

Zetta raises series B funding, gains momentum in hybrid cloud backup/recovery fray

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Following the addition of a Lean Local Copy feature late last year, which put the software-only vendor in the ranks of hybrid cloud backup/recovery vendors, Zetta recently released the 4.0 version of its DataProtect software. The release extends the local backup function to all data sets, and includes dynamic TCP window sizing (i.e., 'chunking') to increase performance up to 200%, according to the company. Zetta also added a plug-in for backing up NetApp filers, which it expects will help it enlist VARs from among NetApp's extensive reseller roster.

The 451 Take

The hybrid cloud backup/recovery market is red hot, but it's difficult for many of the vendors in this space to differentiate. We think that Zetta has an edge here with two clear-cut differentiators: a proprietary file system (as opposed to the object stores that some other vendors use in their clouds) and WAN-optimization techniques that allow it to target larger backup capacities than most of its competitors. This, in turn, allows Zetta to go after higher-margin accounts. We also applaud the company's new messaging that is focused squarely on performance, because we think that performance is Zetta's key differentiator versus the hordes of other vendors crowding the hybrid cloud-backup market. In addition, we think the addition of a plug-in for backing up NetApp systems will help Zetta draw more resellers into its relatively small roster of channel partners.

Context

After repositioning itself a few times in its five-year existence, Zetta is now squarely focused on the rapidly growing market for hybrid cloud-based data protection. After a slow start (in part due to the repositioning), Zetta is beginning to gain momentum in terms of its customer count, claiming almost 400 customers. That compares to 200 accounts six months ago, and 135 one year ago. The company claims to be closing 35-40 new customers per month.

One of Zetta's more significant recent wins was Westinghouse Lighting, which replaced a tape-based Symantec Backup Exec infrastructure. One of the reasons that Westinghouse went with Zetta's cloud-based disaster recovery as a service was that it did not require the purchase of specialized appliances. In fact, Westinghouse IT execs estimate they saved about \$50,000 in anticipated expenditures on hardware appliances.

The fact that Zetta does not sell on-premises appliances is a differentiator versus most of the other players in the hybrid cloud backup/recovery space. Westinghouse is indicative of Zetta's target customers; it has more than 35 servers (10 of which are virtual servers) and 5.5TB of data that is backed up per week. Zetta's target customers typically have 2-40TB of capacity; this compares to target capacity of less than 3TB for many of its competitors. A sampling of other Zetta customers includes the March of Dimes, Livescribe, Merced College, the UCLA Bruins and Long Beach Transit.

As mentioned in previous reports on the company, Zetta has been short on partners relative to its competitors, but it is slowly growing its reseller base. The company now has about 30 channel partners - many of which are MSPs - compared to 20 partners six months ago and only four resellers one year ago. About 40% of Zetta's revenue comes from the channel, with the remaining 60% coming from direct sales (versus 70% direct and 30% channel six months ago).

Zetta has about 2.5PB of capacity under management, compared to 2PB at the end of 2012. The company has two datacenters, in Santa Clara, California, and Secaucus, New Jersey (hosted in Equinix colocation facilities), with replication between the two datacenters. Zetta plans to add datacenters and expand aggressively into international markets in 2014.

Zetta recently raised an additional \$8m in series B funding, led by new backer Industry Ventures, bringing its total funding to \$39.5m. Existing investors Foundation Capital and Sigma Partners also participated.

Products

Late last year, Zetta introduced on-premises backup software, which it calls Lean Local Copy, a move that qualified it as a hybrid cloud-backup vendor because it added local backup/restore functionality. Lean Local Copy enabled users to store the most recent copy of large backup files locally on existing hardware. Zetta followed that up with a number of enhancements in the recent 4.0 version of its DataProtect software.

One minor enhancement is that it extended its Lean Local Copy to all data sets, as well as directory structures and file systems (previously, it was limited to large data sets). Another enhancement, on the performance front, was the addition of dynamic TCP window sizing, or chunking, which enables Zetta's software to send data in variable sizes over the WAN. The company claims a 200% performance improvement via features such as dynamic TCP window sizing.

However, we think that the addition of a NetApp plug-in is the most significant addition to the DataProtect 4.0 software. The plug-in allows Zetta's software to back up NetApp filers, including the ability to centralize backups from remote offices, thus eliminating the need for NetApp hardware at remote sites. But Zetta also hopes that the NetApp plug-in will help it expand its channel program through the enlistment of NetApp's VARs. DataProtect 4.0 pricing starts at \$225 per month, including unlimited software and 500GB of cloud storage.

Competition

Zetta considers 'traditional' data-protection vendors (some of which have added online backup/recovery) to be its primary competitors, specifically mentioning Symantec, EMC, CommVault, Acronis and Dell (mostly Dell's AppAssure product).

Another set of competitors are the hybrid cloud backup enablers/providers, including vendors such as Axcient, Barracuda Networks, Datto, Unitrends, Quorum and many others. All of these vendors sell appliances, and Zetta considers its software-only approach to be an advantage. Other competitors include online backup/recovery vendors that started out in the consumer space but are moving aggressively into the business sector, most notably Carbonite, EMC's Mozy service, HP's Connected service (via its Autonomy Corp acquisition), Code 42 Software (CrashPlan service), SOS Online Backup, Vembu and others.

We think that Zetta's two key differentiators are its proprietary (although standards-based) back-end file system (as opposed to an object store) and its software-only WAN optimization. The file system was developed when the company was positioning itself as a 'NAS killer' and trying to

replace vendors such as NetApp. And the company's WAN optimization technologies include data de-duplication, compression, parallel data transfers (up to 64 simultaneous backup streams), a multi-threaded WebDAV implementation, and sub-file changed-block detection. These enable Zetta to handle larger data sets than most of its competitors; for example, the company claims that some of its customers are pushing 3-4TB daily over standard Internet connections.

Another differentiator is that, unlike most hybrid cloud backup/recovery vendors, Zetta does not sell hardware appliances for on-premises deployment. The company argues that the disadvantages of appliances are that they provide a single point of failure and that they add expense - particularly if users have to install them in a large number of distributed offices. Zetta officials believe this is a primary differentiator in the xSP market, where service providers typically do not want the added encumbrance of managing distributed hardware devices.

SWOT Analysis

Strengths

Although a software-only approach, Zetta's WAN-optimization techniques translate into better performance than most of its rivals.

Opportunities

The addition of a NetApp plug-in in the recent 4.0 release of its software could help Zetta recruit VARs from NetApp's large reseller base.

Weaknesses

Zetta is relatively unknown in the IT community, which could be a disadvantage as it targets larger companies. In addition, the company has a relatively small reseller base compared to its competitors.

Threats

The small company faces more than a dozen direct rivals, including large vendors such as Carbonite, Mozy and Seagate's EVault unit, which are moving from their consumer roots into the SMB market.

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