

Transcript of Jim Burns Interview with Tommy Russo, CTO of Akridge

Jim Burns:

So one of the things I'd like you to do is just say thank you, Sarah, it's great being with you here today.

Tommy Russo:

OK, thank you Sarah, it's great being with you here today.

Jim Burns:

Excellent, good. So the title of the program is going to be -- and actually, it was interesting, we tested several titles, because we wondered whether people would even understand what we meant by the cloud, and we did about four different versions, and emailed them out in tests, and the cloud version, going away, got a much higher response. So we're going to go with this title "Real Estate In the Cloud" and we thought maybe you could do a good job of just taking a minute or two to kind of help people understand, you know, for those who don't, probably most of us, you know, what does that mean, you know, the cloud.

And then we're going to follow it up by saying OK, you know, that's related to this term called SAS, or Software As A Service, you know, help us understand what SAS is. You know, what does that mean as a model of delivery, and how does it compare to the cloud? And then what we're going to do, these got kind of run together here, but then we're going to just say OK, well what do you think the implications of the cloud or SAS are for property owners and managers. OK?

Tommy Russo:

OK.

Jim Burns:

So I'm just -- I'll give you sort of a lead in, and then you can kind of take it from there if you're ready. Are you ready?

Tommy Russo:

Awesome.

Jim Burns:

Good. So Tommy, the title of our webinar today is "Real Estate In the Cloud." Could you start by defining for our audience, what is meant by the cloud? What's this all about?

Tony Russo:

Yes, the clouds are those white fluffy things up in the sky that make us all feel good at night, and during the day. Just kidding. The cloud, in the real estate world, is basically the internet as a median for collaboration, and for productivity. If I were to define what the cloud is, it's the ability for my users to work seamlessly, no matter where they are, or how they are. So if they have a connection to the internet, they can be a productive member of my staff.

Jim Burns:

Terrific. Now that's connected to another term, which is SAS, or Software as a Service. Can you explain, what is SAS, and specifically, what's the SAS model of software delivery today?

Tony Russo:

Absolutely. SAS is, for a lot of IT guys, a scary thing. For a lot of users, it's a good thing, whether they know it or not. So let's look at Microsoft Office, for example. Microsoft Office has always been a program your IT guy had to come around and upgrade your computer to the newest version, or install it when it came to your computer new.

What SAS is it's Software As a Service. Imagine if, when you bought a new computer, you didn't have to install any software on it. Instead of installing Microsoft Word, Outlook, Excel, or Powerpoint, or any other program, you basically went to a website, www.office.com, and bang, opened Outlook, opened Word, opened Excel. So nothing's installed on your computer.

So the pros and the cons. The pros are, there's no real overhead. You don't have to worry about whether it's installed on your computer, whether it'll work on this computer and not that computer. The downside is you have to have connectivity in order for it to work. So if you're on an airplane, the cloud necessarily is not a good thing, unless you're on one of those new planes that has wi-fi. But the cloud is reliant on connectivity. And seamless mobility is a thing we'd all love to say that we have now. I'd love to say that I have it, but the truth be told, there's still a lot of spots where it's unavailable, or it's not practical to have coverage. So those solutions may not be so easy to say yeah, let's change them over to the cloud.

Now I said IT guys may not like it necessarily as much either, because most IT guys are really concerned about security, and they like to house their own data. So I know I've been in front of a lot of those people, and I used to be one of those people who said if it's my data, it's going to be on my servers, so I can control it. With Software As a Service, that's not the case. You're subscribing to a service that is providing you with software over the internet, or over a connection. So it doesn't really reside in your server room, your rack, or what have you. It really relies in the provide space, which decreases IT costs, because you no longer are really having to maintain and manage all of those servers, but you're also losing control of the raw data.

This was a bigger issue in the '80s when -- I'm sorry, the late '90s and early 2000s, when companies were jumping up left and right, here today, and gone tomorrow. Today, what's left is really the strong providers that have weathered the storm, and are here today. We made our first real SAS purchase about two years ago with a budgeting package. And now we're really looking at it for a lot of other instances, which makes sense. And how it's going to touch every individual user is, we might get to a point where instead of going to buy a computer with an operating system on it, you're just going to buy a computer with a browser on it, and that browser would then allow you to do anything you want to do.

And SAS also applies to storage. Storage is cheap, you can go to Amazon and almost get it for a dollar a terabyte, for backup solutions. So instead of having your traditional backup tape in your office, backing your equipment up, you're backing it up over the web to a physical hard drive somewhere that you're paying a couple of dollars a terabyte for.

So the SAS is a huge model, and it touches each different part of the industry. How it relates to buildings as a whole right now is eventually, possibly, some of these energy management systems could be hosted elsewhere, not in our portfolio. But, and then you can access that data from anywhere.

Jim Burns:

Thank you, Tommy. I'd like to follow that up by talking a little bit -- asking you to talk a little bit about the business and operational implications of the SAS approach. And I've got four areas I'd like to talk with you about. Somebody's buying criteria, you kind of alluded to that earlier, but I want you to kind of take these one at a time. So what's the business or operational implication of SAS, and how does it change the buying criteria, what's the impact on costs, what does it mean for implementation, and what might it mean for user adoption. So let's take them one at a time, what do you think are the implications of the SAS approach, and how they would impact buying criteria, vis a vis, say, software?

Tony Russo:

Very fair. Software and buying criteria. Instead of looking at it in a per person license, you're probably looking at in a per seat license. Meaning, you're looking at software. So let's say -- let's use Office again, because it's an easy one to use. Right now, you're buying licenses for each one of your users. SAS sometimes works that way, but the newer way to look at it is you buy concurrent users. So if you have 50 people that are going to be using it concurrently, you'd buy 50 licenses. You may have 60 employees, but only 50 will be using it concurrently, similar, the pricing works that way.

Now how would I charge for it? It's going to really depend on what the service is. You know, if you go out and buy a copy of Microsoft Office, it may cost you \$300 a license. But that license is good forever. So if you went and rented, or did Software As a Service, and used it, for lack of a better term, you're not buying the software, you're using somebody else's server to run it, maybe it's \$50 a year. Maybe it's \$50 a seat per person per year. It's really going to change, and you have to buy into the concept that you're no longer buying something as a tangible asset. It becomes an intangible, and it's just out there for you to use.

So it's really -- the criteria, you need to really make sure that the person you're buying it from is around and going to be here, because that would be everyone's biggest fear, you buy Software As a Service, the SAS model from somebody who has the best product in the entire world, unfortunately, they couldn't make their financials work, because they had sold the product too cheaply, or what have you, and you're left with nothing. So the homework really needs to be make sure that the people you're buying from are reputable, and most of the ones left out there today are, because they've already weathered the storm.

How I look at the way you -- I look at the cost in it. Well, costs are different now because you're not just looking at physical hardware. I'm not looking at what kind of Windows, or how much RAM a computer necessarily has. Yes, I'm still looking at all of that, but moreover, I'm looking at my bandwidth, and how much my connectivity to the internet is, or to the cloud. And that really becomes an ongoing cost. Right now, you buy a computer, and you think it's going to last 20 months. The way they're building computers now, maybe it's 30 months. Well now, I need to look at that and say OK, I also need to upgrade from 10 megabits to a 50 megabit, or a 100 megabit circuit to make sure I have enough connectivity for all of my cloud applications to work.

Implementation, implementation to me really is probably the biggest selling point for SAS, because the implementation should be, really, pretty easy. You're not having your IT walk around and install software on everyone's machine. You're basically sending a link to people. They're clicking on the link which may do a small installation of, you know, a jar file or something like that, but your deployment time and implementation time should be cut drastically, because I don't literally have to have one of my staff go around, or use a package and deploy this to every computer out there. So implementation, you know, getting the data to them may be a lot of back end work, but the actual implementation to the users should be pretty easy.

Adoption, adoption comes and goes. If you have users that have great connectivity, I think they'll love it. If you have users that don't have the best connectivity, they may not like it so much. But where technology has gotten is you can basically be on an Excel spreadsheet through Microsoft Office Live, and it's so similar to Excel, you don't know the difference. And as long as you can make it easy for the users, they're not going to buck and jerk it. Because computers are supposed to make our jobs easier, not harder. SAS, if it's going to be successful, which it is, it needs to make everyone's job easier, not harder. And that's really a buy in. And as long as the end client knows what they're doing and how they're getting it, it should be a very successful adoption among everyone.

Risks, the biggest risk is your internet connection goes down in your office, and your backup goes down in your office. You're stuck with 50 people in the office that can't use an application to cut checks, or to check anything that's in the service because they can't get to it. That's really the only risk, other than the risks I already touched

on. Which is, if the provider of the service no longer is in business. Which again, I don't think that's the case anymore, I think most of those have weeded out.

So and risk again, you know, 10 years ago, if you said the if the phones went out in an office building, or in your office, everyone would scream. Today, that's changed. If your internet goes down for about 10 seconds, you have everyone in your office screaming. If your phones go down, people may not even really realize it, or you may get a couple of concerns. So, you know, there's bigger problems there are well. But you have to beware that if your pipe goes down to the cloud, the application itself goes down. And as with a traditional application, that's not the case.

Jim Burns:

Great. So what we'd like to do now is just, I'm going to address this number four, and you know, ask you to talk about the key reasons to bring your business, you know, online, which is sort of the premise behind this, you know, the whole idea of the cloud. So with that as a background, the cloud creates an opportunity for property managers to bring their businesses online. As someone who's lived this for the last 14 years, what does this actually mean, to bring a business online? And what are the key reasons to bring a property management business online?

Tony Russo:

We all have set resources. So I know how many engineers, and how many property managers, and building managers I have in every building. I know the demands of our clients, and our users, and our owners gets greater, and greater, and greater as competition becomes better. So the more I can get out of people, and I'm not trying to make it more than 20 hours a day, as the same eight hour day, if I can create a product, or an application that results in saving time, and increasing productivity, everyone wins. And I can do that by a fast deployment schedule, by having an application that's easy to use, readily accessible no matter where you are. So it really goes back to, you know, making sure you can get the most out of the time you spend in the office. That would be one side.

Improving building operations. I mean, it's huge. If I can predict when things are going to fail, and I can predict it by using the internet as a database to go back and look at my systems, and say a lightbulb should fail, or a motor should fail when it reaches this age, or this capacity, and tie that back into my control system, or my building itself, it's leading to huge savings in the building, because I don't have the energy cost of an inefficient motor. It's saving huge value to the client who never noticed that motor stopped, because we changed it before it failed, and it's reducing huge costs to the building, because I'm not paying for expedited shipping, I'm not paying someone, you know, [begads of] overtime to do something, and I'm not making my engineers unhappy by saying you have to come in tonight, no matter how long you've been here, and change this compressor out, or this motor out, because we need it back in. We were able to preemptively determine that it was going to fail through predictability, and made it work.

You know, I just experienced an issue in one of our buildings where we had an EMS computer go down. Unfortunately, it's a very legacy system. How great would it have been if that was a SAS model. I basically would've unplugged that computer, plugged another computer with internet access in, and we'd have been up and running. Can you put a value to that? No, I mean, the cost savings there would've been huge.

The client experience, and client retention is another big thing. I'm lucky enough to say I work in a portfolio that's been 99 or 98% leased for the 36 years we've been in business. And I think a large part of that is the technology, and utilizing things that make everyone's job easier. We've had all of our energy (inaudible) computers connected to the cloud for the last, you know, 10 years, where my engineers have been able to control their computers, and the HVAC systems from the cloud. Look at the cost savings there, it's huge. So if someone wants a change of a temperature at a last minute, I don't have to send an engineer in to make a temperature change. They can log on

from their computer, or their Blackberry, or their PDA from anywhere in the world, and make that change. Put a value to that. Look at the client's face smile when they call you and a minute later, the air conditioning turns on.

And in saying that, you know, take it to the next level, soon we'll be able to use the cloud, and schedule after hours HVAC access control, all sorts of those things. You know, another Software As a Service model right now is surveillance. So everyone has cameras up. Well, you could subscribe to SAS model camera DVR's, where your camera feeds are streaming to a video center, where you have a room full of guys looking for cameras that see abnormality. When they see something that they see as not right, a speaker comes on and says excuse me, can I help you? Or it immediately notifies the on site security guard, who then can run back to that spot. Those are all things that just make it huge.

It's all made possible by better operations. And the better the operation is, the better the building is. Again, you go back to the point where I spend 12 hours a day, or 10 hours a day in my office. I spend 10 hours a day at my home. You know, I want to make my office as comfortable and convenient as I can. And at the end of the day, if we make the occupants of our building happier, everyone's happier. They want to, you know, stay in your building, which means they stay longer. They tell their friends. It's kind of like the story of you go to a restaurant and have a bad meal, you tell 10 people. Those 10 people say I won't go to that restaurant because, you know, Tommy had a bad experience there. If you have a good meal, you don't say anything. Well, if people have a great experience, they will say things, and they will stay there. So when it comes time to renew that document, you know, for another 10 year extension, they remember all of the good things.

Jim Burns:

That's great. I think, you know, that's just exactly what we need. And so let's just do a little bit of a wrap up here which, you know, would probably have Sarah just thanking you for being with us today, and just let you kind of do a wrap up from that.

Tony Russo:

A quick thing is, the list, the (inaudible), is it only for the big guys? I think that's an important one too.

Jim Burns:

Oh yeah, yeah. Excellent, thank you. Yep, I missed that, forgot about that. Yeah, go right ahead, is this only for the big guys?

Tony Russo:

I think SAS equalizes the playing field. It doesn't matter whether you have 1,000 users or five users. Maybe you pay a little more per user if you have five, than you would if you had 1,000, but it levels the playing field. It allows you to go in there and get the same services as the biggest guy on the block. Just because they have 10,000 people they can afford to do X, Y, and Z, if you have 10 people, maybe you can't afford to do X, Y, and Z, maybe you can only afford to do X.

But when you're subscribing to a model that has everything, it basically levels the playing field. Because now, the little guy has just as much opportunity as the big guy to understand, and control, and manage their data. You know, maybe the small guy can't afford a 15 terabyte storage array, wherein the big guy says hey, I can afford 100 terabytes. So, you know, the small guy uses tapes, and the big guy uses online backup. With the SAS model, and the dollar or two dollars a terabyte for backing up, it makes it affordable for everyone. And that includes IT costs, building costs, maintenance costs, everything. Because it really allows everyone to get a fair shake at what services are out there.

And quite truthfully, it also helps in another way. If I'm a small guy, and I had this great idea, and I talked to my SAS provider and say, hey, I had this great idea for my corrective or preventative maintenance tickets. Maybe the

big guy didn't have that idea, but the SAS model company says hey, that's a great idea, let's go ahead and implement it. And vice versa, the bigger guy is getting the advantage than the little guy, and the little guy is getting advantage of the big guy, because it's a flat playing field. It really allows everyone to be on the field at the same time, whether you're a .500 hitter, or a .120 batting average hitter. It allows everyone to stand up to the plate and take a swing.

Jim Burns:

That's terrific, thank you. Thank you very much. So at the end we'll just say, you know, we've been speaking today with Tommy Russo. Tommy, thank you very much for joining us today.

Tony Russo:

Thank you very much, it's been my pleasure. I'll happily answer any questions anybody has. This is my passion, I hope you've been able to determine that through what I've said, and how I've said it. One of my biggest goals in my life is to share, because I believe if one person has something that can help make another person's job easier, it's their job to share it, and that's what it's all about. Thank you very much, and have a great day.