G00274719

Traditional Storage Vendors, Brands and Products Are No Longer Risk-Free

Published: 26 March 2015

Analyst(s): Valdis Filks, Santhosh Rao

I&O leaders can no longer rely on the assumption that it is safer to buy from large established vendors compared to new suppliers. This research describes what I&O leaders must do to benefit from these structural changes in the storage industry.

Impacts

- Infrastructure and operations (I&O) leaders can buy from new vendors who have "leveled the playing field" and often supply simpler-to-use, simpler-to-purchase, and better or equivalent products and services than the incumbent suppliers.
- Traditional vendors are reorganizing their businesses and transitioning their products, which reduces security of supply, creates uncertainty for I&O leaders and makes purchases from them as risky as from smaller, newer competitors.
- The availability of more products and suppliers has increased the choices that I&O leaders have, and their purchasing power.

Recommendations

- Do not assume that large vendors are more stable and can offer better products and support than smaller vendors.
- Do not use vendor brand, size or history as purchase criteria.
- Pursue a dual-vendor policy predicated on reviewing established purchasing policies, and buy new product lines from old and new vendors.

Strategic Planning Assumption

By 2019, at least 30% of the established storage vendors will have reorganized their companies and will no longer be selling products available in their current portfolio.

Analysis

The perceived wisdom and belief based on the premise that it is safer to buy from a large established vendor (see Note 1), compared to an established small vendor is no longer applicable. Competition within the storage market has become a more level playing field, due to more choices and equalized offerings. Therefore, the risk of buying from a new or established incumbent storage array supplier has equalized. Smaller vendors (see Note 2) have the "attackers advantage," based on new business models and simpler product portfolios, consisting of consolidated portfolios and products that are simpler to purchase and use. Incumbent large vendors' product portfolios consist of eclectic legacy products, based on disparate internal designs and acquisitions (see Appendix), and old products from incumbent vendors often have comparatively complex management and purchasing options.

Additional staff skills and experience are transient, with the staff skill levels of new entrants being equivalent to those of established vendors, as the new vendors re-employ experienced staff from incumbent vendors. The incumbent vendors are also technologically and financially hindered, because they are no longer the exclusive institutions that can innovate and employ the best talent or innovators. Additionally, their investments in established products yield increasingly less value for the customers and revenue for the vendor. However, due to the financial advantage inherent within larger incumbent vendors, marketing coverage and promotional funding are the main remaining advantages that the large incumbents possess, compared with newer and relatively much more cash-constrained entrants.

Incumbent vendors often use their financial marketing advantage defensively, rather than offensively, to maintain mind share and messaging. This defensive marketing is often based on subliminal fear, uncertainty and doubt, thus resulting in a conservative market with risk-averse customer buying patterns. This benefits established brands. However, new buying centers do not have the historic relationships with incumbent vendors, and do not want the data center products of the last decade; instead, they value product ease of use and agility more than brand value.

The large incumbent vendors have to transition from legacy products to new product lines, while integrating new acquired products into existing management and operational products. They also have legacy business models that favor their maintenance terms, but are burdensome for customers. All of this has to be done while maintaining high returns on investment for the established provider. Many vendors are unable to make this transition, and are now splitting up, downsizing, reorganizing or acquiring new products to maintain their market positions. Therefore, the large incumbent vendors are going through a period of instability, and the assumption that buying products from an established brand or vendor is low risk, compared to smaller, newer competitors, is no longer valid, or a reason to purchase products from established incumbent vendors.

The maturing storage market (due to factors such as industrial standardization, usage of similar components across competing vendors' products, transferable skills, the preference for all new and incumbent vendors to reduce direct sales and increase coverage via the channel, and a numerically larger support staff) are indicators that vendor size is no longer an indication of improved customer satisfaction, support or reliability. Large hard-disk drive (HDD) manufacturers are also entering the storage array market with new competing products, thereby creating more competition. These are some of the factors that are benefiting smaller vendors and customer choice, while maintaining product quality and small vendor viability. The traditional advantages of vendor size have been significantly eroded and will continue to reduce as the vendors' core, legacy products become less competitive in addressing today's and tomorrow's storage demands. This process is often described as the leveling of the playing field, and is witnessed by the fact that the established vendors acquire the smaller vendors to remain innovative and maintain their market positions.

Figure 1. Impacts and Top Recommendations for I&O Leaders

Impacts	Top Recommendations
I&O leaders can buy from new vendors who have leveled the playing field and often supply simpler-to-use, simpler-to-purchase, and better or equivalent products and services than the incumbent suppliers.	• If any vendor requires more than two days of product training, request a discount and use this as an indication of operational complexity and increased costs. • Increase the importance of quick and simple product implementation as a purchase criterion.
Traditional vendors are reorganizing their businesses and transitioning their products, which reduces security of supply, creates uncertainty for I&O leaders and makes purchases from them as risky as from smaller, newer competitors.	• Choose vendors that have consolidated and have simple product portfolios and/or common product lines that share the same base technology and operational tools. • Do not use sentiment or perceived brand value when choosing suppliers; use quantifiable criteria.
The availability of more products and suppliers has increased the choices that I&O leaders have, and their purchasing power.	• To increase price and feature competition, stipulate the inclusion of a new vendor on all storage RFPs. • Do not buy products as strategic purchases. Products are not strategic to a customer's business; they are critical, but tactical, and can be replaced with equivalent tactical purchases from other suppliers.

Source: Gartner (March 2015)

Impacts and Recommendations

I&O leaders can buy from new vendors who have leveled the playing field and often supply simpler-to-use, simpler-to-purchase, and better or equivalent products and services than the incumbent suppliers

The majority of products from new vendors have inclusive storage software licensing schemes, short sales cycles and purchase processes that are comparatively quick and simple, and service and support personnel who are often colocated and can solve problems quickly. New storage arrays are designed with ease of use and integration into hypervisors as primary objectives, whereas older existing legacy products were designed by engineers for engineers. With the emphasis in IT departments moving toward increased productivity and efficiency, rather than traditional technical requirements, new vendors offering ease of use and integration have a value advantage.

Recommendations:

- If any vendor requires more than two days of product training, request a purchase discount and use this as an indication of increased operational complexity and costs.
- Increase the importance of quick and simple product implementation as a purchase criterion.
- Use ease of product administration and configuration as a purchase criterion.
- Do not determine product purchasing criteria based solely on the position of a vendor in the Leaders quadrant of a Gartner Magic Quadrant (see Note 3).

Traditional vendors are reorganizing their businesses and transitioning their products, which reduces security of supply, creates uncertainty for I&O leaders and makes purchases from them as risky as from smaller, newer competitors

Many established system and storage vendors are reacting to market changes caused by cloud services and industry standardization by reorganizing their companies' structures via splits, privatization, divisional reorganizations or significant management changes. Many established vendors have storage array products that are based on designs that are over 20 years old, while the presentation layer or graphical user interface (GUI) has been updated. Nevertheless, the core technology remains the same, and it is a costly and perilous process to update and change to support new technologies. Additionally, vendors with legacy or heritage product lines often have a portfolio of products that need different operational interfaces, and integration into a single operational tool is rarely successful. These factors will force a change in the number and type of products offered by the incumbent storage array vendors and will create a purchase risk for customers.

Recommendations:

- Choose vendors that have consolidated and have simple product portfolios and/or common product lines that share the same base technology and operational tools.

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- Do not use sentiment or perceived brand value when choosing suppliers, use quantifiable criteria, such as price, performance, ecosystem support and ease of use.
- Do not use your vendor relationship as a purchase criteria, as vendors constantly realign their direct versus channel sales force and use third-party service organizations.

The availability of more products and suppliers has increased the choices that I&O leaders have, and their purchasing power

The cost of entry into the storage array market has been lowered and the time to market for storage arrays has been reduced. This is because new entrants do not need to invest in basic hardware research or invent new hardware, which requires prohibitively large R&D budgets and longer development cycles. New entrants today concentrate on software innovation and development, which are far less costly. The software is often based on industry-standard, proven and generally available software components, such as file systems and real-time, Unix-based kernels that run on industry-standard hardware. Similarly, new entrants are more streamlined, and they adopt new automation frameworks and tools relatively quickly. New storage vendors or startups can concentrate the majority of their development costs and resources on new software architectures and features, which have a shorter time to market. Because the same components (such as controller CPUs, disk drives or solid-state disks) are used by both large incumbent vendors and startups, hardware quality and performance differentiation has been significantly reduced. Similarly, large, medium and small vendors often use the same manufacturing providers, thereby equalizing product quality.

Recommendations:

- Stipulate the inclusion of at least one new vendor on all storage RFPs to increase price and feature competition.
- Do not buy products as strategic purchases. Products are not strategic to a customer's business; they are critical, but tactical, and can be replaced with equivalent tactical purchases from other suppliers.
- Always perform due diligence. Inquire about and verify that new vendors have a sound financial base and a sustainable business model.
- When in doubt concerning a new vendor's viability, test and implement its products in development and move to production over time, as your confidence and experience increase.

Appendix

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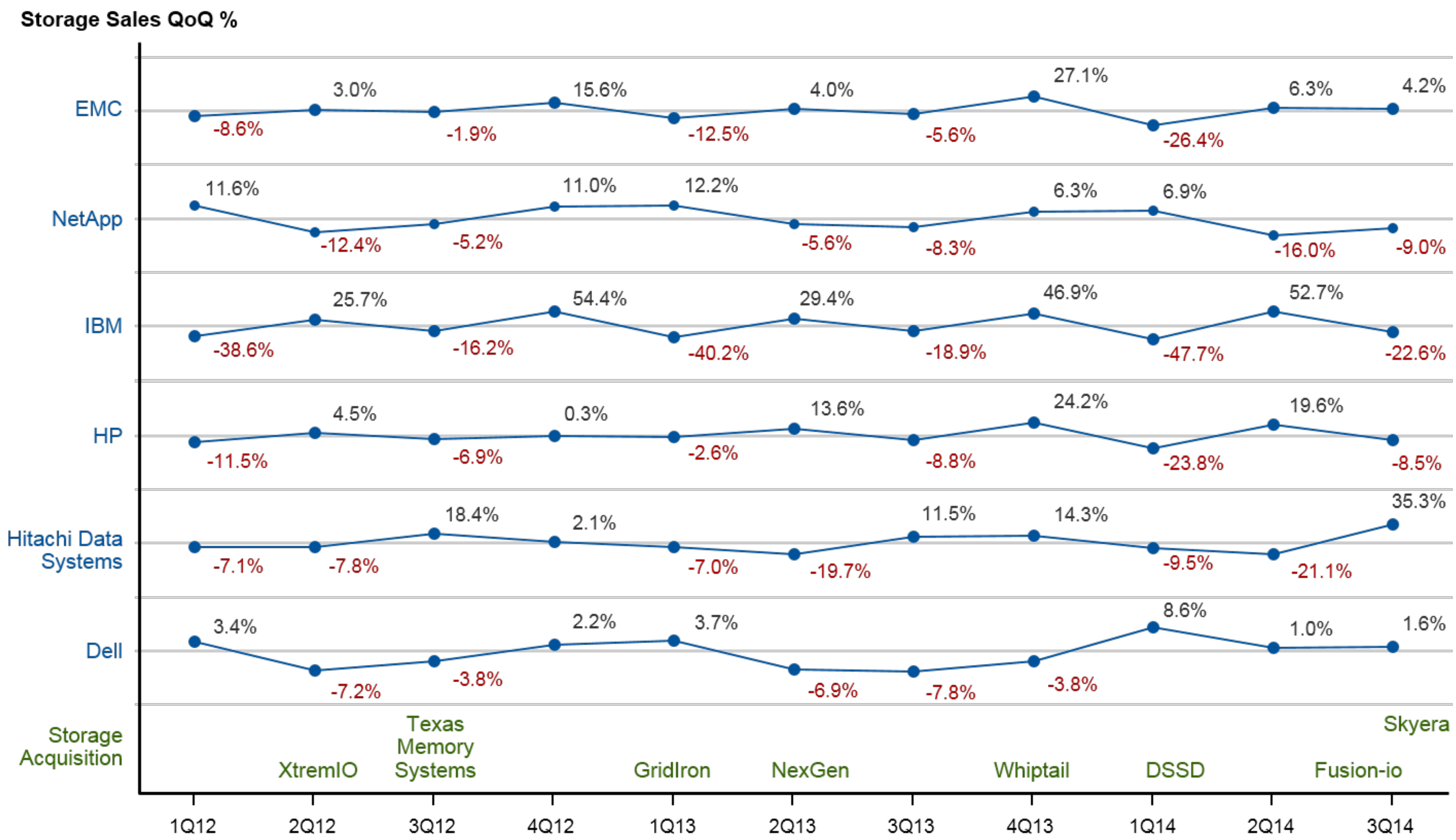
Figure 2. The Storage Landscape Is Changing



From “Market Share: Disk Storage Systems, All Regions, 3Q14 Update” (G00261185)

Source: Gartner (March 2015)

Gartner Recommended Reading

Some documents may not be available as part of your current Gartner subscription.

"Critical Capabilities for General-Purpose, High-End Storage Arrays"

"Critical Capabilities for General-Purpose, Midrange Storage Arrays"

"Critical Capabilities for Solid-State Arrays"

"Embrace Emerging Storage Companies to Gain Competitive Advantage"

"How Markets and Vendors Are Evaluated in Gartner Magic Quadrants"

Evidence

The top three products in our "Critical Capabilities for Solid-State Arrays" research are from new vendors. Three storage arrays within the top seven in "Critical Capabilities for General-Purpose, Midrange Storage Arrays" are from new vendors.

Note 1 Example Incumbent Traditional Established Storage Vendors

Dell, Dot Hill Systems, EMC, Fujitsu, Hitachi Data Systems, HP, Huawei, IBM, NetApp, Symantec (Veritas)

Note 2 Example New Storage Vendors and Entrants

Cisco, Exablox, Kaminario, HGST, NexGen, Nimble Storage, Pure Storage SanDisk, Seagate, SolidFire, Tegile, Tintri, Violin Memory

Note 3 Magic Quadrant Reader Guidelines

A vendor's position on the Magic Quadrant should not be equated with its product's attractiveness or suitability for every client's requirements. If the solutions better fit your needs, have the appropriate support capabilities and are attractively priced, then it is perfectly acceptable to acquire solutions from vendors that are not in the Leaders quadrant.

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GARTNER HEADQUARTERS

Corporate Headquarters
56 Top Gallant Road
Stamford, CT 06902-7700
USA
+1 203 964 0096

Regional Headquarters
AUSTRALIA
BRAZIL
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