MARKET NOTE

Hitachi Vantara Drives a Compelling Value Proposition as It Pursues Midrange Storage Customers

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Hitachi Vantara Jumps into Midrange Storage with an Aggressive Offering

Although Hitachi Vantara has not traditionally competed in the midrange enterprise external storage market segment, it has made quite a splash in the space with its new E Series portfolio. These systems offer unparalleled infrastructure density in aggressively priced packages and include a 100% data availability guarantee to boot — something not often seen in the midrange space. The vendor has also taken other steps to make the E Series portfolio (made up of the E590, the E790, and the E990) extremely attractive as it begins to court midrange customers. At this point, it's really too early to gauge sales success, but the vendor has taken the right steps and now it's a matter of execution.

Key Takeaways

- Although midrange enterprise storage customers want many of the same things that high-end customers do, they differentiate themselves in prioritizing infrastructure efficiency, ease of use, and aggressive pricing. Aside from that, they concur with their high-end peers in looking for performance, availability, functionality, cloud integration, subscription-based pricing options, and good value for the money. Notably, the E Series systems use the same Hitachi Storage Virtualization Operating System (SVOS) as the vendor's higher-end systems.
- Hitachi Vantara has addressed those midrange-focused requirements very specifically by engineering very compact designs for systems with very high performance and capacity density, using system management defaults to make the E Series very easy to deploy and manage (even for less experienced storage administrators) and very aggressively pricing the systems at below its target competitors.
- Hitachi Vantara has also taken steps to build a more midrange-focused go-to-market strategy, signing up new VARs that focus on the midrange and making investments in training and market development programs. These investments support midrange sales efforts at both new channel partners and at existing channel partners that have been equally interested in leveraging their high-end storage footprint at happy existing accounts to provide midrange storage solutions as well.
- For customers primarily looking for midrange, block-based NVMe storage, Hitachi Vantara's newly expanded E Series portfolio merits a close look.

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IN THIS MARKET NOTE

In mid-2020, Hitachi Vantara introduced a midrange version of its flagship, Hitachi Virtual Storage Platform (VSP), for the first time, and in late 2020, it expanded its midrange VSP portfolio. This represents a major change in the longtime enterprise storage vendor's strategy that has also driven an evolution of its indirect channel strategy. This IDC Market Note reviews the vendor's midrange offering, commenting about its prospects in enterprise storage going forward.

IDC'S POINT OF VIEW

In 2020, Hitachi Vantara, a subsidiary of Hitachi Ltd. and a vendor known primarily for its high-end enterprise storage systems since the 1990s, has undergone a significant change. In July 2020, the company's former CEO and chairman, Toshiaki Tokunaga, announced the appointment of Gajen Kandiah as Hitachi Vantara's new CEO. Kandiah comes to the vendor with a wealth of experience, growing and leading multibillion-dollar enterprise information technology (IT) businesses. Most recently, Kandiah was the president of Cognizant's Digital Business, having spent 15 years at that vendor and helping it grow from $368 million in revenue to over $16 billion. In the roughly six months since his appointment, Kandiah has made some significant changes to the venerable storage vendor's executive team and infused significant new blood into the middle management ranks. Bobby Soni succeeded Brian Householder as president of the Digital Infrastructure business unit (the unit most directly responsible for enterprise storage sales), and the vendor announced a new head of Hitachi Vantara marketing, John Magee.

For many years, Hitachi Vantara has focused primarily on high-end storage. The vendor's VSP has evolved over time from hard disk drive (HDD)-only arrays to hybrid and all solid state systems, and in late 2019, the vendor introduced an all-NVMe version of that platform: the VSP 5000 series. The high-end VSP 5000 can handle up to 21 million IOPS and support 69PB of raw storage capacity, still representing the apex of multi-controller SAN array technology even more than a year after its introduction. The vendor expanded its all-NVMe offerings into the midrange in May 2020 with the introduction of its initial E Series array — the E990. Then, in December 2020, the vendor extended the E Series to lower-end price points with the E590 and the E790. These midrange systems are "all NVMe only" and boast impressive performance and capacity density relative to other midrange offerings.

The E Series uses an active/active controller architecture, runs the same storage operating system as all of the higher-end VSPs (the Hitachi Storage Virtualization Operating System [SVOS]), and supports fully redundant, hot pluggable components. With all the same resiliency features as the higher-end systems, the E Series is covered by Hitachi's 100% data availability guarantee — something not found in many midrange storage systems. Using the systems' inline artificial intelligence–driven Adaptive Data Reduction (compression and deduplication), Hitachi offers a unique "sight unseen" 4:1 data reduction guarantee (or a 7:1 total efficiency guarantee if thin provisioning and space-efficient snapshots are also taken into account). And the systems include a wealth of bundled storage management functionality, including configurable RAID levels, AES 256 encryption, storage virtualization, in-system replication, embedded management, copy data management, infrastructure analytics, and nondisruptive data migration.

Meeting midrange enterprise storage customer requirements has prompted some changes to how Hitachi Vantara does business. In addition to not requiring as much top-end performance and

scalability as high-end customers, midrange customers highly value ease of use and lower price points. And many midrange customers like to work with value-added resellers (VARs) that can offer them products from more than just one vendor. Hitachi Vantara noted these differences and made some changes with the new E Series introductions:

- **Compact designs with high infrastructure density.** The E590 and E790 are based on the 2U24 form factor. The E590 can drive up to 4 million IOPS, deliver 22GBps of bandwidth, and support up to 361TB (internal) or 144PB (external), while the E790 can drive up to 6.8 million IOPS, deliver 32GBps of bandwidth, and support up to 361TB (internal) or 216PB (external). The E990 takes up 4U and accommodates up to three additional 2U24 expansion trays, driving up to 5.8 million IOPS, delivering 30GBps of bandwidth, and supporting up to 1.44PB (internal) or 287PB (external). Host connection options include both 32GBps Fibre Channel (FC) and 10GbE iSCSI. It is also notable that the E990 is storage-class memory (SCM) ready.
- **Ease of use.** The E Series introduces embedded management for simplified system configuration, which includes default settings for most storage parameters, making it very easy to set the system up (30 minutes), provision storage (five clicks), and operate the unit — making it highly attractive for smaller deployments whose administrators may lack sophisticated storage management expertise. The systems do support the full Hitachi Ops Center management suite, which provides all the sophisticated storage management functionality experienced VSP administrators have come to know and love, for those that prefer that approach.
- **Lower price points.** Hitachi Vantara product management performed extensive research on competitive pricing prior to introducing the E Series. One look at its pricing makes its intent very clear: It is pricing below its biggest midrange competitors to make it easier to introduce an unfamiliar (but proven) vendor to a new group of customers.
- **Expanded indirect channel strategy.** One of the key challenges for Hitachi Vantara is that it is not a known quantity for midrange customers and ecosystems. To generate this awareness, the vendor is recruiting new midrange partners and enabling them with extensive training and marketing development funds. While Hitachi Vantara has always used two-tier distribution with partners like Tech Data, Arrow Electronics, Ingram Micro, and other more country-specific distributors, it is engaging more with downstream VARs through and with their key distributors in a more collaborative sales and support model. Even as it builds out this new channel infrastructure, Hitachi Vantara notes that its existing channel partners have wholeheartedly embraced its new midrange offerings, welcoming the opportunity to increase its footprint in accounts that already highly value the reliability high-end Hitachi Vantara storage brings to the table.

Hitachi Vantara has traditionally competed with other high-end storage vendors like Dell EMC, HPE (more for Nimble storage than for Primera storage), IBM, and Huawei (outside of North America). Those enterprise storage providers all have thriving midrange storage businesses, a factor that they often use to their advantage in sales situations against the vendor. Hitachi Vantara's decision to enter the midrange market promises to address that to the extent that the company delivers on the requirements of midrange storage customers. With its compact design, ease-of-use enhancements, and aggressive pricing and channel strategies, it has taken the right steps. Now the vendor just needs to execute.

Hitachi Vantara's decision to leverage SVOS in the company's midrange systems is an important one. Besides providing true high-end storage operating system functionality, it also means a common management paradigm between its midrange and high-end systems. Hitachi's existing high-end

systems have a storage OS that has a very comprehensive and proven set of tools. Since the E Series runs the same OS as the VSP, it has access to all the same tools. This is important since many of the company's competitors have a completely different OS for their midrange systems than they do for their high-end systems, and the midrange versions do not offer all the same functionality.

With the introduction of higher-performance storage technologies like NVMe, more customers are using midrange platforms for workload consolidation that requires multiprotocol support (specifically, block-based and file-based workloads simultaneously). Performance and availability are key concerns as customers more densely consolidate workloads onto a single platform. With insufficient performance, the "noisy neighbor" problem can impact IT's ability to meet latency requirements, and with more workloads consolidated into less rack space, larger fault domain sizes can give IT administrators pause. A number of midrange storage platforms provide native multiprotocol support. Both NetApp ONTAP and Dell EMC Unity/PowerStore have provided this capability for quite a while, Pure Storage introduced that capability in 2020, and smaller vendors like DDN (with its IntelliFlash portfolio) also offer it. Hitachi Vantara provides a NAS gateway option for its E Series systems, but gateways can offer less performance than native implementations.

When it comes to systems that will primarily be used for block-based storage though, the E Series provides a compelling value proposition. First, the system sets the midrange bar for performance density. Most midrange systems provide 1 million–2 million IOPS. While the Dell EMC PowerStore can get up into the 4 million IOPS range, that requires a four-node cluster, whereas the E Series gets into that range (or above) with a single 2U system. (The E Series, by the way, does not support clustering like the NetApp and PowerStore systems do.) Second, the E Series draws on Hitachi's pedigree for rock solid reliability and includes a 100% data availability guarantee on single systems — a feature that is rare in the industry and even rarer among midrange platforms. For block storage customers that do not also want to put high-performance file systems on a unified storage platform, the E Series value will be hard to beat.

Shaking Up Midrange Enterprise Storage: the Hitachi VSP E Series

While external enterprise storage overall will be growing slowly over the next five years with a compound annual growth rate (CAGR) of 1.6%, the midrange segment of that market will be the fastest growing. In 2020, midrange storage generated $17.6 billion (out of a total external storage market of $28.8 billion), and it is expected to grow at a CAGR of 2.9% to hit $21.2 billion in 2024. Although Hitachi has felt the pain of the pandemic year like many of its competitors, its traditional segment (external, high-end storage) is actually expected to decline at a CAGR of 2.9% through 2024, even though the storage market overall is expected to start to recover in 2021. For this reason, Hitachi Vantara's entrance into midrange storage should help buoy the vendor's revenue growth rates over the next five years.

In addition to its longtime competitors, with the introduction of aggressively priced midrange offerings, Hitachi Vantara expects that it will be seeing other midrange storage competitors like NetApp and Pure Storage more often. Competing more with these vendors will introduce somewhat of a different dynamic as both of these vendors have become particularly adept at marketing their cloud integration capabilities and the quality of customer experience they deliver. Hitachi has good stories across many of the areas customers care about — artificial intelligence–driven monitoring and automation (which the vendor calls AIOps), cloud integration, subscription-based pricing, guarantee programs, and customer experience — but there is no doubt that it would be able to compete more effectively if it could make more potential customers aware of what it offers. The standout infrastructure density, availability, and

pricing of the E Series will catch the eyes of potential customers across both the midrange and high-end segments, hopefully giving them the incentive to look more closely at other aspects of the overall customer experience Hitachi Vantara delivers.

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Related Research

- *Worldwide and U.S. External Enterprise Storage Systems Forecast Update, 2020–2024* (IDC #US46069720, December 2020)
- *Worldwide Enterprise Storage Systems Market Shares, 2Q20: ODM Direct and Internal Server-Based Storage Lead Surprising Second-Quarter ESS Growth* (IDC #US46976620, November 2020)
- *Key Takeaways for Hitachi NEXT 2019: DataOps, Cloud, and Automation* (IDC #US45610719, November 2019)
- *Hitachi Vantara Brings NVMe to Its Flagship Enterprise Storage Arrays* (IDC #US45596019, November 2019)

Synopsis

This IDC Market Note reviews the vendor's midrange offering, commenting on its prospects in enterprise storage going forward. In mid-2020, Hitachi Vantara introduced a midrange version of its flagship, Hitachi Virtual Storage Platform (VSP), for the first time, and in late 2020, it expanded its midrange VSP portfolio. This represents a major change in the longtime enterprise storage vendor's strategy that has also driven an evolution of its indirect channel strategy.

"As enterprise storage vendors have refreshed their midrange storage offerings, these systems are beginning to offer the same functionality as traditional high-end storage in a less expensive package with less top-end performance and scalability," said Eric Burgener, research vice president, Infrastructure Systems, Platforms, and Technologies Group, IDC. "The new Hitachi Vantara E Series is an excellent example of that and sets the vendor up very well to have a big impact on a market segment in which it has not traditionally competed."

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