**ValueWeb**

# ValueWeb:
## IBM Infrastructure—Powering the Business and Attracting Customers

### An IDC e-business Case Study

| WHY IBM | *"We see infrastructure as more than a collection of hardware and software—it's the foundation on which we run our entire business. Our investment in IBM technology makes us—and more importantly our customers—feel we're on very solid ground in terms of dependability."* |
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| THE GOAL | NEAR-TERM: | Build a robust, scalable, and reliable infrastructure for delivering advanced Web-hosting services. |
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| | LONG-TERM: | Enable rapid response to shifting customer needs through a flexible, standards-based e-infrastructure. |

| THE COMPANY | VITALS: | Based in Fort Lauderdale, FL, ValueWeb hosts over 80,000 Web sites for small and medium-sized companies. A unit of e.Spire, ValueWeb is one of the 10 largest hosting providers in the world. |
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| THE SOLUTION | PROFILE: | Advanced Web hosting and messaging solution |
|---|---|---|
| | CORE IBM TECHNOLOGY: | • RS/6000 SP and RS/6000 B50 servers<br>• "Shark" Enterprise Storage Server |
| | IMPLEMENTATION TEAM: | IBM Global Services |

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## The Solution

### Core Functionality

- Secure, redundant Web hosting, managed service and messaging platform

### Software

- IBM AIX

- IBM Communications Server

- IBM Internet Connection Server

- IBM eNetwork Dispatcher (module within IBM WebSphere Performance Pack)

### Servers

- IBM RS/6000 SP

- IBM RS/6000 B50

- IBM Enterprise Storage Server

### Services

- IBM Global Services

### Benefits

- Avoided $1 million in costs by leveraging IBM architecture

- Ability to roll out new service rapidly and at minimum cost

- Ability to leverage IBM brand to facilitate customer acquisition and increase customer retention.

Having established a strong position in the highly competitive Web-hosting market, Florida-based ValueWeb has begun shifting its strategy towards higher value-added services—such as dedicated server hosting and managed services—in response to an increase in the diversity of end-user needs. IDC research shows that the hosting market is moving more in this direction, with dedicated hosting projected to represent three quarters of worldwide hosting revenues by 2003.[1] The fact that value-added services such as data backup, monitoring, and load balancing are also expected to become relatively more important raises the competitive stakes for hosting service providers.

As competition in the business-oriented Web-hosting market has intensified, ValueWeb has witnessed an increase in the importance of a robust e-infrastructure as a source of competitive differentiation. Moreover, the dynamism of the market has made "strategic agility"—the ability to perceive needs and deliver on them rapidly and cost effectively—even more important. As a result, ValueWeb has invested aggressively in e-infrastructure to meet the heightened competitive challenges of the business-hosting market. Key IBM components at the heart of ValueWeb's service delivery architecture include RS/6000 SP and B50 servers and the "Shark" Enterprise Storage Server. ValueWeb sees its commitment to IBM technology as a direct reflection of the strategic importance of its service delivery infrastructure, noting that customers seek out the reliability and performance of IBM technology. ValueWeb's own experience with IBM technology—notably the RS/6000 running on AIX—stand as a firm foundation of its belief in the inherent reliability of IBM e-solutions.

For ValueWeb, the business benefits of choosing IBM as an e-business solutions provider range from top-line growth to bottom-line profitability. The most significant benefit achieved has been ValueWeb's ability to respond to market opportunities faster and provide the best possible service to its customers. Likewise, ValueWeb has been able to leverage the IBM brand on the customer acquisition side—and to leverage the reliability and robustness of IBM technology to keep its customer retention high. ValueWeb notes that a large portion of ValueWeb's customers were attracted principally by its association with IBM. This is especially true for small and medium-sized businesses—for whom reliability is crucial. As ValueWeb continues its migration to higher-value-added services, the company expects to reap even more benefits from its IBM architecture in the form of higher margins.

In the future, ValueWeb will offer a broader range of value-added services to achieve sustainable differentiation, with IBM technology providing the enabling infrastructure. The company plans to soon offer a full range of advanced e-commerce solutions to its small and medium-sized business customers through IBM WebSphere Commerce Suite Service Provider Edition (SPE), including virtual storefronts, online catalogs and online payments processing. The service will likely be delivered as a dedicated server solution running on IBM Netfinity and eServer pSeries servers.

! Business Environment

Based in Fort Lauderdale, Florida, ValueWeb is a provider of shared, dedicated and co-location Web-hosting solutions targeted to the small and medium-sized business (SMB) market. Since its founding in 1995, the company has carved out a solid position in the hyper-competitive Web-hosting market, ranking among the top 10 providers worldwide with approximately 80,000 hosted domains. Tomas Mikaelsson, ValueWeb President and Chief Operating Officer, attributes much of his company's success to the breadth and quality of its service offering for the SMB market. "Our strategy is centered around listening—and reacting quickly—to the needs of our customers and the overall market," says Mikaelsson. "The rapid growth we've achieved by adhering to this principle attests to the importance of being customer-focused and delivering solid, dependable services."

Since the mid-1990s, the Web-hosting-services market has evolved from "emerging" to "growth" mode. Moreover, this growth has been accompanied by an increase in the diversity of end-user needs (i.e., market segmentation) and the strategies necessary to meet these needs. ValueWeb's track record of adapting to the changing dynamics of the Web-hosting market is clearly a major reason for its success thus far. As IDC research shows, the dynamism that has marked the hosting market shows no sign of letting up, underscoring the continuing need for strategic flexibility. One measure of this dynamism is the increasing importance of dedicated Web hosting as a driver of the overall hosting-services market. From 1999 to 2003, IDC projects that revenues from higher-margin dedicated hosting will grow from 70% to 74% of overall worldwide revenues, while the proportion of shared revenues declines proportionally. At the same time, value-added services such as data backup, monitoring, and load balancing are also expected to become relatively more important as end users adopt more advanced hosting solutions. These factors raise the competitive bar for service providers seeking to thrive in the hosting market.

! Rising to the Challenge

ValueWeb responded to these shifts by adapting its business model and service offerings to better meet the evolving needs of its target market. As a key example of this, ValueWeb began offering dedicated server and co-location hosting as well as a range of managed services in mid-2000. While Mikaelsson believes that ValueWeb's service enhancements clearly position the company to address the emerging market opportunity, he acknowledges the challenge of establishing and maintaining competitive advantage in the hotly contested business Web-hosting market. "The criteria for success in our market extend beyond the service offering itself to more subtle factors, such as pricing, reliability, support, and a host of others" says Mikaelsson. "For a provider like us serving the small and medium-sized business market, I would say the quality of our infrastructure stands head and shoulders above other factors in importance to businesses hosting their Web sites."

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## e-business Challenge
### ValueWeb

"We need to have an infrastructure in place that allows us to rapidly bring advanced services to market, Our ability to stay ahead of the curve with new services is critical to the growth of our customer base—as well as the retention of our existing customer base."

—Tomas Mikaelsson,
    President and Chief
    Operating Officer,
    ValueWeb

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Mikaelsson sees another key success factor in the Web-hosting market as "strategic agility"—the ability to not only perceive needs, but to deliver on them rapidly and cost effectively. Here, again, the issue of e-business infrastructure plays a central role for ValueWeb. "We need to have an infrastructure in place that allows us to rapidly bring advanced services to market," notes Mikaelsson. "Our ability to stay ahead of the curve with new services is critical to the growth of our customer base—as well as the retention of our existing customer base." As the following section outlines, ValueWeb has invested aggressively to meet the heightened competitive challenges of the business-hosting market.

## The Solution: IBM Technology at the Core

### !  Solution Overview

An IBM Premium Business Partner, ValueWeb has used IBM technology from day one, including its server, storage and software solutions. In terms of hardware, the company presently employs:

- IBM RS/6000 SP servers
- IBM RS/6000 B50 Pizzazz servers
- IBM "Shark" Enterprise Storage Server

Running on AIX, ValueWeb's RS/6000 SP servers transfer e-mail to and from its Shark server (used for back-end e-mail storage), while IBM's ADSTAR Distributed Storage Manager (ADSM) tape library provides tape back-up for a wide range of functions. The company's B50 servers—also running AIX and arrayed in a cluster—are used as SMTP and POP servers for inbound and outbound e-mail. All are located in ValueWeb's Fort Lauderdale data center.

ValueWeb also employs a substantial range of IBM software products, including:

- IBM VisualAge C++
- IBM Communications Server, IBM Internet Connection Server and IBM Transaction Server (for news, mail and Web hosting)
- AIX (system administration)
- IBM eNetwork Dispatcher module within IBM WebSphere Performance Pack (load balancing redundancy)

ValueWeb's state-of-the-art e-mail infrastructure was deployed in September 2000, with major assistance from IBM Global Services. According to Laurence

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**Key Decision Criteria In Selecting IBM**

"We see infrastructure as more than a collection of hardware and software—it's the foundation on which we run our entire business. Our investment in IBM technology makes us—and more importantly our customers—feel we're on very solid ground in terms of dependability."

—Tomas Mikaelsson

Sherzer, ValueWeb's Director of Network Operations, IBM Global Services proved instrumental in getting the new elements of the solution—SP servers and the Shark server—up and running fast. "We could not have re-architected our main solution as fast as we did without the help we got from IBM Global Services," says Sherzer. "In addition to configuring and tuning the system to give optimal performance for our e-mail services, the team helped us set up our policies and procedures for conducting backup for our entire hosting service. This shows we implicitly trust IBM at the very heart of our business."

### ! Why IBM?

Mikaelsson views ValueWeb's commitment to IBM technology as a direct reflection of the strategic importance of its service delivery infrastructure. "We see infrastructure as more than a collection of hardware and software—it's the foundation on which we run our entire business," says Mikaelsson. "Our investment in IBM technology makes us—and more importantly our customers—feel we're on very solid ground in terms of dependability."

Sherzer concurs, citing his experience with the IBM RS/6000 platform running on AIX as evidence of its "legendary" reliability. "Put simply, the most compelling reason for our selection is that RS/6000s on AIX just keep *running*," he says. "They have the highest up times of any machines you'll see running a UNIX-based application. We're talking about machines that are up for 300 days since the last time they were rebooted. That's the kind of reliability we want to build our business around." In addition to lauding the performance benefits of the IBM platform, Sherzer also points to the marketing benefits of selling a service so closely associated with the IBM brand. "A big selling feature for our customers is that we are powered by IBM servers," says Sherzer. "They know that if we're an IBM shop, we're not going to have failures, so they're not going to lose any sleep worrying about our system going down."

## Business Results

ValueWeb's Mikaelsson traces a wide range of concrete business results to its choice of IBM technology for its service delivery platform, from its top-line revenues to its bottom-line profitability. "The most significant benefit we have achieved is ongoing—using IBM technology maximizes our competitiveness because it enables us to respond to market opportunities faster and provide the best possible service to our customers," proclaims Mikaelsson. "We're able to leverage the IBM brand on the customer acquisition side—and leverage the reliability and robustness of IBM technology to keep our customer retention high." Mikaelsson believes that a "very significant" portion of ValueWeb's customers were attracted principally by its association with IBM. Of these companies, he adds, a large share use IBM products in their own companies. "The fact that IBM's reputation for quality resonates so strongly with small and medium-sized businesses—for whom reliability is crucial—has really been a boon to our market development efforts," says Mikaelsson.

As ValueWeb moves up-market, with its business model focused more on value-added services, Mikaelsson expects to reap still more benefits from its IBM architecture in the form of higher margins. "Having the IBM name on the server or the software allows us to charge higher prices because our customers are willing to pay for the quality and dependability of the service," says Mikaelsson. "We view the resulting higher margins we've achieved as a clear endorsement of our reliance on IBM technology."

Yet another benefit reaped by ValueWeb relates to its ability to roll out new service rapidly and at minimum cost. Recently, after receiving numerous requests for a new storage service as an adjunct to its dedicated hosting service, the company was able to assemble a solution in less than two weeks by leveraging its existing IBM ADSM tape library. This speedy deployment, explains Sherzer, attests to the overall adaptability of ValueWeb's IBM-centric architecture. "Had we not been able to leverage our existing architecture, it would have taken six months to implement the service," reasons Sherzer. "At the same time, we were able to avoid more than $1 million in additional headcount and equipment costs by going with a centralized storage solution."

## Case Epilogue

As the competitive climate of the Web-hosting market intensifies, ValueWeb continues to adapt it business model—offering an ever-broader range of value-added services to achieve sustainable differentiation. IBM technology will play an important role in ValueWeb's ongoing evolution both in terms of enabling infrastructure and hosted e-business solutions. In the latter case, the company plans to soon offer a full range of advanced e-commerce solutions to its small and medium-sized business customers through IBM WebSphere Commerce Suite SPE, including virtual storefronts, online catalogs and online payments processing. The service will likely be delivered as a dedicated server solution running on IBM NetFinity and eServer pSeries servers. "We expect strong demand for these services," says Mikaelsson. "We intend to strongly promote the fact that these solutions are powered by WebSphere Commerce Suite, which we see as the leading e-commerce platform on the market today."

ValueWeb is also considering offering IBM DB2 Universal Database as a managed service to its customers—either as an underpinning of an e-commerce solution or as a stand-alone database management service. Sherzer, who is presently involved in the early stages of development for the offering, sees DB2 as the ideal platform for a hosted database-driven service. "DB2 is superior in terms of transaction processing capability, ease-of-use and flexibility," says Sherzer. "This benefits us because it's easy to configure a strong offering, and benefits our customers because of its superior performance and reliability." As an IBM Premium Business Partner, ValueWeb plans to continue working closely with IBM as a user of its technology and a provider of hosted IBM solutions. "The competitive nature of our business dictates a close relationship between us and our technology partners," says Mikaelsson. "We can rest assured that IBM will provide us the technology we need to thrive."

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