



Compass Diversified Holdings Sets a New Course with Help from Savvis

Overview

Compass Diversified Holdings is a financial holding company that buys controlling ownership of profitable small-to midsize businesses (SMBs) and works with those firms to provide long-term strategic direction. With 2007 revenues of \$918 million, Compass has a proven track record of choosing already successful companies that have annual cash flows of \$5 million to \$40 million, and which have the potential to do even better in their niche markets. Currently, Compass has eight subsidiaries, ranging from Advanced Circuits, a maker of customized circuit boards; to CBS Personnel, a temporary staffing agency; to American Furniture Manufacturing, a leading U.S. manufacturer of upholstered furniture.

Compass offers all participants in its value chain significant opportunities. Compass investors can participate in growing businesses that have traditionally been privately owned by families, wealthy individuals, or private equity firms, and to share in the incoming cash flows of those businesses through regular cash dividends. Owners of potential subsidiary SMBs gain an influx of capital financing and access to expert management advice to grow their business over the long term.

Compass Diversified Holdings is managed by Compass Group Management LLC, which was founded in 1998 as a private equity manager for an offshore philanthropic foundation based in the Dominican Republic. It has 100 employees.

Opportunity

From its inception, Compass Diversified Holdings had no intention of managing its own IT infrastructure. The founding management team wanted to concentrate resources on more strategic initiatives than buying and maintaining servers, and building and managing networks. "We have a relatively small IT staff - just 10 workers - to support our international operations, and wanted to deploy those limited resources for building the business, not managing a data center," said Juan Santos, operations lead for Compass.

Company:

Compass Diversified Holdings

Industry:

Financial Services

Line of Business:

Purchasing ownership shares in successful small- to midsize businesses (SMBs) and distributing cash flow dividends to investors.

Target Market:

Individual and institutional investors

Location:

Westport, Connecticut

Summary:

After undergoing an extensive restructuring, Compass Diversified Holdings was able to work with Savvis to come up with a revamped service contract customized to fit its changed needs, and which slashed its infrastructure costs in half.



One of the key requirements for choosing a managed services provider was that it had to have a global reach. Although corporate offices were in Westport, Connecticut, the company's main operations were based in the Dominican Republic. Compass needed a vendor that could provide "springboard" servers to a U.S.-based server farm that could locate the key infrastructure components in the United States but seamlessly route traffic to and from the Dominican Republic while presenting a U.S. IP address to the world.

Compass did a rigorous evaluation of a number of leading managed services providers before awarding Savvis the contract. Its criteria for choosing Savvis: the fact that it was an infrastructure specialist rather than a general consulting firm; its ability to offer highly responsive service level agreements (SLAs); and, above all, its flexibility. "Given our business model, we knew we couldn't predict what our needs would be," said Santos. "Savvis assured us that they would respond rapidly no matter what direction our business took."

This focus on flexibility turned out to be prescient. In 2008, after 2 years of subscribing to Savvis' comprehensive Foundation Hosting service, Compass underwent a significant restructuring to streamline its operations and cut back on operating costs. As a result, it no longer needed all the data center capacity and support services that were in its original contract with Savvis. "We were very happy with Savvis – but our needs had changed," said Santos. "The services we had engaged them for were basically overkill for our new way of operating."

Solution

Compass approached Savvis, and "Savvis assured us that it was not a problem," said Santos. Savvis sent in a team from its Professional Services staff to reevaluate Compass' changed situation, and recommended moving from a completely managed hosting solution to one centered on a combination of colocation and managed security services. Currently, Savvis manages seven Web and application servers for Compass in its New Jersey data center and provides a bundle of other services, including a virtual firewall, storage and backup, and virtualization. The transition to the new infrastructure took less than a month, and was "straightforward and easy," said Santos.

Benefits

The biggest, and most important, benefit was cost savings. "Savvis offered us the perfect solution at the right time, and saved us an incredible amount of money – we estimate that our monthly operating costs were cut in half," said Santos. "To say we were pleased is an understatement."

Savvis itself benefited from its work with Compass. Realizing that the package of services that it had designed for Compass and a number of other companies would fit the needs of an entire class of potential customers, Savvis set out to design a solution that would allow customers to realize the same efficiencies and lower TCO that Savvis delivers to companies like Compass. The architectures designed for these customers served as a blueprint for the Savvis Web Hosting solution which bundles together management of Web, application, and database servers; operating system, network, security; and backup and storage services. This best-of-breed solution can be implemented within 10 business days, and offered at an extremely attractive price because it is prearchitected and predesigned to meet the most needs of companies like Compass.

The Future

Looking forward, Compass is confident that in the future, Savvis will continue to do whatever it takes to provide the infrastructure it requires to grow its business. "Savvis has definitely proven itself," said Santos. "We were amazed at the speed with which Savvis came up with a new solution that met our needs. At the end of it, we felt strongly that Savvis truly had our best interests at heart."

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