



Dell Acquires Wyse to Provide End-to-End Desktop Virtualization

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On Monday, April 2, 2012, Dell (Round Rock, Texas) announced its intent to acquire [Wyse Technology](#) (San Jose, California), best known for its thin client products. Dell has been working diligently over the past two to three years building out its client virtualization portfolio. The company has servers, storage, and services to enable adoption of this solution, and now with the acquisition of Wyse, it has added software and a full range of hardware to its existing but modest thin client portfolio. Dell will continue to resell software solutions from both VMware and Citrix and can now offer end-to-end hardware solutions and a value-added software component. This acquisition makes clear Dell's intent to provide a market-leading solution as part of its overall product portfolio, as Dell can now match the spectrum of products offered by its major competition. In addition, Dell's deep pockets should allow Wyse the opportunity to invest further and faster in its technology.

Thin Client Market

The enterprise client devices (ECD) hardware market includes thin clients and terminal clients.

ECD sales were \$1.49 billion in 2011, with thin clients making up 86.7% of that total. Five-year growth of the industry has been 16.4% for unit shipments and 12.6% for revenue. IDC has forecast this industry to grow unit shipments at over 17% CAGR for the next five years.

Wyse has been in the top 3 vendors in this segment since 2003, finishing 2011 as the number 2 company with a 25.4% share behind market leader HP at 26.2% and ahead of number 3 NComputing at 16.1%. As the leading independent entity, Wyse has developed a strong product portfolio, excellent sales and channel expertise, and solid relationships with all major players.

Client Virtualization Market

IDC research shows that the virtual client computing market will grow from \$2.3 billion in 2011 to over \$3 billion by 2015, with nearly a third of that coming from the centralized virtual desktop market (also called VDI). Despite the healthy growth in the market, there are plenty of obstacles to overcome when deploying a successful implementation, not the least of which include high initial capital expenditures and overall performance. With the acquisition of Wyse, Dell positions itself as a leading hardware, software, and services provider that has the expertise to implement these solutions quickly and improve the overall experience. In our discussions with end users, we have found some of them to be very pessimistic about "one stop shop" solution providers. However, if Dell can successfully integrate Wyse's software solutions and position it as a value-add to existing Citrix and VMware solutions that enhances the end-user and IT experience, Dell will be hard to ignore.

Beyond Thin Clients

While Wyse is best known for its thin client portfolio, the company has been busy over the past few years building out its software portfolio as well. This effort is exemplified by its upcoming release of Wyse Stratus, which is a unified management console that will enable IT administrators to manage nearly any device, whether it be a thin client, tablet, PC, or smartphone.

And not to be overlooked is Wyse PocketCloud. While mainly aimed at consumer users today for remote desktop use, it could also be a key gateway application to enterprise applications and data, similar to Citrix Receiver or the VMware View Client. IDC sees these solutions as key enablers of "bring your own device" (BYOD) solutions that maintain enterprise security and access control rules when corporate data is accessed from those consumer-owned devices.

We ask if this acquisition signals a round of further consolidation. HP entered this market with their acquisition of Neoware in 2007, and it is possible they could look to add a company with strong relationships in emerging markets — like NComputing.

Dell's recognition of the strategic value of the full range of products begs the question whether other PC manufacturers will look to imitate this approach. One obvious possibility is Lenovo, who has no presence in this market today but who could decide to enter and compete with a similar acquisition strategy.

While Dell did not answer all the questions about how Wyse will be integrated into the company, IDC sees this as a positive acquisition that will help better position Dell in the client virtualization marketplace. And while many people will focus on Dell adding relatively low-margin thin clients to its portfolio, it is our view that the long-term play here is having the ability to offer complete end-to-end solutions to customers, who prefer to deal with a very small number of selected suppliers. The additional functionality added to Dell's overall offerings by the Wyse software portfolio will ultimately make this acquisition successful.

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