

Leveraging the Benefits of the Cloud as Canada's First Provider of Virtual Data Center Services, ThinkOn Inc. is helping CTO's Accelerate IT, Avoid Disasters and Reduce Server Costs

**Technology
Data Centers**

ThinkOn Inc.
1 Yonge St, Suite #940
Toronto, ON, Canada
M5E 1E5
647.478.9266
www.thinkon.com



**Craig McLellan
CEO**

BIO:

Startup founder or enterprise CTO? Both. Craig has logged over 10,000 hours – and countless Airmiles – while building high-availability applications for Fortune 500 clients of Hosting.com, SunGard, and other large US cloud providers.

Craig also builds companies. In the last 22 years, he has grown several ventures and teams, all solving real market problems through smart technology. It could be his Rotman MBA talking, but Craig could not resist the cloud opportunity in Canada. ThinkOn has been in the making for a long time.

ThinkOn is the first Canadian Virtual Data Centre in Canada. Craig's knowledge of the business need to be always-on and the compelling case to keep data in Canada was the push for Craig to make it happen.

Craig resides in Toronto with his family, coaching baseball, or playing hockey

To his credit is a book that Craig is awaiting publication called: Essential Guide to Disaster Recovery and Business Continuity.

About ThinkOn Inc.:

ThinkOn – the virtual data centre company – helps CTO's to accelerate IT, avoid disasters, and reduce server costs while avoiding the legal and performance issues of US-based cloud companies.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. McLellan, what is ThinkOn?

Mr. McLellan: ThinkOn is Canada's first provider of virtual data center services. We provide services to mid-size to large organizations that consider themselves to be technologically savvy and are looking for a way to leverage the cloud in cost effective ways for providing applications that typically involve large volumes of compute and large volumes of data.

CEOCFO: How long have ThinkOn data centres been available?

Mr. McLellan: We started this business in January and I should just clar-

ify that this is the first virtual data centre company, so there have been companies offering data centre services for some time but they have always been physical and we decided that to leverage the benefits of the cloud someone needed to approach the market in a different way. That is what we have done with the design of our virtual data centre.

CEOCFO: How did it come up with this idea?

Mr. McLellan: That is a good question. In general the Canadian market is between 2 and 2.5 years behind the US market with respect to cloud adoption. I would say the reasons for that are twofold. One is there has been a shortage of options in Canada. The reality is that with so much capacity available in the US, a lot of workload was siphoned off by the Canadian market and deployed on US infrastructure which is fine when it is not critical data or data that requires privacy controls. Much of the non production workload was virtualized in the US and the US providers said if they can get that much business without going to Canada, why should I. The Canadian providers at the same time tend to be more conservative with how quickly they approach a market so that left a void. Prior to starting ThinkOn, I worked in Denver for a company called Hosting.com. I was the chief technology officer there, so I had the benefit of having spent almost four years in the US market where I saw the market develop so when I returned to Canada I really saw an opportunity to do something that had already been done but had not yet been done in Canada.

CEOCFO: How has the business developed? Who is using your services and how are you reaching people?

Mr. McLellan: The business had grown faster than I would have imagined which is positive although it comes with its own challenges as far as making sure that you are on top of your growth. Because of the nature of our business it is a 7/24 business and we need to make sure that our infrastructure and our abilities scale along with the customer growth. Customers that have been using our service to date really fall into the traditional mid-size enterprise category. We seem to have a higher than normal percentage of customers who are in the document management and data retention business. We have found that "Disaster Recovery as a Service" has been a much higher level of interest than traditional cloud computing. People are actually saying that is a great use case for cloud computing and disaster recovery and data vaulting. As part of our infrastructure, we build out Canada's first object store meaning that we can take unstructured data in any form in any form and store it very cost effectively. People are clamoring to use that to put data some place that is safe and some place that is that is an alternative to their own production location and it has to be cost effective, so that has been the highest growth. I would say that looking forward and where we see our growth coming from it still seems to be centered around people that want to archive data, have access to more flexible computing infrastructure and are starting to look at data analytics. Some might call it big data but I refer to refer to it as data analytics. People need a place to put large lines of data and leverage compute to perform customer analysis and other sorts of things that could improve an organization's intelligence with respect to their customers and their markets.

CEOCFO: You mentioned security issues being in the US and not Canada. Over and above, that do Canadian's want to keep business in Canada?

Mr. McLellan: I think there are two types of opportunities. There are any Canadian companies who sell ser-

vices to American companies and for those organizations they really do not care where their data resides because ultimately the data that they may have is mostly reflected on their American customers. There is a portion of the data that every Canadian organization has and it is typically back office data whether it is financial data or human resource data or in some respects customer data that comes from Canadian companies. They are really looking to maintain sovereignty of the data based on its point of origin more so than the flexibility or how quickly they can deploy something. I think what you are going to see is organizations from Canada and other companies are going to want to keep data that originates in companies other than the US out of the US and for those same companies that have data that originates from the US are quite comfortable. There is a great deal of talk about things like the Patriot Act and other picture type security apparatus that has been enacted since 911. Those to me are red herrings that everyone gets wound up about but the reality is those are not the biggest issues. The issues are on data sovereignty and has as much to do with civil litigation and just being able to adhere to government policies as opposed to trying to avoid the US security apparatus.

CEOCFO: The offering from ThinkOn appears to be very configurable and seems to allow your customers to create what they want. How important is that when you are talking with perspective customers?

Mr. McLellan: It is very important. Why it is important may surprise your readers. Most organizations that want to adopt cloud technology do not actually know what they want. They do not know precisely what they need nor do they know how their workload is going to react in the environment that has been virtualized on the cloud. Most of the people that have been doing this for the last four years decided the best way to sell their services was to sell it the same vein as if they were selling a physical server, so if he goes to most of these hosting companies that are offering cloud will sell servers which in principle sound

wonderful because that is what companies have been buying for the last thirty years. If you want to have success in the mid-size enterprise space what you need to do is sell these companies tools and resources so that they have the flexibility of being able to change the configuration over time, adjust it and more importantly optimize it for their own business without having to go to multiple contractual changes just to make it happen. That is one of the things that we got feedback from early that our customers love about us is and we do not force them to buy precise configurations, they actually buy resources in bulk. An analogy would be we sell great paint to painters but we do not tell a painter whether to paint a portrait or a landscape or some other form of painting. We do provide the absolute best paint and the painter would buy that paint in bulk and apply it in the way they want and we do the same thing only we provide an IT canvas on which people can build their own servers from those tools and resources.

CEOCFO: Do you work with companies in helping them work through the various options they have or is that all done on the company level?

Mr. McLellan: We help the customers. We started embracing a channel model, so many our competitors sell direct to enterprises and at the same time we try to have partner programs with value added resellers (VARs) that have been selling technology to these same companies for twenty plus years. We built our business on the premise that the VAR channel is completely capable of servicing these enterprise customers and instead of trying to compete with them we have wanted to embrace them. Therefore, our service delivery model actually embraces the VAR. When you get into complex configurations or where alternatives need to be discussed, we lean on our VARs for that because they have the experience both in the customer environment, because they have been working with these customers for so long, and they have experience with virtualization. That allows us to focus on delivering continuously available service delivery

infrastructure as opposed to trying to consult with the companies directly. That is very different than most of the other hosts out there who will happily compete with the VAR and over time bring the customer in house and cut the VAR out.

CEOCFO: What is the 'aha' moment when you speak with a company?

Mr. McLellan: There are two types of customers. There are still customers who require education in what cloud really means to them. I try not to use that word too much because at the end of the day it is a word that means sixteen things to fifteen people. I talk about and the rest of the team talks about how leveraging the infrastructure does three things. It is more cost effective. For half of the people, the 'aha' moment is when they actually understand the flexibility they get around cost control because unlike the past where they have had to buy

technology it is a fixed cost for three plus years and that is not very palatable to a many people these days. Despite the economy appearing to be going in the right direction there is still a tremendous pressure to use the cash you have optimally. The second 'aha' moment is when we actually give customers a demo virtual data center. As soon as they see how fast and how easily you can actually build a virtual server that really changes their perspective because the average virtual server takes about six minutes to provision and that is not something that they were able to do in the past. Even if they had embraced virtualization, they could in some respect bring up virtual machines but there still was a highly sophisticated process that somebody needed to follow. Now with the way we have built our service. It is literally four clicks of a mouse to build and start a virtual server and for them to see that and know that they have full control of those resources they allocate without a contractual change is a big advantage for them.

CEOCFO: You mentioned a bit about your background but you have been involved in a number of ventures

from the entrepreneurial side. What have you learned that has been most helpful as you have put together ThinkOn?

Mr. McLellan: It is all about simplicity. It is very easy to build a highly complex sophisticated product. While you may understand it well because you spent all this time building it customers do not understand it. It is not because they are not smart but it is because they were not involved in the process in the very beginning and therefore it just requires a great deal of education. Another take-away that I had from my previous experiences is if you cannot make it simple, you should not do it. There are two key things here and that I am trying to avoid jargonizing the company name, so we will notice there is no technological influence in the name whatsoever and secondly our entire product portfolio is six SKUs. I have 100% faith that we do not aggregate to go

“As soon as they see how fast and how easily you can actually build a virtual server that really changes their perspective because the average virtual server takes about six minutes to provision and that is not something that they were able to do in the past.”

- Craig McLellan

above ten SKUs In the past places I have worked we have been unable to get below five hundred or six hundred SKUs, which makes it hard for an overworked technology executive to really understand what is important for him or her and in this model it is all about making it very easy to understand.

CEOCFO: How is business so far?

Mr. McLellan: Business is good. As with any new technology even though I do not feel that this stuff is new because we are in a market that is behind the established market in the US. As with any new technology people tend to want to kick a lot of tires, so we have a large number of early adopter trials ongoing and work load is converting every week from trials to production. What I have been most encouraged by is the amount of opportunity that has been growing exponentially over the last three months. Gartner says that the compound annual growth rate of infrastructure as a

service is going to exceed 40% for the next four years. I think we are just starting to see that potential here in Canada just on the thin edge. I am encouraged by the fact that there are so many customers that are prepared to do trials and also encouraged by how solid the customers are once they migrate into the production environment. The workload is very stable and people tend to think that cloud computing is all about variability and being able to turn things on and off and move stuff around and do all these wonderful things that sound great but the reality is the best workload that you can run is workload that has some relative stability in it because then the entire environment performs better. I am pleased with the types of workload that we are seeing. Because of our unique space by having this object store in our portfolio we have noticed a number of extremely large data archiving and data vaulting projects and that is encouraging for us because many organizations want to retain data for very long periods of time whether it is a hedge for future analytics or for clients' reasons. I am starting to see those

early customers that we have been working with have been asking for that and I did not see that four months ago so.

CEOCFO: Why should the business and investment community pay attention to ThinkOn?

Mr. McLellan: We enable the organizations that they would typically invest in to be more nimble and to scale their business more effectively and ultimately to provide better service to their customers and back to their investors. We are unique in the space in that we do all that through a very simple easy-to-use and understand service and we can effectively be a game changer to the IT environment. There is a statistic that I have read in two different places that states that over two thirds of the IT leadership in most mid to large organizations are considered irrelevant to a large portion of the employee base. What we think we can do by working closely

with those IT leaders is reinvigorate how they are perceived inside those companies. Unlike most service providers whose goal in life is to take out the IT organization, our goal is to enable us to be more efficient and effective

with the companies. These companies that wash their hands of their data processing responsibilities and outsource are going to find themselves in a difficult situation as they start to compete more and more on

the ability to do analytics with their data and actually service their customers. I think that we provide an incredibly more intuitive and advanced way of enabling those companies to be successful.

