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SAVVIS, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

[Operator instructions]. Our first question comes from Jonathan Atkin of RBC Capital Markets.

Jonathan Atkin - RBC Capital Markets

Yes, good afternoon. Can you hear me okay?

Philip Koen - Chief Executive Officer

Yes, we sure can.

Jonathan Atkin - RBC Capital Markets

So, my question is around the mix between colo and managed services. And in the past you've talked about... as you did on this call, kind of a higher value sale when you feel managed services and managed hosting. Is there any colo business during the quarter that you turned away? And then secondly, with regard to the longer sales cycle that you're seeing in managed hosting and outsourced IT, is that indicative of kind of the broader macro condition? Is it... are you seeing it more in certain sectors of the economy or is it more indicative of changes that maybe are taking place or will take place in the sales organization at SAVVIS?

Philip Koen - Chief Executive Officer

Okay. Jonathan great question. The... as far as the mix between colo and managed services. You know the colo business we continue to compete I think on a very favorable basis with the other players out there. As we have said over and over again, this is not a race to simply fill up space. We really are trying to balance having the right customer at the right price point in the right facility. So if you think about our footprint, we don't nearly have the same size and scale of footprint that some other people out there. So we're very focused on making certain that we're matching up with individuals who, maybe at the first step of this outsourcing task will simply buy colocation, but have a tendency and a pathway to continue to buy additional managed services from us. So that's what we're really focused on. I won't say that we're turning away people, I mean it's competitive and you win some and you lose others. I would say that given where we are that we're right where we should be as for as our colocation business.

Let me take a little bit longer on the longer cycle. In my conversations with CEOs and CIOs, depending upon where your business is in what industry, there are various reactions. Clearly, those many people that are in or around the financial services area are having, are taking a lot longer time and are being a lot more diligent in making their decisions. Other sectors that might be more

consumer oriented are also doing the same. There's other sectors that seemingly are continuing to do quite well. So when we looked at this across the broader marketplace, it was clear that for the type of purchase that a managed hosting solution is, which is anywhere from \$1.5 million to north of that over a three year period, they're taking a much deeper inspection and making absolutely certain that these decisions are the one's they want to make. That's translating to simply a longer sales cycle. I want to emphasize that as we looked at this there were no deals in the Q1 funnel that disappeared. So it was not a case of where people are simply pulling back and not committing, this was a case of them being more diligent in their decision making process. And that stamps the reason that when you're looking at a commit of 1.5 to higher, versus a 10 cabinet colo deal where that commit might be only 300,000, the decision cycle is going to be a lot different.

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