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Verio closing more data centers

By [Jennifer Mears](#)

Network World, 03/04/02

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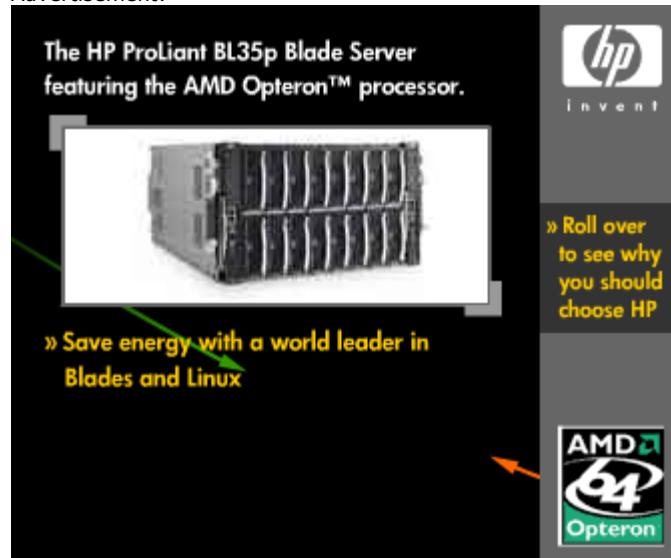
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ENGLEWOOD, COLO. - Web hosting firm Verio is cutting staff and shuttering more than three-quarters of its data centers as it streamlines operations to reflect changing demand from enterprise users.

The cuts are nothing new in a Web hosting market that has seen a rash of failures and bankruptcies since the dot-com crash that stripped many players of their largest customer base. However, Verio customers are sitting in a better position than most because the company is a wholly owned subsidiary of Japan's Nippon Telegraph and Telephone (NTT).

"In terms of [Verio] going away and collapsing as other hosting providers have done, that's probably not going to be an issue," says Helen Chan, an analyst with The Yankee Group.


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What could be an issue for corporations, Chan says, is the manner in which Verio closes its facilities and how it migrates customers to other data centers. Paul Montoya, a Verio vice president, says that in most cases customers have been given

60 days' notice of data center closures. Customers either will be migrated to an open Verio facility or are helped to make other

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hosting arrangements in locations where Verio will no longer operate.

"From the very beginning our focus was on the customer and making sure that as we made these decisions we gave customers enough lead time so we could minimize the disruption to the service and in fact eliminate it wholesale where we could," Montoya says.

Michael Caspar, CTO at SirenServ, an online content provider, says he remains committed to Verio, which has provided his company with quality service since it acquired his previous hosting provider, Digital Nation, in 1999.

"Even with all the recent layoffs and restructuring, the level of service that we've gotten from [Verio] has remained the same and we've always been pretty happy," Caspar says.

Bob Fetterman, CEO of iDashes, a Web-based management company, says he also remains committed to Verio.

"The whole shakeout is very scary," he acknowledges. "The good news about Verio is at least they're owned by NTT."

Verio, like market leader Exodus Communications, had built its business on erecting dozens of data centers designed primarily to house servers and network equipment for dot-coms to manage. However, like Exodus, Verio saw a drop-off in demand as dot-coms closed. Exodus failed to pull out of the slump on its own. It filed for Chapter 11 bankruptcy protection last fall and then was acquired by Cable & Wireless.

Verio, on the other hand, was delivered a safety net early on when NTT acquired it in 2000 for \$5.5 billion. NTT has suffered as Verio's valuation plummeted. According to published reports, the Web hosting firm reported \$777 million in losses on revenues of \$328 million in the first year that NTT owned the company. As a result, NTT wrote down its investment in Verio by about \$4.5 billion last year. However, NTT executives say they remain committed to Verio and its role as a core piece of the telecom company's global IP services strategy.

For its part, Verio announced a restructuring in September to trim staff and close some of its 46 data centers as it switched its focus to providing managed services. At that time, Verio did not say how many data centers it would close, but a spokesman says about a dozen data centers already have been shut down.

Last month, Verio revealed that it is making deeper cuts and will close a total of 36 data centers, leaving 10 operational.

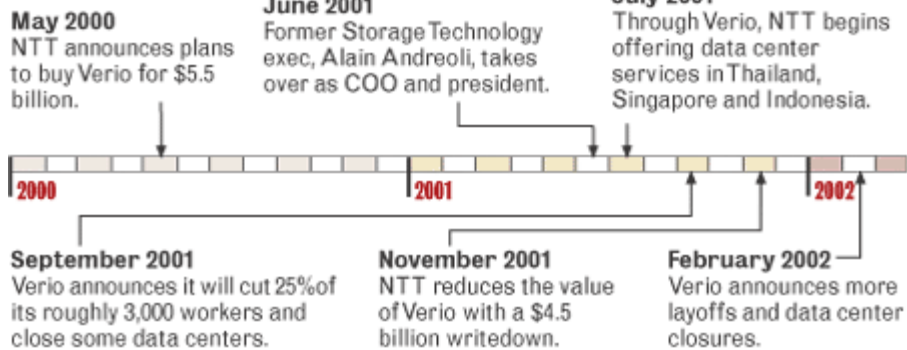
Verio also plans to lay off more employees on top of the 650 it announced in September. Last month, the hosting company said it

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would cut 25%, or 650, of its remaining 2,600 employees.

NTT/Verio milestones

NTT bought Web hoster Verio to make it the centerpiece of its IP strategy.



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