Nutanix Beating EMC, Says It's Cutting Customer IT Costs 62%

http://i.forbesimg.com/assets/img/loading_spinners/16px_on_transparent.gif

Buying from a startup seems pretty risky — especially when there are well-established publicly-traded technology companies like [EMC](http://www.forbes.com/companies/emc/) [EMC -0.2%](http://www.forbes.com/companies/emc/), [NetApp](http://www.forbes.com/companies/netapp/) [NTAP -1.69%](http://www.forbes.com/companies/netapp/), and [VMWare](http://www.forbes.com/companies/vmware/) [VMW -1.08%](http://www.forbes.com/companies/vmware/) who can sell you stuff. Why would a big company take the risk of switching to a startup’s product?

The answer is that if the startup’s product has been shown to work in other big companies and it saves companies 20% on the cost of buying it and another 50% on the cost of running it, sticking with the big company’s product might be a bigger risk.

Nutanix — a San  Jose, Calif.- based maker of “converged infrastructure” that combines the functions of servers, storage, and networking – has grown at a 200% annual rate by saving customers time and money.

According to my November 20 interview with Nutanix SVP of Product and Marketing, Howard Ting, “Nutanix beats EMC in many large enterprise accounts. We recently won the [business](http://www.forbes.com/business/) of a major biotechnology company that previously bought from EMC. The company wanted to reduce its IT headcount 15% and get more agile while lowering costs. We saved the company 15% to 20% over EMC in capital expenditures and 40% to 50% on operating expenditures.”

EMC spokesperson Dave Farmer does not agree. As Farmer explained, “It’s a rare day when we bump into Nutanix in an EMC customer account. It’s also impossible to debate ROI claims absent specifics. Sky’s pretty much the limit on the meaning of ‘Nutanix versus EMC’. They’re quite likely targeting companies carrying earlier generation EMC technology.”

Nutanix began selling its product in 2011 and has since grown to over 800 employees, disclosed a “$200 million bookings run rate” and a whopping $312 million in [total](http://www.forbes.com/companies/total/) [total](http://www.forbes.com/companies/total/) capital raised — including a Series E round in August 2014 totaling $140 million that valued the company at $2 billion. Its clients include Airbus, Amgen, China Merchant Bank, ConocoPhillips, Covance, eBay, Honda, McKesson, Total SA, Toyota, and Yahoo! Japan.

Ting believes that Nutanix is just getting started in its conquest of a huge market that’s growing quickly. As he said, “IDC estimates that the market for converged infrastructure is $15 billion and it grew 60% in the last quarter. We save big companies tens of millions of dollars in total cost of ownership (a national mortgage bank lowered its capital expenditures 43% and its total cost of ownership 62% over five years compared to VBlock — a converged product sold through VCE, an EMC/Cisco joint venture.)”

Ting also believes that Nutanix helps customers in more qualitative ways. ”We make them more nimble — it takes 15 minutes to install our product to 14 days for VBlock and enable them to add storage capacity in smaller increments — rather than the three year increments that EMC requires them to buy. We are in the second inning of this game,” said Ting.

How hard would it be for Nutanix’s rivals to reverse engineer its products? Ting said, “We run on commodity servers — it’s our software that would be difficult for rivals to replicate. And our secret sauce is our employees. We have top engineers from Facebook, Google, LinkedIn, VMware, Citrix, Microsoft, and Oracle. Those kinds of engineers attract other great people — they would never go to work for EMC or other legacy storage companies. We are offering Webscale to the masses.”

Are Nutanix’s claims valid? According to a November 5 Reuters interview by CEO Dheeraj Pandey, we could find out more in 2015 when the company goes public. Pandey said an IPO will happen “in the next three to four quarters assuming that macro is good.”