

Offering a Software only Alternative to the Traditional Hardware based Central Storage Solution in the SAN (Storage Area Network) Market, ScaleIO is providing a Robust, Resilient, Enterprise Class Storage System for Business-Critical Data

**Enterprise Software  
Data Storage**

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**Boaz Palgi**  
CEO

**BIO:**

Boaz has over 15 years of experience in management, international sales, and business development at various data storage and enterprise software companies, including Topio (acquired by NetApp) and Storwize (acquired by IBM). He holds a BA from Nyenrode University (the Netherlands) and Queen's University (Canada) and an MBA from INSEAD (France). Boaz served as a paratrooper and medic in the IDF. He has lived and worked in several countries in North America and Europe.

**About ScaleIO:**

ScaleIO is the leader in elastic converged storage. ECS, the flagship

ScaleIO solution, enables data centers to cut storage costs by over 80% and streamlines storage operations by converging storage into compute. Founded in early 2011 by a team of storage industry veterans who set out to revolutionize enterprise data storage, the company is funded by top-tier venture capital firms, including Greylock Partners and Norwest Venture Partners (NVP). ECS is in use at large data centers in the United States and Europe.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Palgi, would you tell us about ScaleIO?

**Mr. Palgi:** ScaleIO is a company that provides a software only alternative to the traditional hardware based central storage solution in the SAN market; the Storage Area Network market. It is traditionally a market that is led by a few large corporations, namely EMC, NetApp, HDS, and IBM. At the moment, this being 2012, this was a market of twenty billion dollars.

**CEOCFO:** What is your storage solution like? Why should people be looking at yours as opposed to one of the others that are available?

**Mr. Palgi:** The vision of storage SAN solutions are very complex, rigid solutions. They do not scale easily and require certified dedicated storage administrators that must be certified by the specific vendor. Unlike application servers, SAN storage solutions are not very much commoditized. Customers are locked-in to specific vendors and products. There are

many inter-operability limitations and requirements. It is very hard to change from vendor to vendor; even from one product to another within the vendor land. For example, if you are a customer of EMC it is a very significant challenge to move and to change your storage product to, for example, NetApp. On top of all the operational challenges the traditional SAN storage is expensive. There is a high margin on hardware to these companies because of their hardware lock-in. Therefore, the SAN storage companies still make many tens of percentages of margins from hardware, which is something that is unheard of with other hardware products in the IT industry. What we are doing is we completely eliminate the need for external storage and the related fabric switches. We do that by running a software only solution that is stored on the actual application servers. We install a small piece of software alongside the database or the hypervisor or any other application that runs on commodity servers. We then turn the local disks of those servers of those servers into a very high performance, large scale storage pool that behaves as it is a traditional SAN, but is really just a piece of software.

**CEOCFO:** What is the biggest challenge in getting potential customers to understand and believe that it is safe to store this way as opposed to physical?

**Mr. Palgi:** We enable customers to just install the software and to try it out. Once people install the software and they see that it does provide better performance than traditional SAN

and that it is very robust, easy to manage and highly flexible, they are convinced.

**CEOCFO:** Is there a typical customer for ScaleIO?

**Mr. Palgi:** The companies that use our products are companies that have mid or large size data centers large sized data centers. For example, financial industries or cloud providers, managed hosting providers, and the public sector. We also have companies that are manufacturers. We have customers that are in the high performance computing area. In general, any organization that has a midsized or large data center can save tremendous cost by working with us, both on CAPEX but more importantly on the operations, the management and the flexibility that you need in order to be able to respond in the IT to the requirement of the business.

**CEOCFO:** How does that flexibility work? How does it compare to other people who are looking at this from the software perspective?

**Mr. Palgi:** Our solution allows the customer to regard storage as a ubiquitous component in the data center that hardly requires any management. When we built the system, we built it from scratch. It is a new approach to storage. We took all of the traditional, mundane tasks that a storage administrator today is spending his days on and we fully automated those in our system. Our system is highly self-managed and self-healing. This is one part of the answer to the solution and why it is so easy to use this solution. The other part is in the architecture. We built the architecture of our storage solution from scratch to be workable in modern data centers. Today, in modern data centers, people expect to be able to add and move and remove servers without having to think twice. Traditional storage systems are not built for that. They cannot support that. It is a very significant thing to even add or remove a server, many times a day for many servers. Therefore, this is a big difference. In our system, whenever you want you can add capacity, add nodes, move them around, remove them from the

storage pool, and continue working as if nothing happened.

**CEOCFO:** How do you reach potential customers?

**Mr. Palgi:** At this stage all of our customers are by word of mouth. We only launched the company two weeks ago. Therefore, all of the customers that we reached before the Fourth of December were all word of mouth customers that told other customers about our solution. As of two weeks ago we are getting a tremendous tsunami of interest from a very large number of prospects all over the world. At the moment we are catching up here in the office twenty four hours a day responding to all requests.

**CEOCFO:** Why was this the right time to launch?

**Mr. Palgi:** This was the right time to launch for a number of reasons. First of all, we raised Series-A round of twelve million dollars recently, which allows the company to actually scale out to be able to deal with the larger demand. Secondly, we now have quite a few customers that have been using the product for a longer period of time and that are satisfied reference customers. Therefore, we wanted to leverage the early success that we have with our current customers in our launch.

**CEOCFO:** How will you be marketing?

**Mr. Palgi:** Going forward, we will share our customers' success stories online. We will we will get our word out in the industry with all kinds of marketing plans, online mostly. We are also expanding our sales force; getting local sales and support people into more territories. One other important thing that we are starting to do now that we did not do until recently is to engage with all kinds of partners. We are also investing more in our partner network. We will provide the product through more channels. We already see that the numbers of channel partners are picking this up and they are also promoting this solution based on our technology to their customers.

**CEOCFO:** Do you find that many companies are looking actively for better storage solutions, or is it more that they are happy to find out one that exists?

**Mr. Palgi:** People are actively looking for better storage solutions for a number of reasons One: most organizations are spending thirty five to forty percent of the total IT budget just on storage. It is becoming something that many organizations simply cannot afford anymore. Economics in general, not just the cost, and the economics of storage are becoming a major painpoint in most IT organizations today. The second thing is that with the evolving of the IT industry in which virtualization has made people accustomed to having full freedom and flexibility on the compute side; being able to move around virtual servers, copy them and create them, enable a lot of freedom on the compute layer. That is followed by the

**“We provide a robust, resilient, enterprise class storage system that even the most conservative customers use today for their business-critical data.”- Boaz Palgi**

recent growth of interest for software defined networking at the end, which basically just brings that kind of freedom to the networking. People are now looking to storage, which is still a very rigid part of the data center. This rigidity and the economics are just not in line with what people are getting used to in the other two IT tiers of the data center. Here you have three tiers; server, networking and storage. Where servers are largely flexible; both the hardware is fully commoditized and the operations and management is fully flexible and elastic and easy, networking is moving into that direction with SDN, Software Defined Networks, and storage staying in the archaic approach of the past. People want to get those types of benefits into the storage layer as well; get the storage layer commoditized with all the benefits of commodity hardware, and easier to operate with all the benefits of software defined storage like ScaleIO ECS.

**CEO CFO:** So many companies always claim to have a system that is easy and it does not always follow through. How do you insure ease of operation for your customers?

**Mr. Palgi:** We have been in the industry for fifteen years. We have built storage systems and storage advanced functionality at multiple companies; both at startup companies and in the leading incumbent storage companies. We have had many opportunities to work with customers and to see what the tasks are that storage administrators are doing on a daily basis. When we designed this product from scratch we made it one of the design objectives to eliminate all of

those mundane tasks. Therefore, we created a system to be largely self-managed, from scratch. This is what you see today with the product. We have customers that we have never met that have just downloaded our software, installed it in their environment, and started working with it, and that is it – they are happy customers.

**CEO CFO:** Why should investors and people in the business community pay attention to ScaleIO?

**Mr. Palgi:** I believe that we are changing the economics of the storage industry. This is an industry that is a multibillion dollar industry that is, hopefully, on the verge of changing

for the first time in twenty years. Our architecture is a new architecture; a new approach to building storage systems. We provide a robust, resilient enterprise class storage system that even the most conservative customers, use today for their business-critical data; with the benefits of the elasticity, flexibility, high performance, low total costs and simple management. This will create a huge value in the market. We are saving all of these costs and we believe that that is something that will, from a business perspective, create a lot of value for our company.



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