



# Can You Scale Your IT Infrastructure in Less Than a Week?

**IT'S NO SURPRISE THAT IT LEADERS ARE CONSTANTLY STRIVING TO DO** more with less, all while providing greater value. To this point, the Enterprise Computing Institute recently published the results of its five-year study summarizing the 350 IT assessments they performed for Fortune 500 companies. Their findings reveal the top three IT management issues are: cut costs, enable speed and agility, and produce business results from scarce resources. In addition to these issues, retailers are increasingly concerned with security and real-time performance, and they rely more than ever on instant access to rich consumer data to guide business decisions.

These drivers are forcing IT leaders to find better ways to support the needs of their daily operations and plan appropriately for the future. This is no small task as the demand to support larger and more complex applications only continues to grow.

One way many leading companies are overcoming this challenge is by rethinking the way they approach their IT infrastructure. Instead of buying more hardware, continuing to build out their networks and hiring more specialized people

to manage it all, they're looking for ways to outsource. In fact, an AMR Research project to be published in October states that 76 percent of retailers either now or in the future will have key applications hosted centrally through an outsourced solution.

"We're seeing a definite shift toward hosting at a central location rather than retailers owning their own in-house servers and processing hardware," says AMR senior analyst Rob Garf. "Even key applications such as inventory, customer loyalty data, workforce management and supply chain data systems are being hosted centrally."

Despite this shift, many have struggled to see real benefits because outsourcing in its traditional model can mean little more than moving a big problem to an outside partner without generating any real strategic or competitive advantage. While traditional IT outsourcing models deliver time and cost savings by off-loading day-to-day management responsibility, most do little to change the actual infrastructure paradigm. Retailers still need to commit large capital budgets to buy standalone hardware resources, which are still vastly underutilized and at risk for obsolescence in a matter of a few years' time.

### Top 3 IT Management Issues:

- ▶ Cut costs
- ▶ Enable speed and agility
- ▶ Produce business results from scarce resources

*Source: Enterprise Computing Institute, 2005*

**Over 50 percent of IT executives believe utility solutions will be viable for their business within the next 12 months.**

Source: SAVVIS/IDG

That's why the "utility" model for outsourcing IT infrastructure is garnering more attention. Sometimes called "on demand" IT, "just-in-time" IT or "utility computing," the practice of leveraging a central pool of scalable IT resources is gaining momentum among retailers of all categories and sizes. With utility computing, the infrastructure on which retailers run their applications – including the networks, security, servers, storage, and monitoring systems – is accessible from an infinitely scalable platform. It's not tied to standalone hardware components that are maintained by an in-house staff. It's not vulnerable to the viruses and breakdowns that drain the resources of on-site retail network systems, and it's not subject to the risk of obsolescence.

Most importantly, with utility computing critical IT functions are available – and scalable – when the retailer needs them. If extra holiday inventory means more SKUs in the system and therefore the need for greater tracking capacity, utility computing provides that bandwidth on an as-needed basis. If an Internet initiative grows the prospective customer database, those data can be stored and protected without exponential increases in staff or servers. Utility computing can grow as retail seasonality and consumer demand change, so retailers aren't buying equipment up front to support peak periods and watching it go underutilized until it's needed.

This model is starting to radically change the IT landscape. A SAVVIS/IDG survey found that over 50 percent of IT executives believe "utility solutions will be viable for their business within the next 12 months." While specific monetary predictions are hard to find, there are four benefits that bode for a rapid adoption of utility computing in the retail sector:

▶ **MAXIMIZE ECONOMIC EFFICIENCY**

It used to be the only way to implement enterprise-wide applications and data storage systems was to buy all of all the hardware and equipment needed to support them. Although many vendors offer to bundle in the hardware to make it easier for customers to buy and install, this approach can be costly and leave equipment underutilized during off-peak periods. And at the end of the day, it's still up to the customer to manage it all. Then came subscription-based application service providers, which allow companies to access centralized applications for a simple monthly fee. This model offered greater flexibility, but provided access only to a specific application.

The utility approach takes that model a step further, offering a scalable pool of infrastructure resources over which a company can run any of their applications. The hardware and monitoring systems are maintained and upgraded by the provider. "Freeing capital is of the utmost importance for retailers right now," says SAVVIS retail industry manager Stephen Ward. "They can't afford to have dollars locked into infrastructure that goes underutilized. With utility-based services, you can be free from large IT expenditures. You don't need to hire the deep level of expertise that a traditional IT solution would require. You don't need to worry about investing in a server-based solution that might be obsolete years from now or will require an upgrade that involves another huge technology investment."

▶ **GAIN SCALABILITY AND AGILITY**

Utility computing allows retailers of all sizes to cut costs and better adjust to changes in their marketing and sales techniques. In order to balance the predictable (like seasonal selling cycles) with the unpredictable (like customer trends that drive demand), their IT infrastructure must be flexible enough to support both. For example, if a retailer wants to develop or expand on an existing customer loyalty program, utility computing provides an ideal infrastructure. Server and storage capacity and associated

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— Simon Hawkes, COO, LMK

data warehousing capabilities to support the program can be provisioned on demand, allowing the retailer to grow the infrastructure in real time based upon the rate of customer adoption. "Retailers can add and remove applications as they need them," says Yankee Group small and medium business strategist Sanjeev Aggarwal. "For small and mid-sized retailers, it allows them to add new customers and inventory and communicate with customers as a big retailer would."

► **ENSURE ROCK SOLID SECURITY**

Securing data and e-commerce sites has become a critical business requirement, especially in retail where customer information is a hot target for theft. The ideal answer is a "defense in depth" strategy in which every IT infrastructure asset is secured. But this strategy has traditionally been difficult to implement, complex to manage and expensive to acquire.

For example, getting a computer configured for firewall software, installing it, sorting out the cabling and figuring out the firewall security rules are daunting tasks. The same applies to other security products, whether they're intrusion-detection systems, virtual private networks, or anything a retailer may deploy to protect its network. And, managed Internet firewalls can easily cost between \$1,500 and \$4,000 per month to set up and manage. That's just for the firewall.

With utility computing, retailers of all sizes, including small and mid-size companies that wouldn't typically be able to afford it, can implement rock solid security. According to Bill Hancock, chairman of the FCC's Network Reliability and Interoperability Council of the Homeland Security focus group on cybersecurity and chief security officer of SAVVIS, Inc., with the utility model "the benefit is that setting up a virtual security 'box' can be done in minutes instead of the days required by a

## WINE.COM

In a business where a good vintage can make or break a company, 2004-5 will go down as one of the very best at Wine.com. It topped two million unique visitors. It counts more than 100,000 customers who can choose from 14,000

wines. It forged new partnerships with Home Shopping Network, 1-800 Flowers and Amazon.com, significantly expanding its sales channels. And the recent Supreme Court decision will help to expand its existing legal distribution network of 36 states.

"Too much, too soon" has historically been difficult to manage for online retailers. But for Wine.com CIO Francis Juliano, exponential growth had to be managed with a scalable and robust IT infrastructure. Buying enough servers, storage and network and data facilities to handle its rapidly expanding business would have led Wine.com down the path of Internet excess. Juliano chose SAVVIS' utility computing solutions to manage costs as well as support new business. "All of a sudden we had the opportunity to get a lot more people to our home page," Juliano says. "The potential business presented a huge problem on the server side. How do we control costs? How do we manage the scale of our business? The utility computing solution enabled us to scale up without adding costs we couldn't handle."

In addition to the demands of new distribution channels, the majority of Wine.com's business is booked in November and December. And although Juliano and his team are working on wine clubs and wine collections to try to increase business volume throughout the rest of the year, the seasonal spike will not change. When Wine.com needs the storage and data capacity during the holidays, that capacity is there. When it drops in January, so does the demand on its infrastructure.

The SAVVIS solution allows Wine.com to fill its orders and save 50 percent on its IT costs at the same time. Without having to worry about budgeting for excessive capital expenditures, Juliano says he has been able to focus on implementing more powerful e-commerce applications. He's pursuing additional partnerships, and he's been able to focus on better shipping solutions, which is a welcome problem that comes with such a dramatic growth in distribution. "I expect that the biggest challenges for us will be making sure that we continue to build a solid business with good interfaces for our enterprise partners," he says. "I am very confident SAVVIS gives us the scalability to grow and satisfy customer demand even with the seasonal spikes in the business."



traditional set up. The other major benefit is higher performance. As more processing power or network bandwidth is required for the network connection, the upgrade can be made with simple software commands to the server, without physically upgrading any equipment. In larger networks, a single virtualized security server can replace many physical boxes, allowing for much more sophisticated network defense and reduced management costs.”

▶ **IMPROVE DATA STORAGE AND ACCESS**

Collecting, updating and maintaining a data warehouse is costly at best. It’s tough enough to ensure you’re gathering and tracking all the information you need, and even more difficult to ensure that you have the storage capacity and real-time access needed to effectively leverage your data to drive smart inventory, buying, forecasting and marketing decisions. Utility computing ensures you have the storage infrastructure you need, no matter how much data you need to manage. You can get fast access to storage and you can purchase different storage performance characteristics to meet the unique needs of your applications, whether they are large data warehouses, transactional data, or backup files

Just ask Simon Hawkes, Chief Operating Officer for Loyalty Management UK, which runs Nectar - the world’s largest customer loyalty program. “We receive massive quantities of data from over 50 percent of UK households who do business with more than 18 major brands across the UK. This is obviously a very complex undertaking which requires an extremely robust storage platform. We’ve worked with a traditional infrastructure approach for quite some time, but are now seriously evaluating the utility computing model as we feel it can provide a great deal of promise for managing costs and scale, which is critical as more brands and greater volumes of data are brought into the Nectar program.”

“During the coming year you’re going to see a lot of retailers get their feet wet in utility computing,” says AMR’s Garf. “All it takes is a few retail leaders to see some positive results and you’ll see these services take off.” ■



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**ABOUT SAVVIS**

SAVVIS, Inc. is a global IT utility services provider that focuses exclusively on technology solutions for businesses. SAVVIS’ strategic approach combines virtualization technology, a global network and 24 data centers, and automated management and provisioning systems. With an IT services platform that extends to 47 countries, SAVVIS leads the industry in delivering secure, reliable, and scalable hosting, network, and application services.

SAVVIS powers every retail channel – in store, online, and in print – and serves more than 400 of the leading retailers. SAVVIS’ retail solutions range from fully managed store networks and e-commerce hosting, to media services for advertising production and rich media delivery to the sales floor. These solutions enable retailers to focus on their core business while SAVVIS ensures the quality of their IT systems and operations.

