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Techies offer 'cash-for-clunker' incentives in Silicon Valley

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Two Silicon Valley tech companies have launched clunker programs of their own, as the federal "cash for clunkers" car program ends. They're offering incentives for businesses to trade in old software and data storage for newer, more efficient systems.

San Mateo's NetSuite Inc., a provider of business management software, launched its program on Aug. 19. The company is offering \$500 rebates for every \$5,000 invested by new customers who shut down and turn in old software and hardware and switch to the company's on-demand suite.

The program will run through Oct. 31.

Pillar Data Systems, a San Jose-based provider of storage systems, launched its "Cash for Storage Clunkers" program on Aug. 24, offering cash incentives for trade-ins of older storage from any company to Pillar technology. Pillar has enlisted Key Equipment Finance, one of the country's largest bank-held equipment finance companies, to help businesses fund storage deals.

Both companies are hitting the adjectives hard to get their points across. "Antiquated," "outdated," "oversized," "underperforming" and "energy-guzzling" are just a few of the words being bandied about to convince customers the time is right to make the switch.

"The government came out and showed us that we can get the old clunkers off the road and create more efficiency in the U.S. and save natural resources," said Dave Lipscomb, a NetSuite co-founder and senior vice president of vertical markets. "And it's the same story for SaaS," or software-as-a-service.

NetSuite's foray into cash for clunkers dovetails from a recent independent study that found the average NetSuite customer can cut the electricity bill by more than \$10,000 per year by switching to its cloud system, which allows companies to operate off of a virtual server.

The \$10,000-a-year saving is the equivalent of operating a three-server configuration in an air-conditioned server room.

When added to the overall costs of hardware, software licenses, maintenance, personnel and occupancy, NetSuite calculates the cost reductions can exceed \$100,000 per year, per customer, according to the study conducted by Northbrook, Ill.-based Greenspace, a seller of products for green facilities.

NetSuite's systems start at \$499 per month, plus \$99 per user per month.

Overall, NetSuite customers saved more than \$61 million in energy bills in 2008, eliminating the output of nearly 423,000 metric tons of carbon dioxide, according to the company.

Lipscomb said he didn't have a target in mind for how much NetSuite hopes to sell through this promotion.

“Our sales cycle isn’t a one- or two-day cycle, but we already have companies expressing interest in this,” he said. “These are tough times, and as companies are focused on the bottom line, we want to help them get over whatever restrictions they have and retool now, so they can accelerate faster when the economy recovers.”

At Pillar, vice president of worldwide marketing and channel sales Bob Maness said the company hopes to see 20 percent to 30 percent gains in several areas — the amount of old equipment coming out of customer facilities, the amount of new equipment going in, and the amount of sales it generates. To get a free quote, prospective customers need to provide some basic information, including product type, manufacturer, model, condition and ZIP code of where the storage is located. Usually within 48 hours, they will receive a quote for the trade-in value of their current equipment. The quotes are valid for 15 days.

“Efficiency is the key because that’s the dynamic in the storage industry,” Maness said. “And the efficiency story fits well into the current environment because the program allows you to get more efficient equipment.”

Simon Robinson, storage research director of the 451 Group, a technology industry analyst group, said this type of “clunker” program has been picking up steam in many industries.

“Vendors who will actually do what the federal government set out to do — remove old, energy-draining products and replace them with ones that are faster, cleaner and more efficient — is what will take us to the next level of storage efficiency,” he said.



NetSuite Inc. offers \$500 rebates for every \$5,000 invested by new customers who turn in old software and hardware, said Dave Lipscomb, company co-founder and senior vice president of vertical markets.