

Market Definition:

The managed storage services assessment looks at a market that provides the means for clients to outsource certain tasks and functions of archiving a company's data for services such as disaster recovery, backups, and offsite mirroring. These include, but are not limited to, facility expansions, value-added services, professional services, network monitoring, and reporting services. The software and services provided by these companies help enterprise IT organizations better manage the complexities of their open systems data storage environments and can increase management control and asset efficiencies to reduce storage management costs and complexities.

With data and information being the lifeblood of the digital economy and as companies seek to collect greater client data, and archive those metrics, it becomes more important to determine how to manage and save these measurements cost-effectively.

Market Review:

- **AT&T Adds to and Extends Hosting Incentives with Storage:** AT&T is including its managed data storage as a part of its hosting incentive program, and while this brings short-term media attention, it is unlikely to move users to action that have not already considered AT&T.
- **Liquidation:** StorageNetworks, one of the high fliers just a few short years ago in the managed storage space, has closed its doors and begun liquidating its remaining assets. Its board of directors had considered a range of options, including selling the company, before deciding to liquidate it.
- **Iron Clad Plan:** Iron Mountain, which had launched a message archiving service in January, is now determining if financial services firms have gaps in their e-mail retention policies and offering consulting services on how companies can fix these discrepancies.
- **Cable & Wireless's Exit:** Cable & Wireless announced plans to exit the U.S. domestic market in mid-2003, leaving its managed storage clients wondering if the service would be shut down or acquired by another company. The company had cobbled together several storage related assets including picking up an extensive product set from its Exodus acquisition as well as buying StorageWay assets.

Near-Term Market Drivers:

- **Business Continuity:** As businesses continue to look for ways to ensure survivability against terrorists, hackers, and natural disasters, having an off-site storage solution that can keep a company up and running becomes a hot entrance ticket for reps. This has provided clients more receptive to managed storage solutions that can provide integral back-up and restoration solutions, either at a company's premise or its outsourced solution.
- **Market Fallout:** Many players have continued flounder and have not been able to keep up revenues to match their costs. Players such as StorageNetworks have exited the managed storage space and are in liquidation. Further, Scale 8, once a player with a unique message for managed storage is but a shell of its former self.

- **Repositioning of Storage Vendors for Managed Storage:** Vendors that have already provided hardware to enterprises now may find a new market space through development with hosting companies to provide outsourced storage solutions.

Long-Term Market Drivers:

- **Data Buildup:** As clients gain greater sources for data, capturing a plethora of information from point of sale, marketing, and other corporate needs, storage is even more critical. While hosting companies store data on their server, storage companies back up mission-critical data for quick and easy storage and recovery. Growth of market, driven by content-rich applications has also played its role and will continue to motivate users to seek outsourced options for storage.
- **Advancements in Transfer Speeds:** Advancements in transfer speed has allowed storage companies the ability to transfer large amounts of data anywhere in the world faster and more reliably. For example, the decrease in bits per second costs of transferring data over a long distance has accelerated the growth of SSPs, VPNs, and other IP markets.
- **Growth of Streaming Media:** The growth of streaming media on the Internet has also created a demand for high capacity storage of audio and video data files. As streaming media files become more quality orientated and depth of content increases, the need for reliable storage and recovery of streaming media files grows. This also opens the paradigm for new business markets. For example, a music dealer with music videos online through which customers can purchase and download a current video, enabling the transaction to take place. With managed storage extended, a business can put the most commonly accessed data on the edge. Modular services mean that a client picks the hosting, storage, and the CDN side to create a customized modular solution for their data needs.

Offensive vs. Defensive Responses:

Market Fallout

Offensive

- As markets fluctuate and companies need to respond to changing user demands, this could mean strategic shifts from managed services to greater focus on software development if that better meets client's needs and gains a company revenues.

Defensive

- A solid service means delivering a product that a client can count on for today's market and tomorrow, and is not built on a risky foundation. Many competitors changing tacks were houses built on sand without an understanding of the complete picture of a client's needs.

Repositioning of Storage Vendors for Managed Storage

Offensive

- Equipment vendors can develop a whole new channel for hardware by expanding into a managed storage solution for clients by running equipment

for clients either on-site or at an off- site location. With a professional services component, this would be an added source of revenue for a company.

Defensive

- Managed storage vendors not hawking equipment may point out the agnostic approach that provides a greater number of clients that may not be on or use a specific storage hardware platform.

Business Continuity Offensive

- Now is a great time to consider the benefits of a managed storage solution, especially off-site backups for a client's data. Vendors have a key opportunity to get in the door with a receptive ear amongst senior management, highlighting the critical nature of company data and ensuring its survival.

Defensive

- While disasters highlight the need for storage options, the likelihood is most companies will not experience a disaster themselves and should take the time to evaluate their needs before rushing to a solution. Vendors still working on a managed storage solution (e.g., storage backup) should highlight this fact, but use this to research client needs in developing a stronger managed storage solution.

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