

Microsoft Brings Lower-Cost Option to Virtualization Market

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With a much lower price than competitor VMware, Microsoft's Virtual Server (VS) 2005 will supercharge an already rapidly growing virtualization and server consolidation market.

NEWS ANALYSIS

Event

On 13 September 2004, Microsoft announced its long-awaited VS 2005 virtual-machine technology, which will compete with VMware GSX Server. The price for the Standard Edition is \$499 (four-way or smaller servers), and the Enterprise Edition price is \$999 (larger servers).

Analysis

VMware, now owned by EMC, has been a dynamo in the Intel server market since early 2001, with its GSX Server (\$2,500 for every two processors) and ESX Server (\$3,750 for every two processors). VMware has created a \$200 million market by offering software that increases hardware utilization and reduces underutilized hardware. On average, users claim a return on their investment within 18 months or less.

In February 2003, Microsoft acquired the virtualization products from Connectix, including VS, then in beta testing. After a year and a half, Microsoft has made substantial changes to improve the product and fully integrate it into the Microsoft management portfolio. Like GSX Server, VS 2005 is a hosted virtual-machine manager, using a host operating system as a foundation for several guest operating systems. This architecture increases flexibility and makes installation much easier. On the other hand, also like with GSX Server, performance is degraded by roughly 25 percent, and security and stability risk is slightly higher. Both VS 2005 and GSX Server work well in development and testing environments, and for less critical production server consolidation. Gartner continues to recommend VMware ESX Server for consolidating mission-critical production environments. VMware will reduce the price of GSX Server by at least 33 percent, and of ESX Server by at least 20 percent, by March 2005 (0.8 probability). Unless VMware pricing changes significantly, at least 50 percent of users in the software-partitioned test and development server market will embrace Microsoft's VS 2005 by year-end 2005 (0.8 probability).

Recommendations: Start using VS 2005 in pilot projects now. But for large-scale or production deployments, first evaluate VS 2005 for stability and maturity in the market. Gartner believes that Microsoft will sell between 50,000 and 100,000 copies of VS 2005 by year-end 2005 (0.8 probability). Make the VMware vs. VS 2005 choice based on your long-term virtualization strategy. In many cases, VMware's robustness is worth a much higher price. In other cases, VS 2005 will be good enough.

Analytical Source: Thomas Bittman, Gartner Research

Recommended Reading and Related Research

- "Microsoft Acquisition Makes Connectix Virtual Server a Strategic Choice" — Consider VS strategic and on a firm financial footing. **By Thomas Bittman and others**
- "EMC Will Acquire VMware, but Its Delivery Needs Work" — For VMware, this acquisition is timely, because Gartner expects that in mid-2004 Microsoft will deliver Virtual Server at a fraction of VMware's price for either the ESX or GSX Server. **By Robert Passmore and others**

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