

EVENT FLASH

Citrix Announces NetScaler VPX: Its First, But Not Its Last, Software Appliance

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IN THIS EVENT FLASH

This IDC Flash discusses Citrix's announcement of the launch of NetScaler VPX. This week at Synergy, Citrix announced NetScaler VPX, the software appliance version of its NetScaler product line. It will be available as a tech preview on May 18, 2009. The NetScaler VPX is scheduled for general availability in the third quarter. By delivering the NetScaler product in a software form factor, as opposed to its traditional hardware form factor, the company is allowing for a faster, more flexible, deployment model. As organizations including service and cloud providers transform their datacenters into a dynamic and responsive utility, they need flexible deployment options that are not tied directly to hardware.

SITUATION OVERVIEW

Citrix NetScaler VPX will compete in the \$1.3 billion datacenter Layer 4–7 switching market. Citrix is distinguishing itself in the market as an aggressive competitor. In the past three years, the NetScaler market share has increased steadily from 9% share in 2006 to 13% share in 2008. With this latest virtual switch announcement, Citrix is demonstrating that it will continue to bring new features and functions into the market. Earlier in the quarter, Citrix expanded the total available market by introducing Web 2.0 Push technology in NetScaler (see *Citrix Increases Value Proposition of Application Networking*, IDC #cUS21795309, April 2009).

To date, the datacenter Layer 4–7 switching market has been completely dominated by appliance and switching platforms. Previous software-only solutions in the market have had limited acceptance. The virtual environment has the potential to change the dynamics in the market. And while Citrix is not the first supplier to offer a software appliance in the market, it is the only provider with a significant market share to do so. The market for datacenter Layer 4–7 switching has expanded because these products meet the growing real-time enterprise need of increased speed, performance, and security of enterprise applications in the datacenter.

IDC believes that we are entering a new paradigm that makes virtual datacenter Layer 4–7 switching products possible. While every datacenter has at least two redundant pairs of these products, it has long been understood that these products could move deeper into the datacenter supporting specific groups or classes of servers. To date, however, a number of factors have limited the proliferation of datacenter Layer 4–7 switching in the datacenter. These include the cost to purchase, the cost to deploy, and the ongoing operational costs. In many customer interviews, network managers report that they don't have the time to research and deploy the wealth of features and functions available from the platforms. Citrix believes that this virtual form factor will lower the barrier to adoption. While Citrix hasn't announced pricing, we believe the software appliance will have an attractive price point. But more importantly, without the need to physically cable a new datacenter Layer 4–7 switch, customers will have a much faster time to deploy. Additionally, availability as virtual appliance also makes it easier for application development teams to research, test, and identify those features and functions that make sense to use, since with a virtual appliance it is possible to make the functionality ubiquitous within test and development environments. The combination of reduced costs coupled with faster deployment times will contribute to a lower total cost of ownership and make it much more feasible for customers to deploy these Layer 4–7 networking services for multiple applications in the datacenter. Also, it is clear that as customers become more comfortable with virtual servers, they will be more willing to deploy virtual networking services in support of their virtual servers.

The virtual server form factor expands the practical opportunity for Layer 4–7 networking services. While it is possible to deploy these services in the remote branch and in small and medium-sized customers, to date, these services have for the most part been deployed in datacenters of larger companies.

Additionally, the virtual server form factor opens up opportunities in cloud and service provider datacenters. As these suppliers need to provide security and isolation between customers, they can utilize this virtual form factor as a way to provision new customers quickly as a new option in pricing. In this customer opportunity, the VPX will be competing with products such as the Cisco ACE product line, which provides segmentation and virtualization from within the hardware appliance.

FUTURE OUTLOOK

The market for software appliances is very nascent, but robust. IDC projections call for the software appliance market to achieve over \$1 billion in revenue by 2012, led by business processing and Web infrastructure workloads. However, from a new license shipment, subscription, and nonpaid deployment perspective, IDC expects IT and Web infrastructure workloads to continue to account for the majority of deployments. From a recent survey of end users who were considering adoption of software appliances, 54% out of the 241

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respondents chose IT infrastructure and 32% chose Web infrastructure as the most useful software appliance workloads to their organizations. Considering that from the same survey nearly 80% of the respondents currently have at least one network infrastructure appliance already installed, there is a high probability that a good portion of the IT infrastructure software appliance deployments will be network infrastructure based. Most likely, it will only trail security software appliances in that workload category (see *Software Appliance End User Survey: What the Early Adopters Are Saying!* IDC #TB20090319, March 2009, and *Worldwide Software Appliance 2008–2012 Forecast: A Workload Analysis*, IDC #213783, August 2008).

This is just the first software appliance from Citrix, and IDC does not believe it will be its last. While the company will most certainly wait a short while to ensure that NetScaler VPX is successful in the marketplace, Citrix has a full lineup of products that are well suited to be delivered as a software appliance, including:

- Access Gateway
- Branch Repeater
- XenApp
- Essentials

This announcement is significant because it showcases what is possible in a new virtual datacenter and how the old rules of hardware versus software may no longer apply. Speed and flexibility is a cornerstone of the dynamic datacenter of the future, and IDC believes that these virtual appliances provide an attractive options.

Looking out five years, IDC believes that the majority of revenue in this market will continue to be on dedicated hardware, but to capture new growth opportunities in new customer types, capture new places in the network, and expand within existing datacenters, a virtual datacenter Layer 4–7 networking appliance is attractive.