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THE FOUR HUNDRED iSeries and AS/400 Insight

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Steady Growth For The Connectria Cloud

Corrected: August 12, 2013

by **Dan Burger**

Owning and managing **IBM** midrange hardware is moving from on-premise IT departmental responsibility to service providers. This is not a question. It is happening. The furniture movers have arrived. But to what extent remains mostly unknown. Companies are picking and choosing their managed service providers and, if that works out, they are adding pieces of infrastructure and applications to the cloud. They may be saving money and they may be outsourcing skills that are in short supply.

It's always been true that the decision to move hardware, infrastructure, and applications off site requires a load of trust. For IBM i shops, remote systems management has been a part of the landscape for years. You can throw a smartphone in any direction at a technical conference like **COMMON** and hit at least one entrepreneurial, work-at-home, systems guru tending to one or a handful of organizations with on-site hardware but no one to run it. The IBM i reseller channel is also a good place to look for companies large and small that have a healthy and growing business built around managed services, although some prefer the term hosted services to describe what they do.

Systems And Experts In The Cloud

Connectria is a company that has done well in the managed services business for years and it has developed the type of vendor-customer relationships that evolve into cloud computing opportunities. That vendor-customer relationship is largely built on building expertise and sharing it. We keep hearing that organizations find it increasingly difficult to acquire and cultivate a skilled IBM i workforce. One conclusion is that companies will rent their experts.

High availability and disaster recovery are good examples of what happens when technology exceeds the skills of the typical workforce. Sold as a managed service, HA and DR are attractive to many additional companies.

"The need for managed services is driven by different reasons," says Scott Azzolina, vice president of marketing at Connectria. "On IBM i, a lot of the need for managed services comes from a lack of in-house expertise. You don't see a lot of young people managing those environments. At the same time, these legacy environments continue to run. They are not going to go away."

The IBM i system and the technologies that surround it have always been the main thrust of Connectria's business. And enterprise customers dominated the business engagements the company fostered. Because that type of high end customer tends to have many technologies, and IBM i is just one of them, Azzolina says Connectria acquired a wide range of skills and its services were spread across managed services, cloud computing, and hybrid environments. Windows, Linux, and later AIX have definitely factored into Connectria's cloud growth. What they learned working with enterprise-level corporations, they have applied to SMB shops, now that the combination of cloud and managed services is bringing technology and expertise to the midrange.

There was a day when Connectria's customer base was 100 percent large enterprises. Now it is approximately three-quarters SMB and one-quarter enterprises. Those enterprise customers, however, still contribute about 60 percent of revenue, leaving 40 percent to the SMB portion, where, Azzolina says, business is growing at a rapid rate despite there being less commitment to the multi-year contracts that are more common at the enterprise level. (This is a similar split that echoes the distribution in the iSeries business about a decade ago, by the way. The Power Systems-IBM i combo is nearly 95 percent SMB in terms of shipments these days; we are not sure how much revenue they generate, but it is probably 50-50 SMB versus enterprise at this point. There are still some very big customers out there running IBM i.)

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Breathes New Life Into Power

IBM Rolls Out Three New Power7+
Flex System Nodes

IBM To FTC: Make Oracle Stop
Running Those Mean Server Ads
Please

Mad Dog 21/21: Defenestration

Steady Growth For The Connectria
Cloud

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Reader Feedback On A New IBM i Team Is
Needed . . . Summer Breathes A Little Life Into
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Avnet, But Proprietary Servers Up A Bit . . .
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A Third Of Pay . . . Flex Systems Get New
10GE And 40GE Switches, Too . . .

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"Most of growth in the small to midsize shops are non-IBM i," he says. "We are getting tremendous growth in HIPAA cloud compliance, a lot of work with [Citrix Systems](#), and there are a lot of SaaS providers in our data centers."

The IBM i growth in the SMB is "steady and solid, but it's not explosive growth," Azzolina says.

"We do a lot of HA business for IBM i customers," he says. "But we also have production and development environments in the cloud. A lot of customers are doing multiple technologies with us. It's not just IBM i. They may have HP environments or Oracle environments in addition to IBM i. That's typical of larger midsize companies."

Monthly Price Flexibility

When Connectria launched its IBM i cloud, there were expectations that companies would have an interest in operating test environments in the cloud. There are companies doing that, but it is short of expectations. And when Azzolina talks about production environments, it's not the entire ERP system. That's a pretty rare occurrence. Production workloads, he says, are more commonly departmentally driven or application driven.

There is a standard price for an entry-level cloud with services at Connectria. Pricing is incremental and is based on compute power and layers of service. When talking specifically about the IBM i platform, Azzolina says Connectria begins its hybrid managed services with one-tenth core of cloud computing at \$1,300 per month. Getting below that price would require eliminating the managed services component and that is not something that interests Connectria at this point.

That signifies a change in plan from the entry-level, hardware-only option the company offered when it [introduced its cloud](#) pricing plans in April 2012.

Most companies contracting with Connectria get in around \$1,500 per month, but Azzolina was tight-lipped about how many IBM i customers the company had and at what price point the average contract came to rest.

He did say the company has filled one eight-core Power 720 rated at 46,300 CPW, 256 GB of memory, and so far has consumed roughly 11 TB of disk.

Current contracts are based on specific configurations, but can be changed on a monthly basis. So customers might move from one-tenth to two-tenths of a core if they are anticipating a need for extra computing power. In that regard, there is flexible pricing, but it's not variable on a day-to-day, on-the-fly, or on-demand basis.

Big On Managed Services

Managed services is the cornerstone to Connectria's business. It's not encouraging companies to simply put their server in the Connectria data center or rent fractions of a core on Connectria-owned servers.

"Our skilled people and managed services is everything we do," Azzolina says. "Remote monitoring is growing and that business model works for companies not ready to move their servers into our data center. Our managed services establish credibility. The ability to do managed services gives a level of relationship with customers we don't want to replace. We want to continue those relationships."

I would agree that tending relationships is very important work. The best way into a cloud environment is to get to know a vendor through a managed services agreement. Trust has to be earned.

CORRECTION: The specifications for the Power 720 Connectria has filled has been corrected from the version of this story that was originally published.

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