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## Server and Storage Discounts: What Can You Expect?

**Gary Burgess, SVP – Research Operations**

Everybody loves a bargain – especially in tough times like these, where every dollar needs to stretch as far as possible. So not surprisingly, customers are always interested in how much of a deal they can extract from a purchase. A lot of mystery and misconception surrounds the topic of street pricing and discounting. Discounts are relatively intangible, especially when compared to list prices. A list price is a public stake in the ground as to the value of a product or service. Conversely, the selling price or discount that one may expect is less public, and it can vary depending on many circumstances. In a lot of ways, a list price is somewhat impersonal, while a selling price,

or discount, can be influenced by how well prepared the customer is. Striking a deal in the IT industry is really not that much different than striking a deal on a new car – except that in the IT industry the price tags are bigger, and therefore, the potential savings are too. In both cases, there's no sure-fire way to secure the ultimate deal. However, customers can significantly increase their chances by arming themselves with the best information available.

### Street Pricing Theory

Street pricing research can be summed up by a simple analogy: It can get you into the

*[Continued on page 2]*

## INSIDE IDEAS

### Tony Iams to Lead US Operations

New York-based Senior Analyst Tony Iams has been promoted to SVP of Ideas International and will lead the US office and set the research direction there.

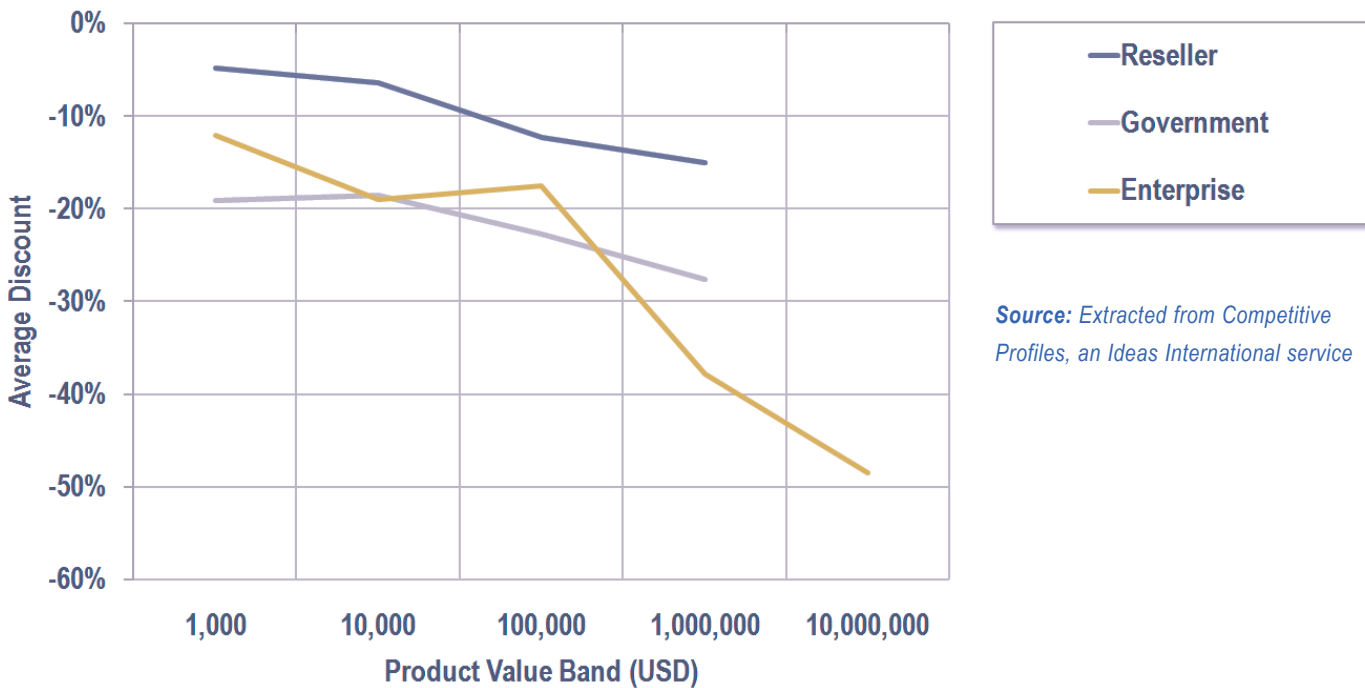


Tony's promotion is in recognition of his clear leadership skills and efforts, his high level of dedication and commitment to IDEAS, as well as his numerous achievements.

An acknowledged expert and experienced speaker on the topics of operating systems and virtualization, Tony has helped IDEAS build leading-edge and exciting tools, like CPE, and has already begun to build the future direction of IDEAS research, analysis, and consulting.

**Congratulations to Tony on his promotion! ■**

Chart 1. Discount vs. Value



Source: Extracted from Competitive Profiles, an Ideas International service

ballpark and perhaps even the bay in the ground for which you have tickets, but it can never identify exactly which seat you will sit in. Even if a customer has a lot of solid information on what others are paying for a product or service, the final price is still subject to the specific circumstances of that customer's particular sale. Hence, street pricing research can only give an idea, range, or ballpark estimate of what the outcome will be for any given customer.

For some high-volume products – where the delta between the list and selling price is relatively small and some of the information is known – customers may be able to collect enough information to form a reasonable guess at a likely selling price. But for other products of higher value and lower volumes – where the differential between the list and selling price is relatively high (indicating a lot more room for movement) – customers may have a much harder time making a reasonable estimate. All selling outcomes have a common starting point, which is the list price. However, the final outcome is influenced by a number of fac-

tors, including the vendor's pricing model; the amount of business the customer is willing to commit to; the channel through which the customer is buying; specific circumstances of the deal (e.g., the customer's strategic relationship to the seller); and the timing of the sale (e.g., at the end of a logical monthly or quarterly sales cycle for the seller).

Some research companies have tried to gain better insight into street pricing by extrapolating discount percentages from single bids. However, while extrapolations from a handful of bids may seem to shed light on a vendor's discounting practices, in Ideas International's (IDEAS) opinion, they do not accurately represent the range of discounts possible from a given vendor. Such information is also not easy to maintain ongoing, and is not extensible over a wide spectrum of products. And of course, as previously discussed, the inherent error associated with the outcomes means that only general-vicinity estimates will be possible – regardless of how much is invested in sourcing discount intelligence.

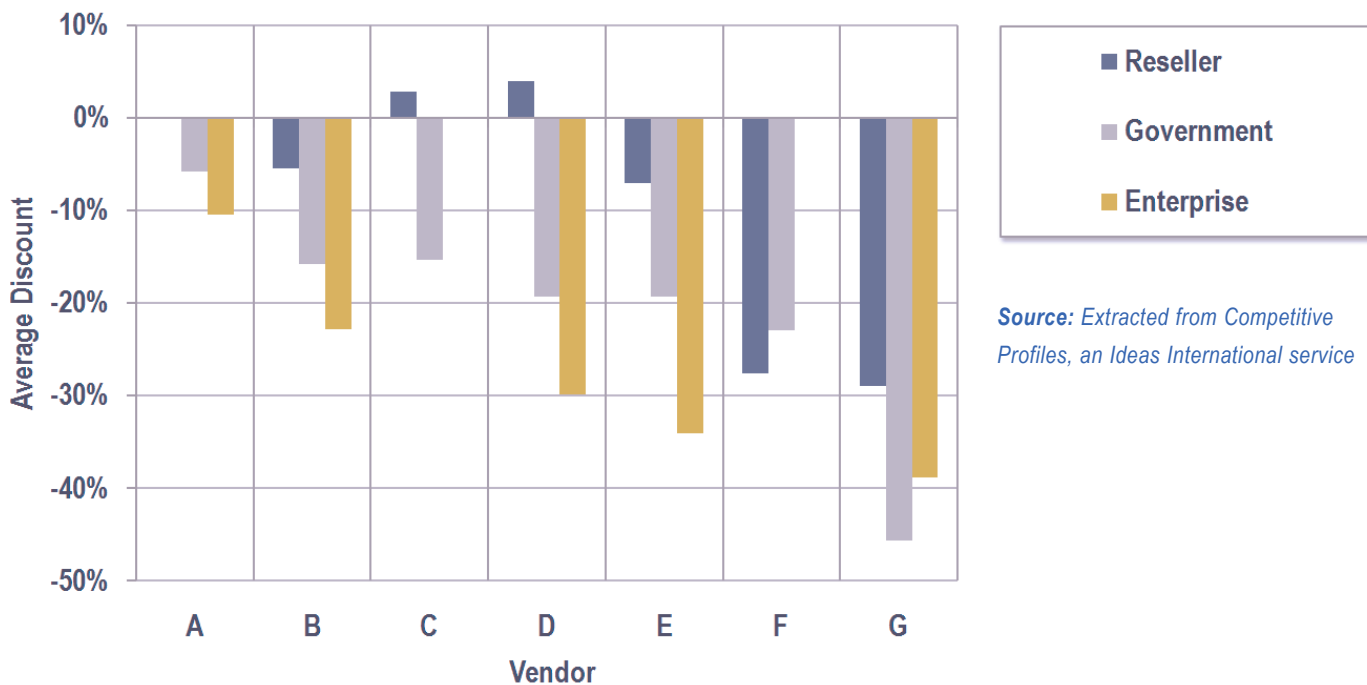
IDEAS applies a much broader methodology to its street pricing research, which is now available through its Competitive Profiles online portal (a subscription service). The research includes analysis of over 18,000 data points for the US market, across 7 companies and 40 product families, covering approximately 400 individual products. The research looks at publically available discount information from various sources, including reseller websites, government contracts, and even vendor guidelines outlining the discount percentages corporations can expect when buying servers and storage.

### Discount vs. Value

Chart 1 (above) provides a high-level view of the general outcomes of IDEAS' street pricing research. It plots data from three separate categories – Reseller, Government, and Enterprise – along escalating "Product Value" bands. Band "1,000" represents products with a value from \$1,000 to \$9,999 USD, band "10,000" represents products with a value of \$10,000 to \$99,999 USD, and so on.

[Continued on page 3]

Chart 2. Discount by Vendor



Source: Extracted from *Competitive Profiles*, an Ideas International service

The average discounts of all products featured in each of the Product Value Bands have been plotted to generate a discount trend line from lower value to higher value products. The result is a good overview of the average discounts one may expect across a broad product value spectrum.

The product discounts are based on a combination of base packages for servers and storage, individual parts such as disk drives, as well as configured systems in some instances.

The chart indicates that as the value of the sale goes up, so does the discount – no surprises there. However, it is reassuring to see such an outcome based on a very large dataset, covering such a broad range of products and values.

Also of note, the Reseller line offers the lowest discounts among the three categories (5 to 15% average). However, one must remember that these are publicly declared prices of resellers; it is common practice for resellers in many cases to offer (per deal) discounts below these numbers. Therefore, buying anonymously over the web, before

establishing a business relationship and some agreed discount levels with a seller, is probably not a good move. A phone call or a live meeting with a real person is likely to reap a better outcome.

Government contracts also provide another good source of street pricing intelligence. The Government line on the chart shows higher discount levels – in the range of 20 to 30% average – compared to the Reseller category, which makes sense. Because governments generally commit to major spends, they are attractive clients to the vendors. And since governments also serve as blue chip reference accounts for the vendors, one would expect them to receive better deals. It should be noted however, that the discounts published in government contracts are usually guidelines that represent the minimum discount level under a contract; higher discounts can usually be negotiated.

The Reseller and Government channels are good sources of discounting information, but most people want to look beyond these to get insight into the prices that large commercial businesses could expect to pay. The

third line on the chart – Enterprise discounts – is based on documents in the public domain in which vendors have declared discount levels for a given product or for products at a value point (in order to conform with benchmark disclosure requirements, for example). This line is perhaps the most interesting of the chart, as it reveals two findings:

- » It provides insight into the discount level for very high value business and thus gives the widest spectrum of discounts versus value of the three categories.
- » It tracks very closely to the Government line.

So what does this tell us? If one is willing to spend big, companies are willing to deal. Once again, this conclusion is logical; however, seeing the data back it up is reassuring. This finding also quantifies the level of discount one can expect for very big deals, which can be in the order of 50% or perhaps more. Note that this research represents the discount levels under a less-stressful economic climate, as it was con-

[Continued on page 4]

*[Discounts . . . continued from page 3]*

ducted prior to the height of the current financial crisis.

The close relationship between the Government contracts and the Enterprise data also implies that in the absence of reliable enterprise data specifics, government discounts can be a reasonable guideline.

### Discounts by Vendor

Chart 2 (previous page) takes a different perspective and looks at the street pricing data by vendor. In this chart, the researched discount levels for all the data points (servers and storage of all values) of each company have been averaged to present a “by vendor” view across the three different categories (Reseller, Government, and Enterprise).

As shown by the variability in discount levels across the seven vendors, this chart reveals the different pricing methodologies that vendors tend to adopt. Some vendors use a high-list, high-discount approach, where they pitch high, but leave a lot of room for discounting. Others keep their list pricing closer to their bottom line price in a low-list, low-discount arrangement and thus have less room to move in a deal situation. In the past, some companies have even toyed with the “list price = street price” approach, offering no discount at all for some products. (Such policies tend to have little traction, presumably because everyone expects a discount).

Vendor G obviously has a high-list/high-discount policy, because the average discounts are high across all of the three categories. But other companies, such as Vendors A and B, have a very different pricing approach, with lower average discount levels.

Interestingly, the three channels appear to consistently reflect a company's pricing policy. If the average discount for the Enterprise category is high relative to other companies,

the chances are that the other categories will show similar characteristics.

In some cases the averages are above zero. Our research did reveal that some reseller websites were displaying prices above the vendor's list price – another reason for not taking the reseller's quoted price as read. IDEAS even found that resellers could have different web price policies for

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Just like the average consumers buying a car, IT customers need to do their research and get a feel for the companies they are dealing with . . .

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the same products. One might show prices below the vendor's quoted price, another might just mirror the vendor's list price, while others could have prices above the current vendor list price.

Competitive Profiles can offer deeper insight into street pricing beyond the high level analysis presented here. One can drill down into individual product families, products, and even parts, where other variations may emerge. For example, a company may discount its storage base packages at one level, but disk drives at another.

In short, peeling back the various layers of the onion can reveal new perspectives. While this article provides a synopsis of the issues that can be expected, closer inspection will reveal just how much potential there is for variation.

### The IDEAS Bottom Line

It is human nature to want to boil something complex down into a simple answer, and street pricing is no exception. The Holy Grail is to know that single number – i.e., “The discount I can expect...” – for any given deal. But as this article has shown, there is no easy answer.

Just like the average consumers buying a car, IT customers need to do their research and get a feel for the companies they are dealing with – their products, general pricing policies, and likely discount levels. They also need to consider any specific circumstances of the deal – right down to whether it falls at the end of a logical monthly or quarterly sales cycle and how much the vendor they are dealing with really wants their business.

That way, they can go into bat, equipped and prepared, to get the best deal possible. ■

### About Competitive Profiles

*The charts and data shown were derived from Competitive Profiles, an Ideas International service. Competitive Profiles (CP) is a continuous, global information service that provides comprehensive data coverage of the features, pricing, and performance characteristics of a wide range of enterprise IT products and services. Updated daily and delivered through a web browser, Competitive Profiles couples a rich online database of component-level statistics with a powerful suite of interactive analysis tools. This robust combination offers a wealth of information and comparative capabilities to meet a broad array of IT decision support needs.*

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# Unisys Tops TPC-H Price/Performance

Unisys has claimed the lowest TPC-H 10,000 GB price/performance ratio with this latest result for the ES7000 Model 7600R. The system under test was configured with the maximum of sixteen 2.66 GHz Xeon X7460 hex-core processors and 512 GB of memory. Note that only 64 processor cores out of a possible 96 were utilized as only four of the six cores per processor chip were activated.

## Top Results

This result claims the top-ranked position in terms of price/performance, coming in at \$9.02 cheaper per transaction than the now second-placed HP Integrity Superdome result. Interestingly, this result is the only one in the tables below configured with an industry-standard processor chip (Xeon) while all the other results utilize proprietary/enterprise processor chips (Itanium, SPARC, and POWER). In terms of performance, this result is ranked seventh out of all the current TPC-H 10,000 GB results. ■

Table 1. TPC-H 10,000 GB Price/Performance Top Results†

Configuration	QphH	\$/QphH	DB
1 Unisys ES7000 Model 7600R (16 ch / 64 co)	80,172.7	\$18.95	6 NEW
2 HP Integrity Superdome (64 ch / 128 co)	208,457.7	\$27.97	2
3 IBM System p 570 (32 node x 2 ch / 4co)	343,551.2	\$32.89	1
4 HP Integrity Superdome (64 ch / 128 co)	171,380.0	\$32.91	4
5 HP Integrity Superdome (32 ch / 64 co)	63,650.9	\$38.54	6
6 IBM System p5 575 (16 node x 8ch / 8co)	180,108.1	\$47.00	3
7 Sun Fire E25K (72 ch / 144 co)	108,099.7	\$53.80	4
8 HP Integrity Superdome (64 ch / 64 co)	49,104.5	\$118.13	5
9 HP Integrity Superdome (128ch/128co)	86,282.7	\$161.24	5

Table 2. TPC-H 10,000 GB Performance Top Results†

Configuration	tpmC	\$/tpmC	DB
1 IBM System p 570 (32 node x 2 ch / 4 co)	343,551.2	\$32.89	1
2 HP Integrity Superdome (64 ch / 128 co)	208,457.7	\$27.97	2
3 IBM System p5 575 (16 node x 8 ch / 8 co)	180,108.1	\$47.00	3
4 HP Integrity Superdome (64 ch / 128 co)	171,380.0	\$32.91	4
5 Sun Fire E25K (72 ch / 144 co)	108,099.7	\$53.80	4
6 HP Integrity Superdome (128 ch / 128 co)	86,282.7	\$161.24	5
7 Unisys ES7000 Model 7600R (16 ch / 64 co)	80,172.7	\$18.95	6 NEW
8 HP Integrity Superdome (32 ch / 64 co)	63,650.9	\$38.54	6
9 HP Integrity Superdome (64 ch / 64co)	49,104.5	\$118.13	5

† Extracted from Competitive Profiles, an Ideas International service

## RESULT SUMMARY (ALL PRICES IN USD)

Date:	February 17, 2009
TPC-H:	ES7000 Model 7600R
Company:	Unisys
Database Size:	10,000 GB
QphH:	80,172.70
\$/QphH:	\$18.95
QppH:	103,956.10
QthH:	61,830.50
Database:	Microsoft SQL Server 2008 Enterprise Edition
Operating System:	Microsoft Windows Server 2008 Datacenter
Availability Date:	17-Feb-09
Configuration:	ES7000 Model 7600R with 16 x 2.66 GHz Xeon X7460 processors (16 ch, 64 co) each with 16 MB L3 cache, 512 GB memory
Cost of Ownership:	\$1,518,988
Benchmark Rev:	2.8.0

## Database Key for Tables 1 and 2:

- 1 - IBM DB2 Warehouse 9.5
- 2 - Oracle Database 11g Enterprise Edition with Partitioning and ASM
- 3 - IBM DB2 UDB 8.2
- 4 - Oracle Database 10g R2 Enterprise Edition with Partitioning
- 5 - Oracle Database 10g Enterprise Edition
- 6 - Microsoft SQL Server 2008 Enterprise Edition



FEBRUARY BLOG BITE (From IDEAS Insights: <http://www.ideasint.blogs.com>)

“When questioned whether cloud computing could meet the needs of the HPC market, HP was quick to point out that the technology works, but the economic model might not. HP has concluded that the cloud model works best with general-purpose, commercial applications . . .”

From “HP Is Looking Ahead in High-Performance Computing” | Jim Burton | February 2, 2009  
<http://ideasint.blogs.com/ideasinsights/2009/02/hp-is-looking-ahead-in-high-performance-computing.html>



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