

Connectria joins the AWS partner ecosystem with managed AWS offering

Analyst: [Agatha Poon](#) 13 Feb, 2014

Connectria has been taking a vendor-agnostic approach to the cloud. Delivering custom private clouds; standardized VMware-based public/private clouds; and segment-specific cloud hosting, such as IBM iCloud and HIPAA-compliant clouds, the company has managed to boost top-line revenue. In search of the next growth engine to elevate its position in the already crowded IaaS market, Connectria has joined the Amazon Web Services (AWS) partner ecosystem, reselling AWS products alongside its portfolio of managed services and tech support. Together with its existing cloud and hosting portfolio, the company is making a fresh push to extend its brand into the enterprise market.

The 451 Take

While the company remains low-key compared with its hosting peers, such as Datapine and Rackspace, in terms of sales and marketing, the branding exercise speaks to Connectria's broader strategy in the managed hosting and cloud market, putting customer experience front and center for competitive differentiation. The provision of a managed AWS offering is not just about getting the low-hanging fruit; it allows the company to demonstrate proven managed services capabilities to tens of thousands of AWS customers, which should have an impact on its top-line revenue in the long run.

Context

Connectria was founded in 1996 as an infrastructure consulting firm and entered the hosting market in 1998, with Deutsche Bank being the first customer for its complex hosting offering. The company launched a division called REDPLAID Managed Hosting in 2005, to build out its hosting portfolio aimed at the SMB market. Under the REDPLAID brand, it provided a suite of hosting and managed services in multiple IT environments (physical, virtual and cloud). Another major milestone took place in 2010, when Connectria unified its hosting and managed services operations under one single brand. In mid-2013, the company launched a revamped website to amplify product positioning and convey its corporate identity as the 'Jerk Free Company.'

Connectria has some 130 employees, a slight increase from the 120 we recorded in early 2013. Approximately 90% are in product engineering and technical support. It claims more than 1,000 customers spanning more than 30 countries. With no physical presence outside the US, the company says its inbound sales leads are mostly through word of mouth. Demand remains strong from companies operating in Latin America and the Middle East. Indian corporations are interested in the outsourcing model, but adoption remains moderate. Connectria is self-funded, and claims to be cash flow positive, staying profitable since the service inception. The company reported a nearly 9% increase in revenue year over year, totaling \$30m in 2013. By a rough estimate, it says the cloud hosting business accounted for approximately 40% of its annual revenue.

Products

Since the early 2000s, Connectria has been offering custom private cloud services, and today it has three broad groups of cloud offerings for business organizations of all kinds. The company's standard cloud offering is VMware-based multi-tenant public/private clouds. It also provides custom-built hypervisor-agnostic private clouds. There are segment- and vertical-specific cloud offerings, such as IBM iCloud, Citrix XenApp cloud

hosting and HIPAA-compliant cloud hosting. As we have pointed out previously, Connectria's standard cloud offering lacks self-service capability – a feature that cloud users expect.

To close the service gap, the company joined the AWS partner network in late 2013, reselling a portfolio of AWS self-service cloud products with its managed service capabilities. Dubbed Managed Amazon Web Services, it is a managed cloud offering meant for those that need more service management and support than is available in Amazon cloud offerings. There are proprietary monitoring and reporting tools for customers to manage their resource utilization and spending for AWS implementations, including continuous change monitoring and best-practice benchmarking. Initially, Connectria will go after its existing customer base, of which it says approximately 20% either already deploy or plan to deploy AWS products.

On the product development side, Connectria continues to deepen its partnerships with major technology vendors to provide new services. The latest in a string of partner-driven offerings is the deployment of IBM Netezza in the cloud. Accordingly, Connectria has optimized its cloud infrastructure to run IBM PureData System. Meanwhile, it works with Brightlight Consulting, an advisory firm with expertise in business intelligence and data analytics, to assist customers in deploying IBM Netezza, using a monthly subscription model. The service has been online for less than three months, and the company claims to have a strong pipeline, primarily driven by existing IBM Netezza customers looking to benefit from the economics of cloud.

The company says its average deal size for cloud offerings has been on an upward movement. The average deal for standardized cloud offerings is said to be growing fivefold, from less than \$2,000 per month when it was first available in the late 2000s. The average deal size for custom hosting has grown as well, although less than cloud hosting.

Strategy

While exploiting cloud hosting opportunities, Connectria believes its core strength lies in its ability to manage a variety of technologies, regardless of operating environment (physical, virtual or cloud). The company is looking to build out a broad set of managed service capabilities, with the goal of providing a holistic approach to infrastructure management. Connectria is upbeat about its growth potential for its managed AWS offering, pointing to a strong start, with several deals in the works. The company says it will invest further in building enhanced managed service capabilities for AWS.

Strategic partnership has been, and will continue to be, a core part of the company's growth strategy. IBM is both an important customer and partner for Connectria. From deploying IBM iCloud and AIX hosting to now IBM Netezza in the cloud, it can get access to larger corporations via IBM. The company also has partnerships with specialists such as Tripwire (for HIPAA-compliant hosting) and Brightlight Consulting (for BI and data analytics in the cloud) to tap into niche segments. Last but not least, it has also unveiled a reseller program with a few distributors coming aboard. The goal is to work with selected partners and help add value to their offerings.

Competition

Connectria's closest competitors are other cloud hosting providers with a managed service approach, such as Bluelock, Carpathia Hosting, Datapipe, NaviSite and Rackspace. The company's early success in key vertical segments for managed hosting and HIPAA-compliant hosting has helped lay the foundation for the transition to the cloud delivery model, especially for customers seeking cost-effective alternatives. For HIPAA-compliant hosting services, the company will face competition from the likes of Layered Tech, Logicworks and SunGard. Virtustream, with its continued investment in security and compliance to harden the cloud, is also a competitor, as are well-established enterprise operators AT&T and Verizon. IT vendors such as CSC, Fujitsu, NEC America, HP, IBM and Dell have comprehensive product portfolios, and are helping customers to transition to the cloud, with product lifecycle management as a service wrap. As Connectria seeks new growth opportunities while joining the AWS partner ecosystem, it will face competition from other AWS partners, including Accenture, Cognizant, Datapipe, Infosys and Wipro.

SWOT Analysis

Strengths	Weaknesses
Taking a vendor-agnostic approach, Connectria is able to address a broad group of customers that are at different stages of transformation. As the market for cloud hosting continues to commoditize, the amount of managed services that the company can offer will set it apart from the competition.	With approximately 90% of its employees in product engineering and technical support, the company has its work cut out for it to better align its sales and marketing with product development. Indeed, it has started working more closely with strategic partners for joint marketing activities. But still, there is plenty of room to

raise the company's profile.

Opportunities

The company believes the partnership with Amazon Web Services to provide managed AWS offerings not only solidifies its role in the managed cloud hosting business, but also opens many doors to new customer engagements within and outside the US market.

Threats

Connectria remains a niche player going up against bigger and more diversified rivals like Datapipe, Rackspace and Accenture in the enterprise segment. The company will have to fight harder for the attention of enterprise customers.

This report falls under the following categories. Click on a link below to find similar documents.

Company: [Connectria](#)

Analyst(s): [Agatha Poon](#)

Sector(s):

[Cloud](#)