IBM's Shark bites into alliance

Debut of new disk storage product signals renewed competition

By Kris Hudson

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The beginning of the end of Storage Technology Corp.'s lucrative product development and marketing alliance with IBM Corp. came Monday.

That's when Armonk, N.Y.-based IBM unveiled its latest large-scale disk storage system, which signifies Big Blue's solo re-entry into the burgeoning disk storage industry.

Code-named "Shark," the new product also marks IBM's inevitable departure from a five-year alliance forged in 1996 whereby IBM has marketed and sold Louisville-based StorageTek's disk storage systems under its own brand.

Both companies reaped billions of dollars in revenue from the pact, with StorageTek benefiting from IBM's vast sales network and IBM capitalizing on StorageTek's superior Iceberg disk technology. The alliance — through which IBM sold Iceberg under the name RA-MAC Virtual Array — is scheduled to expire next year.

Shark, officially named Enterprise Storage Server, is a Redundant Array of Inexpensive Disks (RAID) system, meaning it bundles together multiple disk drives much like StorageTek's products do. IBM primarily intends for Shark to help it capture market share from industry leader EMC Corp.

IBM executives say Shark will store 420 gigabytes to 11 terabytes of data, perform up to 33,000 operations per second and process 185 megabytes of data per second. It can connect to nearly any model of server.

"We see virtually unlimited potential for the Shark product, because of the fact that we're introducing this technology at a point

IBM unleashes Shark system

at which the growth rates of capacity in the (data storage) industry are surprising even the analysts," said Mike Harrison, IBM's marketing director in its Disk Storage Systems division.

However, Shark has yet to add a critical feature of StorageTek's products: virtual storage capability. Virtual storage is a software-and-microcode function that allows for more efficient management of a data-storage system, reducing the amount of labor and hardware needed to maintain and run the system.

IBM hopes to build virtual storage capability into Shark systems within the next 18 months. The first Shark systems are slated for shipment in September.

Meanwhile, StorageTek executives see the lack of virtual storage as Shark's major flaw. The Louisville company countered IBM's Shark announcement Monday with news of improvements to its own Shared Virtual Array disk system, including an extended maintenance warranty and the ability to connect to either mainframes or client-server systems.

"IBM's asking the customers for the next year and a half or possibly longer ... to move away from those (virtual storage) benefits," said Roger Archibald, general manager of StorageTek's Enterprise Disk Business Group. "It's a very disruptive move for customers who are preparing for the year 2000. Our intention with this announcement was to let those customers know that StorageTek is committed to taking care of them."

Additionally, StorageTek is preparing its next move in the disk storage market. The company is expected to soon unveil its answer to Shark: Eclipse. As StorageTek's newest RAID product, Eclipse is expected to work with both mainframe and client-server systems.

Though StorageTek (NYSE: STK, $22.50) and IBM (NYSE: IBM, $123) will continue to jointly sell RAID systems through their alliance for another year, the relationship will diminish as both concentrate on developing and selling their own products. One industry analyst said IBM holds the advantage due to its larger market presence and its considerably deeper resources.

"At the end of the day, StorageTek is going to make a run," said Roger Cox, a chief analyst with market research firm Dataquest. "They're putting together some nice technology, but technology is only part of the equation. It's the marketing, service and support that is equally a part."