

# Citrix Announces Free XenServer, New Management Upgrades

## Abstract

On February 23<sup>rd</sup>, 2009, Citrix Systems, Inc. announced that it will make its core XenServer server virtualization solution, with multi-node management (XenCenter) and live migration (XenMotion), available at no cost, with a new upgrade path to two advanced (revenue-generating) management products. Citrix Essentials for XenServer Enterprise Edition will add to the base XenServer features for simplified storage management, dynamic provisioning, high availability, and workload balancing. Citrix Essentials for XenServer Platinum Edition will include these features, plus lab automation and auto restart high availability.

For customers, this is a straightforward win. They get an enterprise-class virtualization platform with basic management tools for free, with a clear, simple, and cost-effective upgrade path. For competitors – especially VMware (provider of the market leading ESX, VirtualCenter, and Virtual Infrastructure solutions, as well as many other advanced management add-ons) and Virtual Iron – it substantially increases competitive pressure,

undercutting VMware's more basic free offering (ESX 3i), and almost completely undermining Virtual Iron's cut-price Xen + management offering.

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## Citrix Sets XenServer Free, Announces New Management Upgrades

On February 23<sup>rd</sup>, 2009, Citrix Systems, Inc. ([NYSE:CTXS](http://NYSE:CTXS)) announced a new go-to-market strategy that will see its core XenServer server virtualization product, with significant management features including the multi-node management console (XenCenter) and live migration (XenMotion), made available at no cost. Citrix also announced two new revenue-generating products, Citrix Essentials for XenServer Enterprise Edition, and Citrix Essentials for XenServer Platinum Edition, offering advanced management options as upgrades to XenServer.

Citrix claims this strategy “brings cloud economics to the enterprise datacenter” providing minimum enterprise functionality for free, and advanced management, which it claims will be substantially less expensive than an equivalent VMware solution.

## Background

In 2007, Citrix acquired XenSource, the commercial server virtualization<sup>1</sup> solution built on the open source Xen hypervisor, and took substantial control of the Xen project<sup>2</sup>. Since then, Citrix has provided an ever-increasing challenge to the market leader, VMware, both with the free Xen hypervisor (with especially strong adoption in some of the world's largest cloud service vendors, including Amazon EC2), and with its broader XenServer solution. Indeed, it was a strong force (if not the only force) behind VMware finally providing its own free hypervisor, ESX 3i.

However, despite successive releases with an increasingly impressive array of functionality – including live migration, high availability, automated provisioning, template and image management, advanced storage connectors, and more – it has not yet been able to catch the market penetration of the more established and more mature VMware offerings. Meanwhile, VMware has continued to improve its own server and OS virtualization products, acquired and built additional management capabilities, and undergone strong expansion into adjacent markets like desktop and application virtualization – traditional bastions for Citrix, where EMA research shows it remains the market leader.

In order to kick-start ongoing penetration into the server virtualization space, capitalize on its penetration into cloud vendors, and protect its desktop and application virtualization base, Citrix has decided a market-changing move is required to challenge VMware, and further distance itself from smaller competitors.

## Key Ramifications

This announcement will result in significant modifications to Citrix XenServer products and go-to-market activities as follows:

- Citrix XenServer will be available at no charge. It will include the XenCenter management console, XenMotion live migration, multi-OS support, and multi-VM management. Users will be prompted at download to purchase a support contract, XenCenter activation will trigger an 'upsell' call from Citrix telesales, and advanced features in XenCenter will be visible but disabled.
- Citrix Essentials for XenServer Enterprise Edition will be available as an upgrade to XenServer. It will include simplified storage management, dynamic provisioning for virtual machines, high availability, and workload balancing.
- Citrix Essentials for XenServer Platinum Edition will be available as an upgrade to XenServer and XenServer Enterprise. It will include all the features of the Enterprise Edition, plus lab automation, dynamic provisioning for physical systems (due late 2009), auto restart high availability, and workload balancing.
- Citrix will encourage existing software vendors that OEM the basic Xen hypervisor (such as Novell/SUSE and Red Hat), and existing Xen-based cloud service providers (such as Amazon) to migrate to XenServer to create viral adoption, and promote revenue-generating upgrades to Citrix Essential products.

<sup>1</sup> For a full set of definitions for virtualization technologies, see EMA Advisory Note, *Defining Virtualization - A Taxonomy of Virtualization Technologies*, <http://www.enterprisemanagement.com/research/asset.php?id=778>

<sup>2</sup> See EMA Impact Brief, *Citrix Acquires XenSource*, <http://www.enterprisemanagement.com/research/asset.php?id=578>

## EMA Perspective

For enterprises and other customers, this is a straightforward win. They get an enterprise-class virtualization platform – including a highly capable console, live migration features, and the management tools required to support a real-world production deployment – and all for free. If they need a greater degree of management, simple upgrades deliver most of the functionality of the market leader (including critical provisioning, template, storage, and high availability features), for a very cost-competitive price. This certainly makes XenServer a very attractive option for enterprises of all sizes and maturity levels.

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This will drive mixed reactions from Citrix competitors. While Citrix's strong partner, Microsoft, is also an apparent competitor with Hyper-V, a separately announced 'Citrix Essentials for Hyper-V' offering actually strengthens the position of both vendors. Citrix even positions Hyper-V (with Citrix Essentials, naturally) against XenServer as a preferred offering for certain use cases (Windows-only deployments, vs. Linux/mixed/cloud deployments), bolstering both vendors.

XenServer now provides a much more functional zero-cost offering than VMware (and indeed, all alternatives). While VMware's own free hypervisor (ESX 3i) includes neither their management console (VirtualCenter) nor live migration feature (VMotion), with XenServer, both are now included free. This will be very attractive, especially for SMBs, large enterprises with pilot deployments, very large enterprises looking for proven cloud capabilities, and low-margin operations such as ISPs, hosting farms, MSPs, and cloud service vendors (where Xen already has strong penetration). VMware may respond with price cuts to entry-level offerings, but would lose significant revenue cutting popular products like Virtual Infrastructure. More likely is an aggressive promotion of its substantial maturity advantage, its stronger market position, and its advanced management advantages in areas like lifecycle management, capacity planning, and automated conversion, to remain a preferred option.

Of the other Xen-based solutions, Oracle VM will continue to find a market within the Oracle customer base, so the biggest blow will be to Virtual Iron. XenServer now offers a very attractive (free) entry-level offering with most of Virtual Iron's key functions, and a clear, cost-effective upgrade path. With a very competent product and low price-point, Virtual Iron should continue to find niche opportunities, but this substantially erodes its market, especially in the SMB sector.

For Citrix, this is a bold move, with significant risk, and significant upside. Commoditizing not just the hypervisor, but also core management capabilities, sets a new benchmark for the market, and forces competitors to react. Yet it cannibalizes an extant market, and is in part an admission that its existing strategy is not working, so shareholder reaction could be harsh. However, unlike most lackluster open source loss-leaders, it is not just trying to drive support subscriptions, but will instead drive adoption, undermine its strongest competitor, obviate weaker competitors, and lead to a clear revenue-generating upgrade path.

EMA therefore expects this particular bold move to pay off for Citrix, and trigger a new value-war in the server virtualization market.

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