

Nexsan – the Next Wave?

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Abstract: Nexsan is on a mission to make waves by challenging the accepted 'norms' or 'rules' of storage. By adding key functionalities across its latest products, it holds out the possibility of value in both senses of the word; offering a way for users to 'have it all' in terms of flexibly big, smart-enough, eminently affordable—and green—storage.

Nexsan: An Introduction

For many reading this paper, Nexsan will be either a little known, or even an unknown, name. In the scheme of things, it is one of the hidden (or 'undiscovered' might be a fairer descriptor) players in the industry. However, its lack of general awareness by the market does not equate to a lack of any success—as evidenced by both the company's loyal channel (which, by the way, is 100% of its sales) and the current S-1 filing (which, of course, prevents any specifics about company performance being in this paper).

Nexsan was built with the intent to be different. Early on, that differentiation tended to focus rather too heavily on price. It was a beguiling, but flawed, approach—one that Nexsan has since altered considerably for the better. Despite all the pressures to drive down price in this (and just about every other) industry, it is clear that buyers also want 'value' in every sense of the word. This means not just a low ('value') price, but also more features and functions ('value') than might regularly be expected at such a reasonable price. Indeed, few storage buyers—even the very cost conscious ones—are happy to forgo key features just to save a penny. So, over the last few years, Nexsan has been assiduously integrating 'function value' into its existing 'financial value.' It has done this to an impressive degree; so much so that it can come as quite a surprise not only to new potential users, but also to anyone whose opinion of Nexsan was formed more than a couple of years ago.

This combination of both function-value and financial-value creates an overall offering-value that is frequently posited by many vendors, but rarely delivered; users can get more than they expect for their money. This is because—in a market that is accustomed to often buying a specialized product for almost every different storage need—Nexsan asked a different question: what if it could provide something that was not just more than good enough for pretty much most standard uses in the SME market, but also offer it flexibly, scalably, and economically? Having posed—and met—the challenge, the company has had a number of recent product announcements and more are imminent. While a brief review of the headline product details is worthwhile, the Nexsan 'play' (and hence the reason users have—and will consider using—its products) is more about this overall approach than about any individual product.

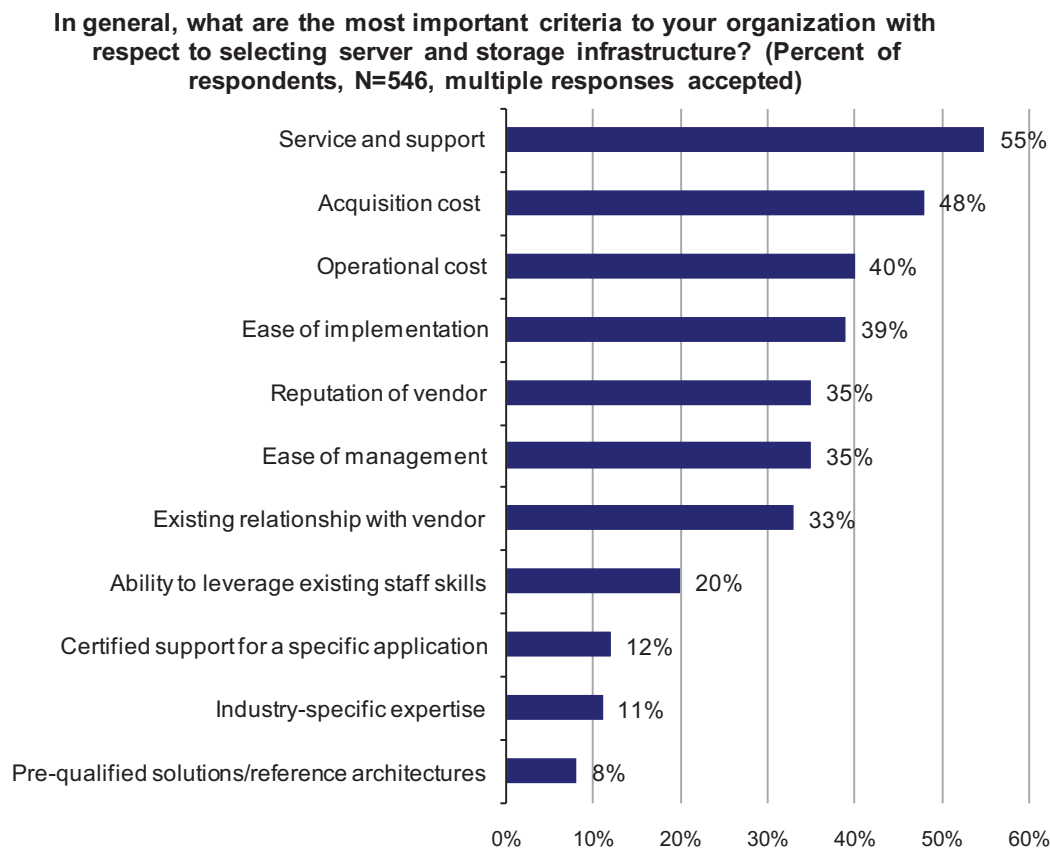
What is the 'Next Wave?'

The IT market seems often to move with general and steady progress for years—and then experience sudden big changes. These were once called 'paradigm shifts,' before each and every vendor decided that everything it had done constituted a paradigm shift...and the terminology consequently became debased. However, the essence remains true—right now, a good example of such big change is underway with the fast adoption of virtualized servers. It is really shaking things up; both on the supply and demand sides. Nexsan is one of a small group of vendors that wants to bring similar disruption to the storage industry. A key factor helping this group is that the underlying storage technology (the HDDs and so on) is very stable these days, which greatly reduces the risk for users to try new vendors and thus creates opportunities for innovative approaches to storage in terms of integration and firmware. As more and more storage developments surface, the 'cat is out of the bag' that many of the perceived 'rules' about storage—especially in terms of the need for complexity and the delivery of value—may not be rules after all. Even so, many vendors have made bold claims over the years; thus, when Nexsan uses a

phrase like ‘designed for the enterprise, priced for everyone else,’ should users simply be skeptical (as the old ‘rules’ dictate) or should they be interested (as their new data demands are dictating)?

Indeed, what are these ‘new data demands’ and why does this all matter? The answer has two aspects—it’s about economics and it’s about data growth. The intersection of these two aspects creates opportunities. Users of all sizes are faced with massive (and often uncertain) increases in the amount of data they have to manage and store, which is now growing much faster than the rate at which the cost of traditional storage is declining. This is a relatively new paradigm (if you will excuse the usage of the word!) and is driven by the growth of files, unstructured data, Web 2.0, and so on. More than ever—unless you are a user with an unlimited budget—price matters. Not just the acquisition cost, but also the cost to run equipment. ESG research recently verified the relative importance of factors for server and storage purchases in the SMB space (see Figure 1).

FIGURE 1. PURCHASE CRITERIA IN THE SMB SPACE



Source: ESG Research Report: Medium Size Business Server and Storage Priorities, June, 2008

Both acquisition and operational costs can be seen to be far more important to users than other factors that might otherwise be assumed to be key. Good examples of factors that are often given overstated importance (at least by marketing ‘slide-ware’) are the last two or three items on Figure 1; no doubt the intent of driving such a message of requisite specialization is to maintain and extend the aura that all storage should be application- and even industry-specific).

To re-state a major premise of the Nexsan approach very simply: although users want good value in terms of price, they do not expect a feature-less product as a result! Part of the historical challenge in this respect has been the acceptance that there must always be different storage boxes, and often different controlling software, for different data. Naturally, all data has a lifecycle (from active and dynamic, through to persistent and inactive¹) and using multiple systems to address this adds great complexity and management cost; not to mention, good

¹ For full details, see ESG Brief: A Methodology for Driving Total IT Efficiency Using Four Simple Data Lifecycle Stages, June 2008.

opportunities for additional sales margin and services sales in the traditional model. Many current innovations are seeking to address this ‘rule,’ for example with easier management and more automated tiering. However, Nexsan’s approach suggests that the answer could be *removing* complexity rather than *managing* it. In other words, other than at the extremes of requirements, Nexsan is saying that it is entirely possible to have an SMB storage system that provides ‘pretty much full service storage for pretty much most data.’ This statement reads so easily, that one can be forgiven for not appreciating quite how contrarian a view it represents and to what extent Nexsan’s approach seeks to ‘change the game.’

Nexsan – Making Waves

Especially for first-time readers about Nexsan, the product packages—not to mention their names!—can be startling. There is SASBoy, SATABoy, and SATABeast, as well as DATABeast and The Edge (this last product is perhaps the least immediately apparent from its name; it is Nexsan’s all-in-one, block and file, NAS control and management offering based upon Microsoft’s popular WUDSS tool). The Nexsan products can be mixed as needed and run centrally; the company is aiming to allow mainstream users ‘to choose *not* to have to make multiple choices.’ Although Nexsan would be the first to acknowledge that its products are not designed for extreme OLTP needs, it nonetheless offers a product set with a good balance of scale, performance, density, and energy efficiency. Without turning this into a product brief, here is an idea of the breadth and depth of the current offerings:

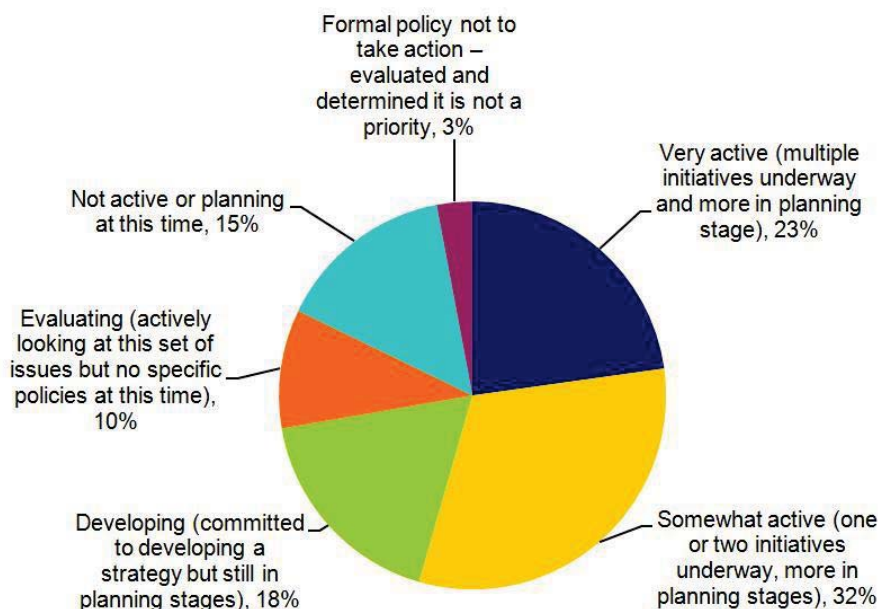
- **Scale:** users can have anywhere from just a few TB to a massive 4 PB (and theoretically even beyond that with the DataBeast), and can scale either their capacity and/or performance attributes non-disruptively. Capacity wise, The Edge offers up to 84 TB in 9U of space and SATABeast can scale to 42 TB in 4U.
- **Data Types and Protection:** both block and file (NFS/CIFS) are supported, so FC SAN and NAS can be on one central system. Also available are mirroring and remote replication facilities for granular protection.
- **Management and Feature Set:** Nexsan offers many functions that are usually regarded as ‘Tier One’ management functions, such as virtualization, thin provisioning, tiering, and snapshots. And, just this month, Nexsan released the latest 6.0 version of its Assureon 6.0 platform, which extends its existing CAS functions by adding a federated archive architecture.
- **Software Philosophy:** the same software works across all Nexsan hardware platforms and is one price, one time. None of the features (such as snapshots or replication) are unexpected ‘extras;’ and there is no set of additional charges as users grow capacity and performance.
- **‘Green’:** AutoMAID is Nexsan’s term for automated and graduated power-down options, which offer more flexibility than a straightforward MAID or on/off spin-down option. The fact that more and more vendors are going down this ‘green’ path only goes to show that Nexsan was right to pursue it. ESG research (see Figure 2) shows clearly that such abilities are already relevant to the majority of IT operations.
- **Affordability and Ease:** Nexsan has never been shy about being economically attractive, but today it is driven as much by the advanced features (for example, thin provisioning and tiering) as by the economical acquisition cost. And products such as DATABeast are designed specifically via pre-installation and pre-configuration to be easy to plug in and quick to play.
- **Reliability:** one way that Nexsan keeps its TCO low for users, and its own support costs down, is to employ extremely thorough (and unique) testing of every drive that it ships. This is another perfect example of a way that users get more for their money than might otherwise be expected.

The summary of the above list is that Nexsan is already shipping what many of the more traditional vendors are only talking about. In a world of rapidly growing demands for fixed and unstructured data storage, where TBs are discussed as easily as MBs were just a short time ago, users and prospects are faced with stark trade-offs

between price and performance that traditional storage systems demand of them. Nexsan's approach of unified and modular storage offers a balance of scalability with an attractive price and impressive functional value.

FIGURE 2. ADOPTION OF GREEN IT INITIATIVES

Please describe your organization's current level of activity with respect to green initiatives. (Percent of respondents, N=1,000)



Source: ESG Research Report: Global Green IT Priorities: Moving Beyond Server Optimization, September, 2008

The Bottom Line

There's a famous TV commercial that says 'with a name like Smuckers, it has to be good!' It's easy to imagine that the creators of SASBoy and SATABeast are thinking along similar lines! If you're going to aim to be different, then there's no point skulking in the shadows of normality! Is Nexsan's differentiation paying off? Unfortunately, as the company is in the initial phases of an IPO, any specific speculation or potentially influential business commentary is forbidden. These comments are therefore strictly about the company's products and its market positioning.

Nexsan is trying to make waves, rather than merely ride them. This is of course excellent in many ways, as some market battles are already 'over' for all intents and purposes. Seeking to challenge EMC or NetApp head-on in their market strongholds is tough for anyone and all-but-impossible for a smaller organization. Thus, Nexsan is not aiming its message at 'Tier One' storage. The fact that its systems could do so for some users is not the point; what is more important—and credible—is that there are plenty of 'blue oceans' (or green fields or whatever colored analogy you like) out there. In such places, the mantle of highly reliable, very functional, eminently affordable, everyday storage for the burgeoning demands of the mid-market is not owned by any single vendor yet. It is certainly a wave to ride, while Nexsan attempts to make its own waves by breaking some of the 'rules' of storage. The company certainly has a clear direction, a committed channel, and a fine product set. So the opportunities are available... and enormous. As for challenges, there are really three main ones for Nexsan to deal with:

- Gaining sufficient awareness: Nexsan's 100% channel model is both an asset and an issue in this respect. Its resellers are committed and knowledgeable, but their market reach is limited.
- Getting people's jaws off the ground! It is a simple truth that when a market is used to certain attributes, approaches, and pricing, those vendors that seek to establish new rules can be treated with skepticism. Only time, persistent success, and strong references can eventually change entrenched opinions and negate the feeling of potential added risk that any 'new' vendor carries. Big leaps forward in overall value can inevitably

seem too good to be true at first. But sometimes, we are just letting our attachment to the status quo hold us back.

- Although Nexsan's target market does not have defined incumbents yet, all the major storage vendors have seen the opportunity and are targeting it. Big players can typically acquire or develop the functions or platforms the market needs, but can also suffer from the need for higher internal rates of return and not want to adjust their business model in one area since it can highlight their deficiencies elsewhere.

Having mentioned functionality, there are some pieces that Nexsan does not offer—for instance, deduplication, compression, and a clustered NAS ability. To be fair, not all of these are needed in every user implementation (for example, dedupe is invariably of little value in a medical/PACS environment) and, in addition, Nexsan's channel can deliver 'personality units' (either appliances or applications) as needed to fill the gaps. Some of the other competitive challenges that get leveled at Nexsan seem to be borne more of simple old-fashioned attitudes—for example, some ask why Nexsan applies its AutoMAID energy efficiency to SAS drives, to which the simple answer is, why not? Even a BMW has to drive to the supermarket at times! Such competitive debate is wonderful for Nexsan—it should encourage all such conversations because it means it is being talked about, which translates to much-needed awareness and consideration. As mentioned early in this paper, Nexsan needs not just awareness in 'fresh' places, but also fresh-awareness from those who do not realize how much more robust and inclusive the current Nexsan product offering is compared to that of a few years back. To drive awareness more, one tactic Nexsan might consider employing more is to approach CFOs just as much as CIOs. This can be a risky sales proposition as it can sometimes alienate less assured CIOs, but it is probably a risk worth taking in order to enable a substantial move in the market. Additionally, success stories that emphasize money saved by Nexsan without any detrimental effects on IT service levels or abilities would be powerful levers at any time—but especially now in the belt-tightening global economic environment. Even if the result is not always a Nexsan purchase the first time around, such activity can, at a minimum, generate awkward discussions for the competing vendors.

Nexsan's overall proposition has the potential to change market dynamics—as long as it can get heard, tried, and proven. Many users fit the bill as potential users of its products—it's no longer just about being 'cheap and deep' (although that's nothing to be ashamed of at all) *but* Nexsan adds considerable function to drive its overall value up and to create those genuine disruptive possibilities. With far more upside than downside (the opportunities in its chosen market being huge), Nexsan can afford to shout *its* new 'rules' loud. And maybe even help shift some old paradigms once and for all!