

VIRTUALIZE BEYOND THE ENTERPRISE MARKET

This solutions provider applies its virtualization expertise from its enterprise clients down through the midmarket and SMB space to fuel steady revenue growth.

BY GENNIFER BIGGS

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Virtualization has long been a technology implemented primarily at the enterprise level. The reasons for that vary; everything from cost to ROI to expertise has limited adoption of virtual technology in the midmarket and SMB markets. But with economic pressure forcing all businesses to tighten their belts, solutions providers such as CMT have found that story line changing. With experience gained by delivering cutting-edge virtualization solutions to enterprise clients with thousands of seats, CMT now offers virtualization solutions that appeal to the midtier and SMB

customers it serves, enabling them to enjoy the ROI of better-optimized computing power.

Leverage Enterprise Experience To Extend Virtualization Downstream

Dennis Mueller, VP of technical services for CMT, explains that CMT, which is 26 years old, has roots in the data center space and for many years focused on backup and disaster recovery solutions. But nearly a decade ago the company started talking to its major customers about



"It really comes down to reducing costs and flexibility — from leveraging existing investments to disaster recovery into the cloud," says Dennis Mueller, VP of technology services for CMT (right). Also shown, Kurt Klein, CEO of CMT.



where they saw IT impacting their companies — good and bad — and where they expected to need help with technology. “What came out of that conversation was a huge emphasis on data management, from email to legacy data, and the management of all of it. We heard from our customers that data was exploding out of control,” explains Mueller. “That’s when we started to focus on reducing costs with smarter data management, and virtualization became a piece of that solution set because it is a way to consolidate and to get better ROI on existing investments.” Because enterprise customers were the foundation of CMT’s business, the solutions provider started learning about virtualization with the support of those large customers. “We saw the need for CMT to develop the deepest tech knowledge possible in terms of virtualization, and those large enterprises had the funds to tackle these projects and invest in them so we could earn that expertise on the job,” explains Mueller. As CMT moved forward, it learned to streamline and consolidate its offerings to provide the same value to smaller customers. One reason that enterprise class customers were willing to serve as trail blazers was the ROI offered by virtualization to such large organizations versus the ROI smaller customers enjoy. While the savings are still compelling at the midmarket and SMB levels, it wasn’t so compelling as to drive fully invested projects when the technology was bleeding edge. Today, the early adopters in the enterprise space are continuing to invest in virtualization, moving more and more data and applications into virtualized environments. Meanwhile, SMBs are starting to demand the same efficiencies and dipping their toes into virtualization.

Why Virtualization Is 2011 Trend

With the lingering effects of the recession still impacting purchasing and IT decisions throughout the business world, it isn’t a surprise that virtualization, with its value proposition of cost savings and high ROI, has returned to the forefront as an IT industry trend. IT market forecasters predict virtualization spend will top \$290 billion in the next five years, and much of that growth will come from smaller businesses demanding virtual solutions tailored to their needs. Mueller says that while CMT is seeing that trend, it is also seeing the adoption of cloud computing tools

CMT

2010 Sales revenue:	\$38 million
2010 Sales growth rate:	28%
2011 Projected sales revenue:	\$55 million
Vendors:	Brocade, Damac, HP, MobileIron, NetApp, Quantum, Servertech, Symantec, VMware
Distributors:	Avnet, Tech Data

stimulating conversations about virtualization, especially at the SMB space. “It really comes down to reducing costs and flexibility — from leveraging existing investments to disaster recovery into the cloud,” he says. Also rekindling interest in virtualization is a comfort level with the technology. “When our customers see large IT names such as Microsoft and Symantec investing in virtualization tools and an increased availability of products such as network virtualization and desktop solutions, it reassures them about the technology,” says Kurt Klein, CEO of CMT. “It sends a message that this technology is stable and a real option.” CMT reinforced that message through its own migration to a virtualization environment. It reduced its physical server footprint from nine to two, rolling applications from email to archives onto virtualized machines.

Another step forward in the evolution of the technology, Klein adds, has been vendors’ recognition that more than just hardware and software are necessary for successful virtualization adoption. “If you ever go to VMware sales training, the message is clear: Your money isn’t made selling VMware; it is in selling all the infrastructure that supports it, plus the software and the subsequent services needed to make the ROI compelling.” To make his point, Klein says many of CMT’s customers see 30% to 50% savings even with the additional purchases needed to support virtualized environment. “For every \$1 of VMware we sell, we see another \$4 in infrastructure sales. That is where the growth is,” says Mueller. “For us, virtualization isn’t just about servers but about consolidation. We want to help people with better ROI on investment into hardware, and that includes virtualization but also data deduplication, data management, and compression. That is where a lot of the ROI happens.”



Virtualization Message Resonates With SMBs

With a solid expertise in virtualization built at the enterprise level, CMT was ready to leverage that knowledge with smaller customers. Mueller says that, surprisingly, many elements of a sale, such as length of sales cycle and value propositions, can be strikingly similar between markets. "While SMBs don't see as much ROI as companies with large infrastructures, the value remains, and they find the value around flexibility and data management to be as compelling as larger customers." (CMT categorizes SMB as 300 seats or less.) CMT has found the most success when it wraps services around virtualization at the SMB level. That solution allows CMT to first create a more stable environment by replacing seven or eight older servers and consolidating down to two or three newer, stable servers and then further improving performance with a hypervisor such as VMware. That addresses both reduced costs, improved performance, and better data management and opens the door to ongoing services agreements that support that environment and further optimize the solution. "We see the SMB customer taking advantage of the message of do more with less, but then it evolves into a managed services play where we become a de facto outsourced IT staff," says Klein.

Beyond the need to consider the value of virtualization for some smaller SMBs and then wrap the technology with services for those who will find value, Klein says there are fewer differences between the SMB sales cycle and that of larger clients. "With SMB you may have more direct access to the decision makers, but we don't see much difference in transaction time frames," he says. What CMT does see is less knowledge about virtualization and a need to educate as part of the sales cycle. To accomplish that, the solutions provider offers luncheon seminars in cooperation with vendors such as NetApp. "We try to answer questions for every segment, and we've even had customers talk about the impact of virtualization," explains Mueller. As part of that, CMT strives to set appropriate expectations at each level of customers.

Virtualization ROI Driven By Management

While virtualizing server and storage environments delivers a solid ROI in terms of cost, energy savings, network flexibility, and more, solutions provider CMT believes it is the management and optimization of a consolidated environment that pushes virtualization ROI to its full potential. Dennis Mueller, VP of technical services for CMT, says that is where Symantec, a longtime CMT vendor partner, has an impact. "Symantec helps us round out the virtualization story. With them, we can help people manage customer data, help with data deduplication, and provide intelligent data awareness." To provide those services, CMT uses Symantec Enterprise Vault, an archiving solution that deduplicates information at the source, eliminating multiple backups of static files such as old emails. "We use Symantec to help our customers manage legacy data, archive it, and expire it," explains Mueller. "That helps with ediscovery and overall production efficiencies, especially since it is supported with a variety of policy and automation features." Because traditional backup solutions make multiple copies of data whether it has changed since the last backup or not, organizations are often handling much more data than necessary — sometimes up to 10 times as much. Managing those multiple copies becomes a huge burden in terms of staff, storage, and business intelligence needed to save the appropriate data. CMT strives to reduce that production data before backup. "On average, about 80% of your data is static, yet you are backing it up over and over," explains Mueller. "If you can find the 20% or 30% of new or changing data and back up only that information, you are saving time and money." He adds that while that is compelling on its own, having a product that offers granular policy control over those processes and automation of those policies has become a differentiator for CMT. "That is a huge part of our virtualization story, and Symantec lets us do that." In fact, Symantec has become such a foundation for CMT's virtualization growth that the solutions provider has seen its business with the vendor more than triple. In FY 2010, CMT did \$12.5 million with Symantec, and in FY 2011, which just ended for CMT, it did \$45 million in sales.

Midmarket Values Virtualization Management

In the midmarket space, CMT looks for customers with a reliance on infrastructure and a need for IT expertise beyond any internal staffing. "They may have internal IT, but they aren't necessarily experts in all the categories where we have deep knowledge," explains Mueller. CMT offers value at the midmarket level by addressing a common complaint about virtualization — a virtual environment is an ever-evolving environment that needs constant care and management to fully meet its projected ROI. "We go in and do the virtualization project but then support IT by using our expertise to augment theirs. That helps accelerate and maintain ROI." The only hassle with those midtier customers, says Mueller, is around product sourcing. He explains that the biggest competition CMT faces is recommending a solution and then being compared to websites that enable click-and-buy strategies. "If they are making a decision to buy that way because it is 2% cheaper, then they are overlooking our value, and we need to deliver the message that they will not achieve the ROI they are looking for without our support." Mueller stresses that to deliver that message, CMT strives to get the CFO in on the discussions about virtualization early in the sales cycle.

Much the same sales approach works with enterprise clients, but CMT has found one particular enterprise pain point in its region (California). "Enterprise does have one difference that we use to our advantage; they face huge space, power, and cooling problems," explains Mueller. "Several of our top tier customers literally have had to move or shut down something to add new technology. Until they turn off so many amps, they simply can't support anything new." In CMT's case, Pacific Gas & Electric (PG&E) has supported its message of virtualization, which can drastically reduce the space and power footprint of a business, by offering a free benchmarking service as well as rebates for evidence of power reduction. (Learn more at <http://bit.ly/91NDOh>.) Mueller stresses that when you are talking about companies with more than 1,000 virtualization licenses, then savings in space and power becomes a unique value. "Virtualization can mean the difference between making this business decision or not, the limits on their space are so great."

Another particular value in the enterprise space that has helped CMT expand downstream has been the willingness of its largest customers to invest in specialty

solutions required by strict compliance mandates.

"With large enterprise, there are many governance and compliance issues to contend with, and once you learn the methodology around those needs, it is easy to apply in small shops," says Mueller. For example, he points out that enterprise customers are willing to pay CMT to learn how to restrict access in virtual environments or to create an audit trail for that data, but those midtier and SMB customers can't afford that expertise. With the experience funded by large clients, CMT can add that tremendous value to its smaller customers' deployments without passing along the cost. "We can transfer that knowledge to them without reinventing the wheel," he says.

Virtualization Growth Just Starting

While many conversations about virtualization revolve around servers, CMT is starting to see that trend expand to include storage, switches, and more. "I think you'll be seeing greater adoption outside the server, including storage platforms and the IP [Internet protocol] network as well as other resources that help drive further ROI around virtualization," says Klein. While desktop virtualization always pops up as a potential, CMT hasn't seen that technology gain traction with any widespread regularity. "While the ROI is very compelling in certain spaces, in others, it is still sort of voodoo. It is still a 'nice to have' in many instances."

For CMT, the benefit of virtualization is clearly supported by its stellar growth; the solutions provider grew 28% last year. Because CMT focuses with eight vendor partners, its growth is also reflected in product figures. Last year alone, CMT went from leveraging \$12 million in Symantec products to \$45 million. "You can see where our focus around virtualization and our message of efficient computing over the last 18 months is really paying off," says Klein. He says in 2011, CMT has a goal of hitting the \$55 million revenue mark, and he is clear that without virtualization in its portfolio, that simply wouldn't happen. He cautions other IT providers not to wait to grow their knowledge in terms of virtual solutions. "It is critical to be well-versed in virtualization," says Klein. "Even if it's not a pillar of your business, you must grow expertise around this, or you're missing a tremendous opportunity."