



J. Gold Associates LLC, 6 Valentine Road, Northborough, MA 01532, USA
www.jgoldassociates.com +1-508-393-5294

Apple and IBM in the Enterprise: Joined at the Apps

Apple and IBM announced they will be partnering on providing solutions to the mobile enterprise based on iPhone/iPads devices and IBM's MobileFirst technology and service offerings. Although this is a win-win situation for the vendors, the market effects will be more limited overall, and will primarily impact IBM's installed base of enterprise solutions.

This announced partnership is really not much of a surprise. It's being driven by IBM software solutions, which wants to get as many clients as possible for its WebSphere and MobileFirst products, and by IBM Global Services which sees this as an extension of its mobile service offerings in app development, cloud deployment, outsourced services and lifecycle management. And although this is a significant partnership, the major impact will likely be in the fast emerging tablet space rather than in generic smartphone solutions. I see that as the "sweet spot" for this relationship.

IBM doesn't make tablets/smartphones, so it's logical to partner with Apple for iPad/iPhone since they are becoming such an important part of the enterprise app landscape. IBM SW has partnered with lots of "competing" players in the past. This is just good business on IBM's part and Apple's as well as it gets Apple more engrained in the enterprise app space than it could do on its own.

IBM has to play nice with Apple because it will need support in optimizing the apps and management/support solutions, and if you don't play nice with Apple you don't get the needed support. Apple gets IBM to endorse its products in the enterprise to make sure they play nice with back end systems. Co-selling the solutions helps both companies expand their markets. Apple gains a co-selling opportunity, but more importantly IBM to back them up in support services for the enterprise, an area Apple is weak in. So it's a win-win for both.

How does this affect the other device players like Google/Android? Right now, Google/Android is not a force in the enterprise, primarily due to OS security concerns, and a diverged ecosystem where many versions of the OS exist on devices (with app incompatibility – a non-starter for IT). That will change in the next 12-18 months as the above issues are being addressed by Google (e.g., its recent acquisition of Divide to build enterprise-class security into Android). But in the mean time, IBM is going where the money (and installed base is). I would not be surprised to see IBM go to a similar stance on Android in the future as adoption accelerates (in about 2 years). But in the Android space, there isn't just one company to deal with (Samsung has the most market share, but IBM partnering just with Samsung would leave a lot of devices in the lurch). It's highly

likely when the market evolves, IBM will be there to serve its clients by partnering widely, or directly with Google.

Some have speculated this partnership will doom enterprise device competitors, like Android (e.g., Samsung Knox) and BlackBerry. I don't expect this announcement will have much effect on enterprise directed Android, like Samsung/Knox/Divide per se. In fact, the move to a more secure and more enterprise friendly Android will actually help it become more acceptable to enterprises, and will likely accelerate the relationships with companies like IBM for Android (and other large vendors of SW solutions as well). As for BlackBerry, since its focusing on Android based enterprise apps, it should be able to ride the same wave. Further, IBM (and others) are already offering comparable lifecycle management services for these devices. Finally, it's likely that Windows based tablets will not have a major impact in the short term, but 2 in 1 devices (PCs and tablets) may. However these are already handled with standard Windows tools and processes.

The incremental cost for both parties in this partnership was small, and that made it far more palatable. IBM needed to fully support iPads in any event. IBM makes most of its SW revenues in the enterprise. And it wants to sell more solutions and SW services based on the move to mobility. Since the iPad and iPhone have such an overwhelming share of the mobile market right now, this makes a great amount of sense as IBM would have invested in this area even if there was no official partnership. Indeed, IBM has done this in the past as well, with BlackBerry and even farther back with Palm (IBM even had an IBM labeled Palm device it once sold).

Apple wants to be a bigger player in the enterprise, beyond just opportunistically selling its devices. They want to make sure they don't get displaced with an upsurge of Android (or possibly Windows tablets). So having such a partnership makes sense as it makes its devices more attractive and "Sticky". Apple would have had to make an investment in enterprise APIs and development capability, as well as enterprise HW support in any event. Apple gains this and more with this arrangement. And the cross selling opportunity is big - getting an IBM sales endorsement could be huge incentive for a company to go with Apple in volume. IBM is launching this alliance by targeting its key verticals (e.g., Banking, Insurance, Telco, Retail, Government, Travel/Transportation, Healthcare) where both IBM and Apple have significant market share.

Some have speculated that IBM needed this far more than Apple did. I believe that both sides win here, and that it's closer to a partnership of equals. This is an important arrangement, but I don't think this will dramatically change the core of the mobile market. Others will make partnership announcements too (SAP, etc.). And a big impetus for this move is IBM's push into the analytics space where they want to grow share (and compete aggressively against SAP, Oracle, etc.). iPads are a primary deployment platform for management solutions, so that plays into the partnership equation as well.

Bottom line: This is a winning strategy for both companies as each gets more than it had before, and for very little incremental effort, cost or required resources. IBM customers will benefit in getting full support from "one throat to choke" – something it didn't have previously. But I don't see this fundamentally changing the mobile marketplace, as major solutions vendors can duplicate (and in some case have for all intents and purposes) this partnership.

***Commentary written by Jack Gold, Principal Analyst.
For more in-depth comments or analysis on this or other subjects, feel free to contact us.***

Copyright 2014 J.Gold Associates, LLC. All right reserved.

J.Gold Associates, LLC. 6 Valentine Road Northborough, MA 01532 USA +1-508-393-5294
www.jgoldassociates.com