



## Impact Report

# Growing at 35% per year, Vembu branches out from its backup/recovery roots

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Vembu has grown its revenue 35% annually over the past two years and is on track to meet that mark in 2014. Key product additions this year include a suite of CRM applications and the introduction of on-premises virtual appliances (with physical appliances to come in the near future). The latter move puts Vembu in more direct competition with relatively well-known players in the hybrid cloud backup battle.

### The 451 Take

Cloud-based backup/recovery is a cutthroat business with shrinking margins, commoditization and a surfeit of contenders trying to get a piece of the pie. On the other hand, it's a fast-growing market: 451 Research predicts a 21% CAGR for online backup over the 2013-2018 period, excluding revenue from the consumer segment. We applaud Vembu's moves into non-backup areas such as file sync/share and CRM applications. However, it remains to be seen whether IT organizations will prefer one-stop shopping over choosing best-of-breed offerings from multiple vendors. The company's decision to push its resellers away from rebranding and into carrying Vembu's name on their services will give it much-needed name/brand recognition in a crowded arena.

### Context

Vembu is celebrating its 10-year anniversary by exceeding the 60,000-customer milestone, sold mainly through its 4,400 channel partners. That compares with 55,000 customers and 4,000 resellers in February 2014. The company has added 400 resellers so far this year, and has begun to emphasize VARs in addition to its traditional target market of MSPs. Notable service-provider partners include Verizon's Terremark subsidiary, mindSHIFT Technologies, HostPapa and Hitachi Data Systems. The profitable Vembu claims to have exceeded 35% revenue growth in each of the past two years, and is on track for similar gains this year.

The company expects to have 200 employees by the end of 2014 (up from 160 in February), and 300 by the end of 2015. Most of its employees are near its headquarters in Chennai, India (with 65% engaged in R&D), but Vembu has been steadily expanding internationally. It opened an office in London this year, and relocated its US headquarters to Addison, Texas, where it expects to grow its workforce from 15 employees this year to 50 next year.

Vembu's worldwide distribution of partners roughly equates to its worldwide revenue distribution: 70% North America, 20% Europe and 10% Asia-Pacific – a distribution that has remained fairly steady over the past year. However, although about 30% of its revenue comes from outside North America today, Vembu hopes to increase that to 50% in 2015. Key target markets for 2015 include the EU-5 countries, Scandinavia, Brazil and China.

### Strategy

In our [previous report on Vembu](#), we noted that the company suffered from a lack of name/brand recognition. This is because its channel partners

typically rebranded its technology, and end users were unaware of Vembu. The company hopes to change that. This year, it began encouraging its channel resellers to discontinue the practice of rebranding its service and to instead use the Vembu brand. The company reports that about 35% of its channel partners have already done this, and it expects virtually all of them to use Vembu branding in 2015. (In fact, it will require a conversion to Vembu branding.) Although we think that this move will no doubt meet with some pushback among some of its channel partners, it will also go a long way toward giving Vembu the visibility that it deserves given its relatively large installed base.

In this context, the company has suffered relative to vendors that have greater name recognition, such as Barracuda Networks, Unitrends, Axcient, Datto, Seagate's EVault and others. Given the crowded nature of the hybrid cloud backup/recovery market, as well as the relative lack of product/service differentiation, we believe that brand awareness will become a key factor to success.

As noted, another strategy shift for Vembu this year has been a focus on recruiting VARs, in addition to its traditional MSP customers. And in regard to its existing MSP customers, the company is encouraging them to shift from using their own cloud infrastructures to using Vembu's cloud, which is hosted in Amazon S3 (although xSP customers can also host in other public clouds, including those from Microsoft, Google, Rackspace and EMC). Vembu's cloud infrastructure is based on its [new file system](#).

## Products

Vembu's bread and butter is its cloud-based backup/recovery service – called Vembu OnlineBackup – which provides direct-to-cloud backup. The main addition to its backup/recovery line this year was on-premises virtual appliances – introduced in October – with physical appliances due in the future. The appliance-based service is referred to as Vembu Backup & Disaster Recovery 2.0. (The name was changed from StoreGrid earlier this year.) The addition of appliances puts it in more direct competition with players such as Barracuda, Unitrends, Datto, Axcient and many other hybrid cloud backup/recovery providers (see below).

The company has also introduced a trio of CRM applications that, if successful, will take Vembu beyond its backup roots. It began this expansion beyond backup in late 2012 with the introduction of its file sync/share offering called FileShare, which it ramped up in 2013. In 2014, Vembu introduced a trio of CRM applications, including SalesDesk, HelpDesk and SocialDesk, for social media management. A chat app and email archiving are in the works, and may become available next month. Vembu plans to offer these apps for free. The company hopes that the new apps will help its service-provider partners add value to its core backup services.

## Competition

Because of its penetration into the MSP space, key rivals for Vembu include Asigra and StorageCraft, both of which have strong positions in the xSP segment. The introduction of virtual appliances and, in the future, hardware appliances will put the company on a more direct competitive trajectory with relatively well-known vendors such as Barracuda, Unitrends, Axcient and Datto. Other firms in this market include Seagate's EVault, Code 42 Software, Zetta, Intronis and Quorum.

Among those that are strong in on-premises deployments but also play in cloud-based backup/recovery, Vembu vies with vendors that primarily target SMBs, particularly Veeam (even though it doesn't support physical servers, as does Vembu) and Dell (mainly with its AppAssure offering). And because Vembu offers a combination of backup/recovery and file sync/share, competitors in this context include CommVault, Barracuda, CTERA Networks, Code 42, Carbonite, Druva, EMC's Mozy and Acronis – all of which can combine backup/recovery and enterprise file sync/share services.

## SWOT Analysis

### Strengths

Vembu has demonstrated success in the service-provider market (MSPs, CSPs), which will help it recruit VARs. The combination of backup/recovery and file sync/share has been a differentiator (although less so over the past year).

### Weaknesses

The company is relatively unknown compared with some of its direct rivals (although switching to a Vembu-branded model in the channel should alleviate this drawback).

### Opportunities

Adding on-premises backup appliances enables a hybrid cloud backup architecture that will help Vembu attract larger customers.

### Threats

The cloud-based backup/recovery space is crowded with more than a dozen providers selling enabling technology via the channel. Direct threats include firms such as Barracuda, Unitrends, Axcient and Datto.

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