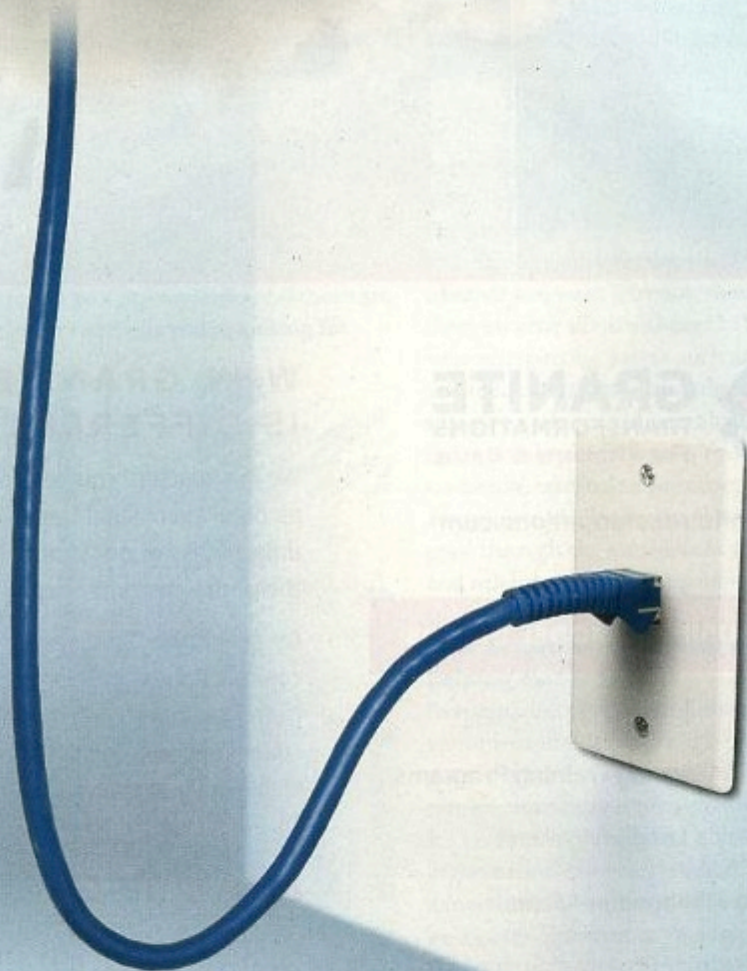


Cloud proud

A \$20 million business
finds peace by moving its data
and services to the cloud

Among the many decisions faced by new business owners is what they're going to do about their technological infrastructure. Mac or PC? Will everything be centrally controlled—often necessary due to privacy regulations—or will employees be encouraged to bring their own technology? And, will they own and support their infrastructure in-house or base it in the cloud?

A lot can be learned from a company that has operated on both sides of the fence, such as Distribution Video & Audio (DV&A), a family-owned reseller of excess and overstock inventory—DVDs, audio CDs, video games and past-generation gadgets. DV&A, which launched in 1988, now has operations in Chicago, Florida and California. >>



OLD SCHOOL

The company once had its own servers and IT department, but recently it moved everything to the cloud. "If we were starting all over again, we'd never consider investing in all that hardware," says vice president of operations Nathalie Manecchia.

But when DV&A first started, it had no choice. In the early 1990s the company ran with an off-the-shelf accounting package, but its growth demanded something more capable. With the help of external funding, it invested in complex and expensive enterprise resource planning (ERP) software designed to handle inventory, billing and the other tasks the growing company required. To run the software, however, DV&A had to invest in a stack of Dell servers. "I think we had a total of eight servers that we purchased between 1998 and 2001 while we were ramping up,"

A CLOUDY FUTURE

Now that she's utilizing the cloud, Nathalie Manecchia, vice president of operations for Distribution Video & Audio, says she wouldn't have it any other way. But she encourages companies to find the package that best suits their business model and requires the least amount of modification out of the box.

"It's when you start modifying existing software—that opens the door to expensive coding, engineers, consultants and so on," Manecchia says. "Once

you start down that road, you can never leave."

Another bit of advice: Don't fall under the spell of all-in-one solutions. Manecchia suggests breaking up your services among different providers—one for e-mail, another for CRM—so that if one suffers an outage (which does happen), you're not completely out of business. "They're separate applications that don't

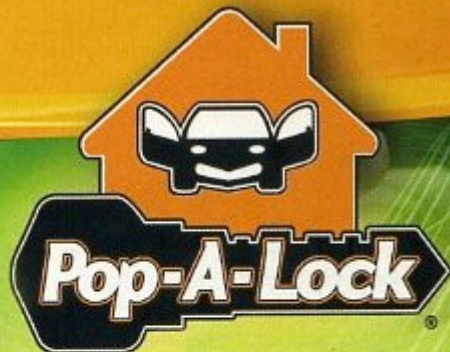
need to talk to each other," she says. "For example, your e-mail doesn't need to interface with your ERP program."

Lastly, find a balance between the reliability of well-known companies and the opportunity to negotiate with younger, hungrier suppliers. "Everybody knows Microsoft Exchange," Manecchia points out. "Why go with someone who hasn't learned the ropes yet? At the same time, the bigger they come, the less-to-no wiggle room there is on price."

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Manecchia recalls. The hardware cost roughly \$50,000 to \$60,000, she says, but it also required the hiring of a full-time IT person and pricey consultants to do custom programming.

By 2001 the company was disenchanted with the whole setup. "The licensing fees were horrible, and upgrades were a nightmare," she says. "Plus, you needed consultants to maintain it and a database administrator to run it and keep everything backed up."

DV&A switched to lower-end software, making do with QuickBooks, spreadsheets and an off-the-shelf mail-order management program, which eliminated the need for most of the infrastructure. But since the company already owned the servers, it carried on with its in-house setup for file sharing. "It wasn't neat, it wasn't pretty, but it worked," Manecchia says.

As 2007 approached, the servers began to break down. "We started

**"It wasn't neat,
it wasn't pretty,
but it worked."**

**—Nathalie
Manecchia, DV&A**

scavenging parts from the nonworking ones to keep the working ones going," Manecchia says, "and it finally got down to where we had maybe one working file server. At that point we asked ourselves if we really wanted to invest another \$15,000 to \$20,000 in hardware." Also at issue: the \$70,000 a year DV&A was paying for IT services.

NEW SCHOOL

Cloud-based services were just gaining traction at that time, and DV&A took a look. "Between 2007 and 2009, we moved more and more of our application-based software to the cloud," Manecchia

says. "Now we have no servers, and no critical data is stored in the building."

The company's first move was to turn its ERP systems over to NetSuite, a full inventory, general ledger, customer-relationship management (CRM) and e-commerce package. "We'd actually looked at NetSuite in 1998," she says, "but it just wasn't there yet. Nine years later, they were where we needed them to be."

The relatively seamless transition to NetSuite gave the DV&A team the confidence to move other operations to the cloud. Now it uses Box (formerly Box.net) as a file server, an outside Microsoft Exchange provider for e-mail and Yammer social networking software for employee collaboration. All told, implementing the switch cost about \$30,000—more, perhaps, than new hardware would have cost—but annual licensing fees are less than \$50,000, about half what DV&A was spending on its in-house IT staff and outside consultants. —LOGAN KUGLER

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Connecting to fast profits

A new spin on a tech necessity propels a startup to quick success

Vermont's Matt Benedetto has been selling things since he was 13, when his mother taught him to crochet and he started making winter beanie hats for skiers in the Northeast. But when he graduated from college last year, the young entrepreneur decided it was time to think bigger. His idea? A line of fabric-covered iPhone cables and a new business called Eastern Collective.

"One day I was listening to music through a pair of headphones that had a black shoelace-like cord rather than plastic," Benedetto recalls. "My iPhone was sitting on my desk and plugged into my computer with the stock white cable. I wondered to myself why there weren't more unique cables for iPhones the way there are for headphones."

Benedetto embarked on his market research in earnest. "I looked both online and in-store at major electronics retailers with no luck. I honestly couldn't find anyone producing a similar product," he says.

So he decided to make something himself. Relying on his design experience from knitting hats, plus his familiarity with sailing-rope weaves and color pairings (he's an avid sailor), he drew up a line of four distinctive cable covers: three in bright color combinations and a sleek black-and-green cord.

At the same time, Benedetto had to find a manufacturer who could turn his sketches into an actual product. He talked to 10 overseas manufacturers about creating samples and gradually winnowed them down by eliminating the ones that couldn't handle the job or just didn't get the concept. Once he found his manufacturer, he had several samples made up and gave them to friends to field-test. After seeing that his designs could stand up to daily use (and abuse), he gave the go-ahead for initial production.

Next came the question of pricing. Apple sells its 30-pin dock-to-USB connector for \$19, but it's easy to find cheaper third-party alternatives. Benedetto wanted to attract customers who saw the value in his product, but he also wanted his price point to be low enough that they would consider buying more than one. He settled on an introductory price of \$14.95, available only on the Eastern Collective website (easterncollective.com).

By August 2012 Benedetto was ready to market his first batch of 1,200 cables. After he promoted the product to gadget and lifestyle publications to generate buzz, Benedetto's entire first run sold out within two weeks. To his surprise, some people bought all four colors.

"I honestly couldn't find anyone producing a similar product."

**—Matt Benedetto,
Eastern Collective**

Over the next several months he experienced rapid growth. By September a second batch of 7,200 Eastern Collective cables hit the market, this time priced at \$17.95 for the standard size and \$22.95 for a new 6-foot version. By January Benedetto had placed a third, larger order for nearly 10,000 units.

Benedetto credits much of his initial success to the early press buzz that resulted from his own hard work. "During the week of the launch, I spent late nights reaching out to major blogs and publications," he says. "The next morning a few websites would feature the products, and I could watch the domino effect as the story was slowly being picked up across the internet." The cables have been featured by the Gizmodo tech blog and on the websites for *Wired* and *Lucky* magazines, among other outlets.

Success brings its own challenges for a one-man operation, and chief among them for Benedetto is ensuring he has enough product to sell. "I formed a great relationship in a very short amount of time with our manufacturer," he says. "They have been amazing keeping up with demand as we expand into more units as well as new products in 2013."

Some of those new products include cables for the iPhone 5's new Lightning connector, as well as Mini USB, Micro USB and standard headphone jack cables. "My plan is to make sure you'll be able to find an Eastern Collective cable for your device whether you're an Apple user, have an Android phone, read on a Kindle, watch video from a GoPro camera or listen to music in your car." —L.K.

