

Ellison reemphasizes support for Pillar Data as it promotes 'app aware' storage

Analyst: Simon Robinson

Over three years after it began shipping its Axiom storage systems, **Pillar Data Systems** continues to make progress in a competitive market that is becoming more cutthroat as the economy continues to wallow. The company believes its technology platform allows customers to realize significant savings through high-capacity utilization and lower operational costs, and is now fine-tuning its go-to-market strategy around 'Application Aware' storage. The company also believes a recent affirmation of total support from its sole backer, Larry Ellison, should dispel any concerns over its financial viability.

The 451 Take

Almost four years after releasing its first product, Ellison's continued commitment to Pillar is testament to the belief he has in the company's potential to be a disruptive force in the storage market. This belief is supported by Pillar's customer base, which continues to grow despite the fierce competitive nature of the market. We think Ellison's pledge of ongoing support will be important in allaying any concerns over Pillar's future, while the addition of new features such as SSD drive support demonstrates the company continues to invest in ways to improve its value proposition. While we don't think Pillar will be in a position to make it to the public market anytime soon, we are encouraged by its continued progress. Indeed, we reiterate the sentiments we expressed when we first initiated coverage of the company back in 2005; Pillar is no ordinary startup.

Context

Formed back in 2001, San Jose-based Pillar Data Systems launched with a mission to disrupt the storage market with a system it claimed would provide unheralded levels of efficiency, automation and ease of use. Since it began shipping its Axiom storage systems in August 2005, it has sold over 800 systems to more than 450 customers worldwide; up by around 150 customers since we last caught up with the company in early 2008 (when it said it had shipped around 500 systems).

Customers are spread across a broad range of verticals, including retail, higher education and government. The company has sold around 75% of its systems in North America (accounting for about two-thirds of revenue), with most of the remainder sold in Europe; it has sold a smattering in Asia-Pacific, mostly in Japan. Pillar's headcount currently stands at around 325, down from a peak of over 500.

Funding

The current economic climate is placing new pressures on technology startups as the credit markets tighten and VCs become much more selective in terms of choosing the prospects they invest in and how much they invest in them. Pillar has always noted that its funding model sets it apart from most VC-backed enterprises, since it operates with much more freedom than the average VC-backed startup. This is proving to be even more important in the current environment, it says.

Pillar is funded exclusively by **Oracle** CEO Larry Ellison's investment company, **Tako Ventures**, which, to date, has invested some \$350m in the company. In an environment where its customers and prospects are increasingly seeking reassurances over the long-term viability of their technology suppliers, Pillar believes it has the perfect response. Ellison recently stated in a letter to Pillar CEO Mike Workman that he remains '100% committed to the long-term success of Pillar,' noting that he has 'every intention to fund Pillar until funding is no longer needed,' adding that he was 'very pleased with the progress of the company.' Indeed, Pillar appears determined to make it as a standalone company and hopes to make it out as a public company once the economy shows signs of recovery and the IPO window begins to open.

Strategy

Pillar is building out a go-to-market strategy that is focused on enabling channel partners to position its storage systems as a compelling platform to support critical business applications. The company has invested heavily in technologies that equip its Axiom systems with application awareness, and Pillar is focused on recruiting partners with particular expertise in 'solution selling' around Oracle (RAC and data-warehousing applications), **Microsoft** (SQL Server and Exchange) and **VMware** applications. Its partner policy is based on 'quality, not quantity,' and it is aiming for a couple of partners in each major metropolitan market in North America, with a more country-specific focus in Europe (chiefly focused on the UK, France and Germany).

It currently has some 35 focused partners in North America and around a dozen in Europe, but will continue to recruit quality, focused partners. It recently overhauled its channel loyalty program to include favorable pricing for performance, service revenue for certified partners, rebates, and new product and technical training modules. It is also making demonstration systems available, and provides partner access to any Pillar resources through a new 'executive care' program. Pillar is focusing its partner efforts on some specific vertical markets, including service providers, digital content management (especially in healthcare and higher education) and business analytics in the media and entertainment and oil and gas industries.

Pillar maintains a sales force for targeted accounts – around one-third of its total staff is in pure-sales roles today. The company's sales compensation plan incents the sales force to execute through the channel and acquire new customers.

Products

The Axiom 600 system remains Pillar's flagship product, providing SAN, NAS and tiered storage capabilities in a single system for organizations ranging from SMEs to large enterprises. It's made up of three distinct hardware components: 'Slammer' units provide the throughput performance, 'Bricks' provide the capacity and input/output operations per second, and a 'Pilot' provides a management interface. By distributing RAID processing across the drive enclosures (Bricks), Pillar says it is able to offer customers the flexibility to scale capacity and performance independently of each other to match their specific requirements. A single Axiom system can consist of up to four Slammer units and up to 64 Bricks (832 drives).

Pillar also offers an entry-priced model, Axiom 300, which is geared to price-sensitive customers in the SME market. The Axiom 300 can be upgraded to an Axiom 600.

The AxiomONE software suite runs on top of this hardware platform and allows customers to manage the capacity of the system into a 'virtual' pool of storage, which can be provisioned on a per-application or -operation basis, according to predetermined quality-of-service requirements managed by Application-Aware profiles. Hence, different applications (and their discrete operations) can enjoy different QoS levels – for performance levels and RAID protection – and storage administrators can change the QoS associated with a particular logical unit number or file by dynamically moving it to a different service level within the pool. This approach, Pillar says, allows it to deliver high performance, while its thin-provisioning implementation also enables high levels of capacity utilization; indeed, it guarantees customers can expect utilization rates of 80% in the system – written data, not just allocated capacity – around double the industry average.

Pillar continues to expand its product proposition with a range of new and pending features. A recent and significant addition was that of solid-state-disk (SSD) drive support. This meets the requirements of customers with very high performance needs, especially those with performance-sensitive random read applications, such as large Web-based search applications. Integration with its QoS-driven Application-Aware profiles means that it can limit activity on the SSD to those operations that really benefit from it, which it believes will help customers derive more value from their investment. Pillar now offers five 'bands' of performance, with new SSD-based premium performance sitting on top of existing high, medium, low and archive tiers.

Pillar is initially offering enclosures populated with twelve **Intel** Extreme (X-25 E) SSDs as an option for its Bricks, complementing existing support for fiber channel and SATA drives. However, it's also considering adding SSDs as an option inside the Slammer unit, where it can reside closer to the I/Os and operate in conjunction with existing memory resources as part of a tiered-memory environment. Pillar is also planning to add SAS drive support.

Meantime, Pillar has a number of additional product and feature enhancements in the works. Many of these are geared around improved native-data protection and availability capabilities. Native replication for both SAN and NAS data is one such initiative, and will be designed to complement the multiple file and volume replication tools Pillar currently resells

from partners **InMage** and **FalconStor**. Capabilities to further optimize Axiom for a range of snapshot and copy services, as well as to manage multiple geographically-distributed Axiom systems as a single system split into multiple virtual domains, are also in development.

Additional application-awareness features are also planned, such as the ability to map and manage the storage provisioned to specific applications and their operations across geographically dispersed configurations. This, it says, will allow customers to better fine-tune service levels across user communities and enable concepts like 'charge-back.'

Competition

As already noted, the storage-systems market is extremely competitive, especially in the midrange, modular space – where Pillar mostly competes. Although rivalry is becoming more intense in the current environment as end-user IT budgets are squeezed, the continued growth of data means that not buying more storage is not an option for most organizations. Therefore, storage buyers are looking for systems that offer high utilization and that help to reduce operational costs.

Pillar's major rivals include **EMC**, **IBM**, **HP** and **NetApp**, with newer players such as **Dell/EqualLogic** and independents such as **Compellent** and **3PAR** also active, particularly when it comes to supporting virtual-server environments. Pillar notes it has started to see its major rivals become more price-aggressive earlier in the sales cycle, where it strives to win on the basis of its claimed technology advantage.

SWOT analysis

Strengths	Weaknesses
Through his Tako Ventures investment vehicle, Pillar's sole backer, Larry Ellison, has already demonstrated significant financial commitment to Pillar. Confirming his future commitment should allay any concerns over the company's financial viability.	Pillar is still reliant on third-party partners for important features such as replication (although it's also developing such capabilities internally).
Opportunities	Threats
Organizations of all sizes are more receptive to alternative approaches to storage as they deal with continued data growth at a time when IT budgets are being squeezed.	Competition is increasing in an already fiercely-competitive market, which will place further pressure on pricing for all vendors. Pillar needs to make its technology differentiators count more than ever before.

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