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Datacenter Infrastructure Management Software

Technology
Data Center Mgmt

Device42 LLC
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Dr. Steve Shwartz, Ph.D.
COO

BIO:
Prior to joining Device42, Dr. Shwartz was CTO of Tangoe which was one of top 5 IPO's of 2011. Before Tangoe, he was also Global CTO of Computershare, a $2B technology-based financial services company based in Australia.

Dr. Shwartz started his career as a research faculty member in the Yale University Computer Science Dept Artificial Intelligence program and was a co-founder of two companies in the artificial intelligence area. He then created Esperant, one of the leading business intelligence tools of the 1990's. Esperant was translated into numerous languages and sold in 80 countries worldwide.

Dr. Shwartz is also the author of a book, has spoken at dozens of industry and academic conferences, has published numerous trade and academic articles, and has received two patents.

About Device42 LLC:
Device42 is a provider of datacenter infrastructure management (DCIM) software. The software is delivered as a virtual appliance and installs in less than 5 minutes. A very extensive set of autodiscovery tools, RESTful API's, and spreadsheet imports enable data to be loaded very quickly. Device42 believes that only the very largest data centers can afford to buy expensive point products and instead provides a comprehensive, low-cost feature set that includes Asset Management, Power Management and Control, IP Address Management, Private and Public Cloud Management, Password Management, and Application Impact Management. The tool includes extensive visualizations of rooms, racks, networks, cabling, and power chains. The modern user interface works with all major browsers, requires no plug-ins, and offers features such as drag and drop.

It is also very easy to do business with Device42. A full working copy of the product can be downloaded from the website without talking to a sales rep. All documentation, pricing, and the full release history is available on the website for anyone to view.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: Dr. Shwartz, what is Device42?

Dr. Shwartz: Device42 provides software in a field called datacenter infrastructure management. We provide software that helps datacenters manage their environment. DCIM (data center infrastructure management) it is a $600 million dollar market in 2013 according to 451 Research and is growing annually at a 45% rate. Most of the players in this space target the 20,000 largest datacenters in the world. Device42 is targeting the 480,000 small to medium sized datacenters (this category includes most enterprise data centers). We have developed a product that is competitive with the high-end players but it is sustainably much lower cost and in many cases ten times lower cost or even more.

CEOCFO: What the name Device42?
Dr. Shwartz: Inside the datacenter one of the main things we track are devices. The number 42 comes from The Hitchhikers Guide to the Galaxy. In that book the number 42 is the answer to everything. Device42 is where companies can find out everything about their devices.

CEOCFO: What made you decide that this was a ripe market for you?
Dr. Shwartz: Device42 was started by systems administrators who were looking for a tool that could help them manage their data centers. Most data centers start off trying to manage their devices, IP addresses, cables, switches, vlans, and so on in spreadsheets. As their organizations grow in size, the spreadsheets quickly become unmanageable. For a simple example, if I have one spreadsheet for devices and one for IP addresses, I have difficulty knowing which IP addresses are assigned to which

devices. The company founders wanted a tool that would not only track their assets and devices but that would track which applications were associated with which virtual or physical devices so that they could figure out if a device went down what applications would be affected. They also needed to keep track of their networks: IP addresses, vlans, vrf groups, subnets, and so on. And they needed to keep track of the service passwords on the various devices and manage expiring passwords. They found expensive point products tools on the market but no comprehensive tools and even worse, the point products were very expensive. So they set out to build a tool that was both comprehensive and affordable.

CEOCFO: How do you make the people in your target market aware of Device42?

Dr. Shwartz: We rely exclusively on inbound marketing to spread the word about Device42. Believe it or not, we actually do not hire salespeople. Every person in the company has a technical background in order to be able to act as both a pre-sales and post-sales consultant. We believe the product is so feature-rich and easy to use that it essentially sells itself. Prospective customers download the software without talking to a salesperson. If they have questions, we're happy to answer them and/or walk them through a webex demo. I think we're the only player that makes it this easy to acquire a full working copy and the reason for that is we strongly in the product and that if all DCIM vendors did the same thing, we would win even more customers because it would be that much easier for customer to see the Device42 advantages.

CEOCFO: People have been looking for a better way, is that correct?

Dr. Shwartz: Yes. Once a company grows to a couple of hundred people they end up with quite a few devices and IP addresses and other assets. There is probably one spreadsheet for

devices and another spreadsheet for IP addresses, and another for switches. You might have 50 spreadsheets. It becomes very hard to keep the data current and the IT staff begin to realize that they need tools that will automatically detect new devices and network components and changes. Or, they realize they need automation to interface with other tools to keep the data consistent. And even if you can keep the individual spreadsheets up to date, there is no way to relate the data from one spreadsheet to another.

CEOCFO: How does the market with smaller datacenters compare to the larger ones and do you see growth in these smaller datacenters?

Dr. Shwartz: The industry analysts tell us that data centers are growing in certain ways and they are shrinking in certain ways. The advent of our

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virtualization technology is causing companies to create many more virtual and cloud servers. So, the total number of servers out there is growing tremendously but the number of physical servers is probably staying the same or decreasing.

CEOCFO: Are there pieces or areas you would like to cover or add to your offering as to what you are able to track?

Dr. Shwartz: One of the main areas that we are starting to work on is integrations with related technologies. For example companies have help desks that track information in service management products. The information in service management products is closely related to device information in the datacenters. We will soon offer full integration to those types of tools and we will be able to deliver a more integrated solution to

our customers. There are other categories of tools that are related to what Device42 does and we are looking to integrate to those tools also.

CEOCFO: What are some of the challenges in putting together an offering like you have?

Dr. Shwartz: One of the challenges is keeping our costs low so that we can pass the savings on to our customers. We do this by using only inbound marketing (i.e. no telemarketing staff and/or direct sales staff). We make sure that every contact with a prospective or existing customer makes them feel like they are talking to a very knowledgeable consultant. However, that means that we do not have the real strong salespeople who keep pushing the customers until they buy.

CEOCFO: What do you look for in your technical people so that they can bridge that gap and fill some of the need to be a salesperson whenever you are talking to a potential customer?

Dr. Shwartz: We look for people who have worked as data center technicians, network or system administrators, system engineers, or data center architects, i.e. the people that are inside the datacenter unpacking the boxes of servers and wiring them and putting together the network configurations or automating the server builds. We look for the people who want more human interaction than they are getting inside the data center. Those kinds of people do very well because they understand our technology and have enough knowledge to talk to customers and let the customers figure out how they should proceed and they tend to be very well perceived by the customers because they are seen as consultants rather than salespeople.

CEOCFO: Your site shows well known companies in your customer list. From what I am gathering it is a company datacenter as opposed to a

datacenter that would handle many companies?

Dr. Shwartz: Yes and no. Though most of our customers are enterprise data centers, we do have a number of service provider data centers. One that comes to mind is SimpleHelix. We can support service provider because our software enables us to partition the data by customer.

CEOCFO: What is your geographic reach?

Dr. Shwartz: We are in over twenty different countries.

CEOCFO: Are there areas where you would like to have a presence or is it opportunistic?

Dr. Shwartz: We are constantly expanding the solutions. We recently added energy management and power control as an offering. We have just started offering management of cloud instances. We are always looking for opportunities to expand our offering so that it is going to be useful for more and more companies.

CEOCFO: Do you have a strategy to work on that or is it in the thinking stage?

Dr. Shwartz: Our main strategy is listening to our customers. We take great pride in adding the features that our customers really need.

CEOCFO: How is business these days?

Dr. Shwartz: Business is great! As you can see from our website, we have attracted a large number of very well known enterprises as customers. Many customers have come to us after becoming frustrated with more expensive products from larger, more established companies. And our custom satisfaction is extremely high.

CEOCFO: Why is Device42 an exceptional company?

Dr. Shwartz: We believe we are disrupting the DCIM market. We believe that our technology and our sales model enables us to offer a better product at a sustainably lower price. Sustainability is really the key here. It is easy for a company to come in and price their initial product low but can you sustain it and really build a company? There are three aspects of the way we do business that we think enables us to be sustainably lower cost. One thing that we do is our low touch sales model. We do not do any cold calling and we do not have a direct sales staff. We have consultants who talk to prospects and handle support and that enables us to offer the product at a lower cost. The second factor is our licensing model. We sell our software by subscription.

Customers receive a one-year license fee and have to pay again the next year if they keep using the prospect. This means we have to keep the customers happy but we welcome that challenge. Our competitors sell the product with a perpetual license; one pays a fee upfront and then maybe 18% a year for maintenance. Our revenues are recurring so our revenues always build with each new customer. When you sell perpetual licenses, only 18% of the sale price carries forward to the next year so you have to sell 84% again just to get back to the same revenue level as the last year. Worse, it is very hard for a company to switch from a perpetual licensing model to a recurring revenue model because it inevitably results in much lower revenues and cash flow for two years. We have an advantage there and we also have a technology advantage because we use rapid development technology where a lot of our competitors are using much older technology and struggling with legacy products many of which are not even web based. So, we think we have a three-legged stool that enables us to disrupt the market by providing a quality product at a much lower price on a sustainable basis and we believe that our approach also does a better job of ensuring long-term company viability.

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