

IT Services Company Manages Growth



Customer: Blue Chip Customer Engineering Ltd

Industry: Information Technology

Location: UK

Company Size: 185 employees



Challenge:

- Manage higher costs on finite budget
- Better align costs with future revenues

Solution:

- Cisco Catalyst 6500 Series Switches
- Cisco Capital **easy**lease Financing Solution

Results:

- Made best use of available capital
- Enabled a pay-as-you-go data center model



Blue Chip Customer Engineering uses a pay-as-you-grow model from Cisco Capital to finance a resilient, energy-efficient data centre.

Challenge

Investing for growth does not necessarily have to drain an organisation's resources, as Blue Chip Customer Engineering can demonstrate. Since it was founded in 1987, the company has grown from its base in Bedford, England to become the UK's largest independent IBM midrange specialist.

Having built a successful maintenance business, Blue Chip started developing a portfolio of managed services, which became an increasingly important part of its offer. Eventually, with new services regularly coming on stream and a move towards infrastructure-as-a-service models, the company decided to build a new enterprise-class data centre. This would complement an existing data centre at the Blue Chip headquarters and a disaster recovery centre at a different location, and it would be exceptional both for its resilience and its environmental credentials.

"We've always grown and been profitable, but this was a big leap for us, in terms of the size of the investment," says Phil Bindley, Communications and Security Manager. "When it came to equipping the data centre, we wanted it to be both 'unbreakable' and flexible, without being over-engineered."

Blue Chip had originally intended to cover the cost of the data centre build mainly from working capital, with a small element of financing. However, costs were greater than planned, partly because there was more power available at the site than originally anticipated, making it necessary to purchase larger generators and network switches. In addition, Blue Chip decided to further strengthen the data centre's resilience by adding in more systems for redundancy.

While these were welcome developments, they also resulted in higher costs and put increasing pressure on a finite budget. "Although it was for good reasons, we were looking at a significant increase in spend as the project evolved," says Andy Rounding, Finance Director.

Solution

In order to reduce complexity and minimise costs at the outset, Blue Chip had decided to collapse the core network design from three layers to two, taking advantage of new features in the Cisco Catalyst 6500 Series Switches. The collapsed core was easier to justify commercially at the time, as well as easier to implement and manage until business volumes reached a level that demanded a richer, three-tier approach. Service delivery would be unaffected by the design, which was also highly sustainable from an environmental perspective. "It was the right answer for us at that moment," plus we liked the fact that Cisco® equipment is very reliable," says Bindley.

Blue Chip was already in discussions with Cisco Gold Partner Virgin Media Business about providing WAN and Internet links for the new data centre, so it was natural to ask the same partner to review the core network design and produce a kit list. Several Cisco partners responded to Blue Chip's invitation to quote for the core network, all presenting a similar pricing structure. However, the proposal from Virgin Media Business stood out from the others because it contained a financing option, as part of an end-to-end solution comprising WAN and Internet connectivity together with consultation, deployment and maintenance services.

The financing consisted of an interest-free offer on more than half of the total price of the equipment, based on the Cisco Capital **easylease** programme. This, combined with a competitive interest rate on the remaining amount, resulted in a low blended interest rate on 36 monthly repayments, which Blue Chip could take from its operating budget instead of using working capital.

"The proposal from Virgin Media Business was the only one that included financing, and we thought that showed a better understanding than anyone else of our circumstances and the environment we were operating in. It was the most important factor in our decision to award the contract to Virgin Media Business."

Andy Rounding,
Finance Director Blue Chip Customer Engineering



Results

The financing package enabled Blue Chip to purchase its preferred Cisco platform for the new data center, without spending the rest of its capital budget or compromising on quality. This meant that some capital could be re-allocated to other parts of the business, while Blue Chip enjoyed the added benefit of equipping its new data centre in 36 predictable instalments.

Financing also offered the company a way of better managing its cash flow, not just in the early months before new revenues came on stream, but also in the longer term. In fact, financing would still have made sense, particularly with the interest-free option, even if enough working capital had been available to purchase the core network outright.

“It would have been a big drain on budgets to buy the equipment up front and then wait for the cash to come in over five-to-ten years,” says Rounding. “Our decision to use financing wasn’t just driven by a shortfall in working capital, it was also a better way of using our working capital. It meant we could stretch out the costs to match the revenue coming in, which was the best strategy.”

In addition to building an ultra-resilient data center, Blue Chip has also created one of the most energy-efficient facilities of its kind in Europe. By using adiabatic cooling, a process in which no heat is gained or lost, Blue Chip wants to achieve a Power Usage Effectiveness (PUE) ratio of 1.1, which is much more efficient than the average PUE of 2.5 in a typical data center today. The company is using about 97 percent less power than other data centers, and is aiming to become carbon neutral.

“For every rack of managed services that we sell into the new data centre we’ll plant 1,947 trees in the nearby Forest of Marston Vale,” says Bindley. “We’ve calculated that this will make us carbon neutral, but it will also reverse some of the deforestation that’s happened here in the past.”

In proposing a Cisco Capital® financing solution, Virgin Media Business was unique in giving Blue Chip a timely and attractive alternative to capital expenditure. Having assisted with the design, build and installation of the Cisco platform, Virgin Media Business now provides maintenance services for these critical systems.

“Although we chose Virgin Media Business first and foremost because of their insight in proposing a financing option, their maintenance capability and technical competence came a close second,” says Bindley. “They have been consistently helpful and knowledgeable throughout this process.”

Blue Chip now has a full pipeline for the new data center, which is already providing services to several new and existing customers.

Details of Cisco Capital financing solutions are available at: www.ciscocapital.com/emea

More information about the Cisco Catalyst 6500 Series Switches is available at:

www.cisco.com/go/catalyst6500