

Market Insight Report Reprint

Wasabi leverages channel and technology partners to grow customer base

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While cloud-based object storage is ubiquitous, pricing for object storage among most vendors is a complex maze of multiple service tiers, units of API requests and egress charges. Wasabi aims to evade these with its single-price, single-tier object storage, although this comes with conditions on what constitutes a good fit for the service.

451 Research

S&P Global

Market Intelligence

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Introduction

Cloud object storage is quite often a complex affair – the premise of ‘pay money to store data’ is straightforward, though most storage-as-a-service providers differentiate products with multiple service tiers, billed against the capacity of storage consumed, units of API requests, and egress charges. Wasabi Technologies eschews this business model with a single-price, single-tier object storage service.

THE 451 TAKE

Wasabi is making effective use of channel and technology partners to fuel growth, having gained roughly 8,000 customers over the past 10 months. Positioning object storage as an endpoint for other products – Veeam Backup with Wasabi, for example, has over 2,000 customers alone – is fueling growth in the company. The storage-as-a-utility stance appears to be winning hearts and minds, as the singular focus of the firm eliminates the specter of future competition with technology partners.

The value price point is gaining traction. Wasabi claims to be around a quarter of the price of ‘comparable storage from incumbents.’ Typically, attempting to compete on price is something of a race to the bottom – a competitor will inevitably appear to edge others out of the market with a purely price-conscious play. This is a somewhat perpendicular point to Wasabi’s strategy. Lacking a compute option, Wasabi plays in a consciously multicloud world – the firm is not trying to be everything to everyone.

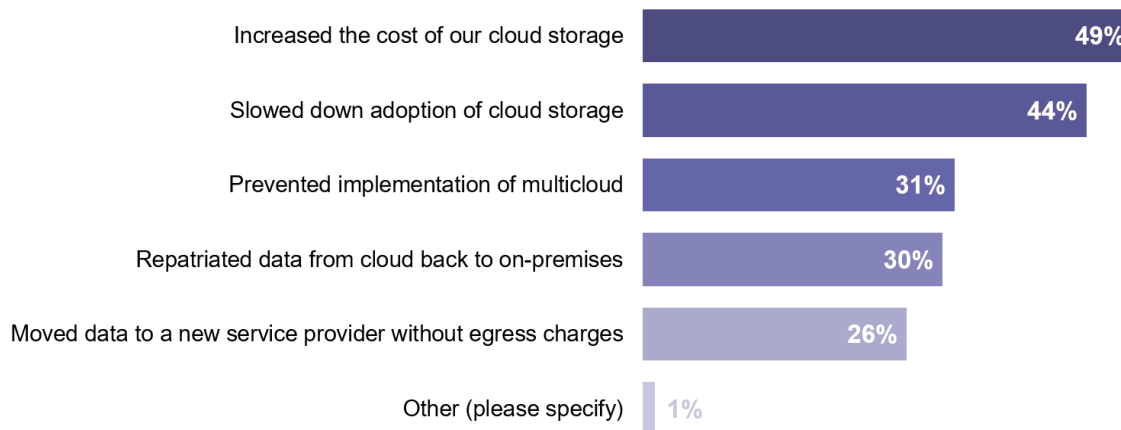
Context

Founded in 2017, Boston-based Wasabi styles itself as a ‘hot cloud storage company’ offering object storage compatible with Amazon S3 APIs. Founded by CEO David Friend and CTO Jeff Flowers, the company envisions a purposefully multicloud future with Wasabi acting as a utility provider of storage, in much the way networking and electricity are utilities. Wasabi’s cofounders are experienced in data storage, the duo started personal computer backup business Carbonite in 2006. That firm was acquired by OpenText for \$805m in 2019. Wasabi has over 150 employees, expanding by roughly 50% since our last coverage.

Wasabi’s pricing structure is at the core of its value proposition: pay-as-you-go pricing is set at \$5.99 per terabyte per month, with no additional charges for data egress or API requests. The firm offers a discounted, contract-based (Reserved Capacity Storage) option for enterprises with over 50TB of data.

Cloud providers’ reliance on egress charges is an encumbrance to cloud storage adoption, with 44% of organizations that were impacted by egress charges claiming these charges slowed their adoption of cloud storage, according to 451 Research’s Voice of the Enterprise: Storage, Transformation survey. Further, 31% of organizations indicated egress charges prevented implementation of a multicloud architecture.

Negative Consequences of Cloud Storage Egress Charges



Source: 451 Research's Voice of the Enterprise: Storage, Transformation 2020 Which negative consequences have occurred? Please select all that apply. Base: Respondents impacted by cloud storage egress charges (n=84)

Funding

Wasabi received \$112m in a series C round led by Fidelity Management & Research Company in April 2021, with participation from existing investors. In May, Wasabi announced an additional \$25m in equity capital led by Prosperity7 (the diversified growth fund of Aramco Ventures) and Western Digital, providing additional funding for global expansion plans and datacenter footprint buildout. In January 2021, Wasabi raised \$27.5m in debt financing to build out additional infrastructure. The firm has, to date, received a cumulative \$275m in funding across all rounds.

Products and pricing

In essence, Wasabi offers S3-compatible SaaS, at a flat \$5.99/TB/month pay-as-you-go price structure (with a 1TB minimum). No alternative tiers are offered for greater or lesser performance characteristics. The firm also offers Reserved Capacity Storage (RCS) for enterprises with over 50TB of storage. Subscribers on the pay-as-you-go plan are subject to a minimum 90-day charge for data, with RCS subscribers subject to a 30-day minimum.

Wasabi does not charge for egress, although egress utilization is confined to a 'reasonable rate' of access: if the total monthly egress is less than or equal to the amount of storage used, Wasabi considers this a 'good fit.' This comes with a caveat: the terms and conditions note that if the storage use case exceeds this guideline on a regular basis, the company says it reserves the right to limit or suspend service.

This limitation is relatively straightforward to architect for, although it makes the service more suitable for data backup and infrequently accessed data – Wasabi is not a stand-in for a content delivery network. Wasabi touts data backup and recovery, cloud tier data, archiving, tape-to-cloud, video surveillance storage, global file share and collaboration, IoT data collection, and data lake use cases.

Technology

As noted in 451 Research's initial coverage of Wasabi, the company's technology stack relies on proprietary low-level code for management – a proprietary algorithm is designed to extend the lifespan and improve performance of off-the-shelf drives by minimizing the movement required for the disk head to read or write data. Likewise, Wasabi utilizes 99% of a physical disk, rather than the 65-70% typical of block-oriented file systems. Wasabi's storage architecture is primarily disk-based, with a small amount of flash storage used for caching/metadata. The firm claims its storage architecture averages out to six times faster than AWS S3.

Wasabi's API is compatible with the AWS S3 API, making it a suitable drop-in alternative to AWS for object storage, subject to egress requirements. For compliance with HIPAA, CJIS, FINRA and other regulatory requirements, Wasabi offers immutable buckets, including support for S3 Object Lock, to prevent modifications to data after upload.

Strategy and partners

Wasabi is quick to point to channel and technology partners – the firm counts a total of 5,300 channel partners of which it claims 93% have delivered orders. Channel partners include CDW, SHI, MicroAge and Climb, among others. Likewise, technology partners integrating Wasabi support into products or services include Adobe, Altaro, Archiware, Arcserve, Caringo, Comet Backup, Commvault, Falconstor, Flexential, Komprise, Milestone, MSP360, Quest, Rubrik, Tintri, Veeam, Veritas and XenData.

Customers

Wasabi has grown to over 25,000 customers, adding roughly 8,000 in the 10 months following our previous report. Marquee customers include May Street, Legendary Pictures, BRUT Media, TITRAFILM and Primestream as well as educational institutions including more than half of the Ivy Leagues schools, Russell Sage Colleges, Northeast Wisconsin Technical College, and the City of McAllen, Texas.

Competition

Nominally, Wasabi's primary competition comes from the major cloud platforms, AWS, GCP and Azure. Alternative low-cost object storage offerings include Backblaze (which starts at \$5.00/TB/month but charges for egress and blocks of API transactions), the open source distributed, high-performance object storage service MinIO, and enterprise-focused cloud storage firm Zadara.

Wasabi also sees itself as competitive with on-premises storage vendors such as NetApp and Dell EMC. As enterprises continue along cloud transformation plans, there is a window of opportunity for Wasabi to enter into the equation during refresh cycles.

SWOT Analysis

STRENGTHS Wasabi's sole focus on storage makes it a strong partner rather than a competitor for cloud vendors that focus more on diverse computing services.	WEAKNESSES Engineering for multicloud complexity can prompt hesitation among some organizations – infrastructure is cheap compared to developer time.
OPPORTUNITIES Continued prioritization of its channel sales strategy is likely to be instrumental as Wasabi builds out more infrastructure and opens facilities in additional regions.	THREATS AWS, GCP and Azure could stand to cut on-demand pricing or offer more compelling discounts for reserved storage contracts while retaining an adequate margin.

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