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Don't call it a comeback: Cloudera accelerates its hybrid data cloud strategy

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Cloudera took a few hits in the wake of its acquisition of Hortonworks but remained focused on establishing its hybrid data cloud strategy, the benefits of which are now being reflected by its improved financial performance and a clear strategic vision.

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Introduction

Once the belle of the big-data ball, Cloudera has in recent years suffered its fair share of brickbats as the industry's excessive exuberance gave way to a big-data backlash and the fickle fashionistas began to look elsewhere for the next big thing. With both the company and its customers distracted by the aftereffects of its consumption of former rival Hortonworks, Cloudera hit a low in June 2019 as its share price crashed amid disappointing first-quarter 2020 financial results and the departure of CEO Tom Reilly. Rather than panic, the company stuck to its plan and is now demonstrating the benefits of doing so, with fiscal 2020 results coming in above adjusted expectations and a clear strategic vision being articulated under the leadership of a familiar face – Hortonworks cofounder and former CEO Rob Bearden.

451 TAKE

With Bearden now at the helm and Cloudera operating a 100% open source strategy, it might be easy to assume that the company is now a re-badged Hortonworks. Easy, but wrong. Already a board member, Bearden was instrumental in setting Cloudera's sales strategy for 2021 that will see it doubling down on its hybrid cloud credentials based on the expansion of Cloudera Data Platform (CDP) Public Cloud and the delivery of CDP Private Cloud. Having survived the inevitable post-acquisition indigestion, the combined Cloudera is now executing on its strategy and is well-placed to drive further growth thanks to a differentiated product portfolio that will enable it to address growing customer demand for hybrid cloud data processing, analytics and machine learning.

Context

Combining the original Cloudera and Hortonworks businesses was never going to be easy. Two fierce rivals with differing strategies and sales and product teams needed to be combined during 2019, and a fresh strategy articulated, all while continuing to execute with existing and new customers. The disappointing results in the first quarter of fiscal 2020 and lowering of full-year guidance were, in hindsight, almost inevitable: some postponement of renewal and expansion deals was to be expected as customers anticipated the delivery of the new Cloudera Data Platform while many of the company's employees were understandably distracted by reconciling two competing product, licensing and sales strategies. Additionally, the company had the interest of activist investor Carl Icahn to contend with.

Former CEO Tom Reilly departed, but Cloudera continued to pursue the same fundamental strategy under interim CEO Marty Cole: delivering the Cloudera Data Platform both on-premises and in the public cloud. While some investors and customers may have gotten the jitters about the company's long-term potential, Icahn's interest was evidence that others believed Cloudera was undervalued. A standstill agreement with Icahn was reached in August 2019, and Cloudera continued to press ahead with its strategy, delivering the CDP and its associated data warehousing and machine learning services in September while reporting improving financials in the second and third quarters.

With Bearden appointed as permanent CEO in January 2020, the company has reported FY20 revenue of \$794.2m, ahead of expectations of \$745-765m (which were lowered in June 2019 from \$835-855m). The bulk of that revenue will have been generated from existing customers and existing products given the early stage of adoption for Cloudera Data Platform – the company has reported more than a dozen CDP Public Cloud customers. However, it is notable that of the 27 customers providing annual recurring revenue (ARR) above \$100,000 added by Cloudera in Q4, 21 were new deals rather than expanded relationships. This indicates that there is still plenty of scope for growth. In total,

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Cloudera now has more than 1,000 customers with ARR in excess of \$100,000, and 160 with ARR of greater than \$1m. Cloudera expects first-quarter revenue to be \$202-207m, compared to \$187.5m in 1Q20, while fiscal 2021 revenue is predicted to be \$860-880m.

Product and sales strategy

While Cloudera continues to support and generate revenue from its pre-merger products and services, the company's growth strategy will be driven by Cloudera Data Platform. Described by Cloudera as an 'enterprise data cloud,' the offering is a prime example of what we have termed the 'enterprise intelligence platform,' combining data integration, data storage and processing, and analytics functionality in a single platform that is available on-premises, in the public cloud and in hybrid configurations.

CDP Public Cloud was launched in September with three public cloud services: Cloudera Data Hub for data management and analytics, Cloudera Data Warehouse for data warehousing and Cloudera Machine Learning for data science. All three services – and indeed, Cloudera's whole portfolio – are underpinned by a 100% open source licensing strategy and Cloudera SDX (shared data experience) for security and data governance.

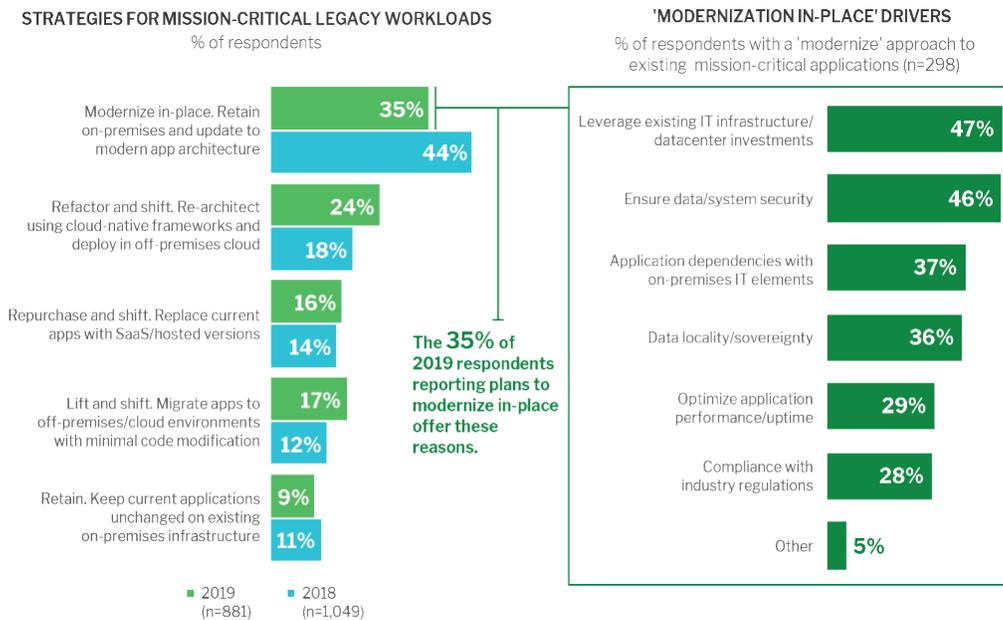
CDP Public Cloud is also designed to deliver the benefits of an abstracted data architecture and the separation of compute and storage where data processing and analytics functionality can be spun up using virtual machines and containers/Kubernetes and used against data stored in cloud storage services (such as Amazon S3, Microsoft Azure Data Lake Services and Google Cloud Storage).

While an increasing number of data processing workloads are being deployed in the cloud, the bulk of Cloudera's revenue to date has been generated from on-premises deployments. Cloudera is by no means turning its back on this continuing opportunity; it introduced CDP Data Center in 2019 to provide an on-premises bare-metal upgrade path for existing CDH and HDP users. Additionally, CDP Private Cloud is expected to become available in the second quarter of this year and will replicate the abstracted data architecture of CDP Public Cloud on-premises using virtual machines and containers/Kubernetes, as well as the Ozone distributed object store.

Data from 451 Research's Voice of the Enterprise: Digital Pulse, Workloads & Key Projects 2019 indicates that 9% of respondents are looking to keep current mission-critical legacy workloads on-premises unchanged, while 35% are looking to retain the workloads on-premises while updating to a modern architecture.

Strategies for Mission-Critical Workloads and Drivers for In-Place Modernization

Source: 451 Research



If phase one of Cloudera’s post-merger transformation was all about getting its product and sales strategy in place, then the introduction of CDP Private Cloud is a key component of phase two, which is about cementing its positioning as a hybrid-cloud data platform company. That positioning will address not only a combination of on-premises and multicloud deployments but also an increased focus on edge and real-time data processing, taking advantage of the Cloudera DataFlow stand-alone service for data in motion, as well as the inclusion of Apache NiFi and Apache Kafka functionality in Cloudera Data Hub.

Phase two will also see the company placing greater emphasis on digital customer engagement as it looks to reduce the time required to spin up and test both its on-premises and cloud services, as well as an updated operating model to optimize operating margin, and improved partnerships with public cloud providers. Kicking it all off, the company’s sales strategy for fiscal 2021 focuses on five key themes: securing the data cloud; outperforming shadow IT; enabling cloud everywhere; connecting the data lifecycle; and building an AI factory.

Competition

The opportunity presented by Cloudera’s strategy was highlighted on a recent call with a 451 Research client in the financial services space. The company is already using Cloudera on-premises but is considering its options for cloud data services. Specifically, the company’s preference would be for a platform it can use to run Hadoop and Spark workloads on multiple public clouds, as well as on-premises.

Although the big cloud providers – Amazon Web Services, Microsoft Azure and Google Cloud – all offer Hadoop/Spark cloud services and are all investing in enabling on-premises use of their cloud services to support hybrid cloud (and even in some cases multicloud) scenarios, their on-premises offerings are all relatively immature, especially for mission-critical analytics use cases. Meanwhile, the likes of Qubole and Databricks are available across multiple clouds, but not on-premises.

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While Oracle offers both on-premises and cloud-based Hadoop/Spark functionality, its data services are not available in other clouds. SAP's Cloud Platform Big Data Services are not available on-premises. Similarly, Snowflake is not available on-premises and would additionally require a shift away from Hadoop/Spark. IBM, since June 2019, is a Cloudera reseller, while MapR was consumed by HPE in August 2019 and now forms the data fabric functionality of the company's HPE Container Platform.

While all of the vendors mentioned above are potential Cloudera competitors realistically, for this particular financial services firm, Cloudera is the only logical choice. While this is just one example with particular requirements, data from 451 Research surveys indicates that an increasing number of enterprises are adopting similar hybrid cloud strategies: 58% of respondents to our Voice of the Enterprise: Cloud, Hosting & Managed Services, Vendor Evaluations survey are adopting an 'integrated' hybrid cloud approach that leverages both on-and off-premises resources in an integrated fashion.

SWOT Analysis

STRENGTHS

Cloudera has undoubted expertise in large-scale data processing, and having overcome some post-merger hiccups, it is now executing on its strategy in terms of product development and revenue generation.

WEAKNESSES

Despite having expanded its strategy, many will still closely associate the company with Hadoop and big data, both of which have lost their luster in recent years following a decade of inflated expectations.

OPPORTUNITIES

Based on enterprise IT adoption and spending plans, it is clear that for most companies, the future is hybrid IT and a combination of on-premises and multiple cloud providers – the core focus of Cloudera's sales and product strategy.

THREATS

While Cloudera is looking to accelerate its partnerships with the public cloud providers, those cloud providers are also increasingly looking to address on-premises data processing requirements and are likely to pose a greater competitive threat in the future.