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Rackspace launching online media site focused on cloud computing

By Donna J. Tuttle

Once upon a time, companies eager to sell their wares took out advertisements on television, radio, print media and on the Internet.

Rackspace Hosting Inc. is hoping to write a new chapter in that story, however, by creating a Web-based media site and community that educates and informs users about its latest product, cloud computing — pooled, on-demand computing that offers economies of scale.



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Lew Moorman of Rackspace says Building 43 will target small- to medium-sized business owners.

The plot twist: While the Web site is sponsored and supported by San Antonio's Rackspace, the project will include input, blogs and videos from competitors like Amazon Web Services, **Google** and **Microsoft**.

“Our customer base, which is Web-centric and incredibly blind to ads, is much more interested in getting useful information and engaging with companies in a different way,” says Lew Moorman, president of Rackspace's cloud-computing business.

Called Building 43, the online project is being overseen by two recent Rackspace hires: Robert Scoble, a former video-blogger for Fast Company and Microsoft who is best known on the Internet for his popular Scobleizer blog [www.scobleizer.com]; and Rocky Barbanica, Scoble's former Fast Company producer. The name comes from Microsoft and Google, which each have a brick-and-mortar Building 43 housing their research and development think tanks, Scoble says.

More than a Web site, the Building 43 community will feature videos “where we interview big thinkers on the Internet who are trying to teach you something, like better Google SEO (search engine optimization), or how to use Facebook to connect to build a community for your business' customers,” Scoble says.

Rackspace officials expect the Web site to go live sometime in June 2009. It will include forums, live chats, blogs, tools and a place for users to share their knowledge via video from their Web cams. The main audience will be small to medium-size businesses who struggle to navigate the Web and use online tools to engage their customers.

At Building 43 [www.building43.com], they'll find ideas, suggestions and raw reviews. The arrangement, Rackspace (NYSE: RAX) executives agree, could get a bit uncomfortable.

“Robert (Scoble) is going to have a lot of freedom to do things. He can say nice things about our competitors, and there will be times that he’s hard on us. And it’s scary,” Moorman says. “But it’s a new world out there. The Web makes things so transparent that you can’t control people or interrupt them. So, you have to find ways to engage them.”

Silver lining

Building 43 is something Rackspace needs, says Unni Narayanan, president and CEO of California’s Primary Global Research, which provides research services to institutional investors.

“Rackspace has been struggling to differentiate itself. It has been riding a good wave with managed services, but it’s been chided for the fanatical support mantra, because out-hustling people, in itself, is not a unique selling proposition anymore,” Narayanan says.

By embracing the cloud computing theme, Rackspace positions itself as a leader in the field.

“Rackspace has realized that cloud computing is not well defined. It requires multi-vendor support and the feature set is constantly changing based on user requirements,” Narayanan says. “So the only way to build a viable product is to build a community, and I think Rackspace is taking a leap over its competitors in realizing this.”

Cloud computing involves hosting multiple Web-based applications simultaneously over the Internet via remote servers.

Rackspace, which employs about 2,600 people, was founded in 1998 and is headquartered in the former Windsor Park Mall on the city’s Northeast Side, now officially dubbed the “castle” by Rackers. The firm’s primary line of business is hosting dedicated servers for the business community’s IT needs. The company has offices in the United Kingdom and The Netherlands and data centers in Texas, Virginia, the U.K. and Hong Kong. It went public and its stock was listed on the New York Stock Exchange in the summer of 2008.

In the fall of 2008, Rackspace expanded its cloud computing division, known as Mosso, by acquiring back-up company Jungledisk and virtual private server company Slicehost and offering three distinct products: cloud sites, cloud servers and cloud files. Today, Mosso hosts more than 100,000 Web sites, more than 1 million paid e-mail accounts and is “growing aggressively,” Moorman says. At an entrepreneurship breakfast a few weeks ago, Rackspace’s CEO Lanham Napier said the cloud division was growing by 100 percent per year.

Moorman told the Business Journal he couldn’t divulge investment costs or the total number of employees dedicated to Building 43.

Robert La Gesse, director of customer development for Mosso, manages the social media accounts for the cloud division.

“Over the last three months, we found we’re making money by being helpful. Not by selling. Just by being helpful,” La Gesse says. “So Building 43 at its simplest is: We’re going to be helpful to small to

medium-sized businesses. The ultimate goal is to drive sales, honestly, but we're not going to be blatant about it."

Social media rainmakers

La Gesse had a working relationship with Scoble and instantly recruited both men to Rackspace when financial media firm Fast Company started scaling back earlier this year as the recession heated up. On March 14, the announcement that Scoble and Barbanica were onboard at Rackspace became official, and since then the duo has been traveling the country, interviewing and videoing interesting companies, like Zappos — the online shoe company that currently is the darling of the financial media because of its forward-thinking customer service strategies and corporate culture.

Scoble, Moorman and La Gesse are adamant that Building 43 will be a fluid network. "If you spend all day on Twitter, we're going to come to you there; if you're on Facebook, we'll come to you there. You can't expect customers to come to you anymore," Scoble says.

But will the Googles, Amazons and Microsoft's cooperate? **Investor analyst Narayanan thinks so.**

"I think there will be little reticence from the CEOs of competitors," Narayanan says. "The reason: Social media and the cloud is so new and so much in its infancy that (A) none of these CEOs have any IP to protect and (B) they realize it's more important to be engaged in the game and in the dialogue because the perception that they're participating is what's going to drive attention their way."

As the Building 43 plot unwinds, Moorman says there's still unanswered questions.

"Look, there's a lot — still — to be figured out," he says. "But we're very confident and excited."

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