product Synergy

Nick Allen

Gartner sees some storage market and resource synergy, but integrating the two firms' storage product lines will likely pose some major challenges.

## NEWS ANALYSIS

---

### Event

On 3 September 2001, Hewlett-Packard (HP) announced an agreement to acquire Compaq for stock worth \$25 billion at the time of the announcement. Regulators and both companies' shareholders must approve the deal.

### Analysis

From a storage perspective, Gartner sees some market and resource synergy, but believes the deal lacks product synergy on several fronts:

- *Architectures:* Compaq is far along with its Enterprise Network Storage Architecture strategy and VersaStor virtualization technology. HP is strongly committed to its Federated Storage Area Management strategy, and only recently announced it was purchasing StorageApps to fill in virtualization holes. However, there may be some synergy provided the firms can resolve many overlaps.
- *Disk subsystems:* Both vendors have credible overlapping midrange and low-end offerings and none of their own core technology at the monolithic enterprise-class level.
- *Tape:* HP makes and pushes the Linear Tape-Open products, while Compaq resells Super DLT.
- *Network-attached storage (NAS):* HP buys and makes its NAS products, while Compaq's are Microsoft-based.
- *Sales and marketing:* Although HP has made progress with its storage strategy, its marketing has not yet followed suit. As for Compaq, sales and marketing are its primary storage weaknesses. HP may benefit from gaining Compaq's indirect channels, but only with significant conflicts.

Gartner does see some synergy in the area of services, however, as HP could leverage a combined and eventually refined storage product portfolio — and its 65,000 services staff — into a strong, solution-oriented business.

Gartner sees little in this acquisition that will speed HP's time to market with storage products, although eventual cost reductions may be passed on to users. While regulators and shareholders scrutinize the deal, neither company will be able to consider its future product directions except with reference to the past.

Customers and partners of these firms storage businesses will likely experience at least one to two years of major uncertainty as they wait for the deal to win approval and — assuming it goes through — for product lines to be integrated or terminated. In the meantime, committing to either vendor's storage architectures could be risky. Also, with the exception of the high-end XP products, Gartner recommends that customers and prospects treat purchase decisions as purely tactical ones.

**Analytical Source:** Nick Allen, Storage Technologies, Operations & Resources

## REGIONAL HEADQUARTERS

---

Corporate Headquarters  
56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

European Headquarters  
Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

Asia/Pacific Headquarters  
Level 7, 40 Miller Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

Latin America Headquarters  
Av. das Nações Unidas 12.551  
9 andar—WTC  
04578-903 São Paulo SP  
BRAZIL  
+55 11 3443 1509