

Shift to Cloud Put Some Zoom in Zumasys Revenue

SERVICES: Now brings 37% of total; strong niche in accounting

By CHRIS CASACCHIA

Irvine-based **Zumasys Inc.** took a gamble six years ago developing a cloud-computing platform for small to medium-sized businesses.

It was a turn from the company's traditional IT services model built on consulting and required Zumasys to take data-center space for its servers at **Savvis Inc.**'s 100,000-square-foot building near John Wayne Airport.



The first few years were tough, according to President **Paul Giobbi**, but business started to improve amid the economic recovery.

\$18.9M in Revenue

Cloud computing now generates 37% of the company's annual revenue, which hit \$18.9 million in the 12 months through June. A nearly 59% sales jump in the last two years helped the company secure the No. 101 spot on the Business Journal's list of fastest-growing private companies based here (see related stories throughout issue; list starting on page 36).

"It's a much more profitable model," Giobbi said of the shift to cloud services.

Zumasys was established in 2000 by some managers at **Jones Business Systems**, a Houston-based software distributor that saw



Local presence: HQ in University Research Park, data-center space in airport area

annual sales of about \$68 million. Its enterprise system division, which had sales of about some \$17 million annually, split off from JBS.

Assets, Ties

Its assets were sold, and the newly named Zumasys relocated to Southern California.

It quickly established ties with Irvine-based data management software company **Tiger Logic Corp.**, taking over a database that supported contracts with more than 10,000 resellers.

The company slowly built its business providing IT services but struggled to turn a profit in the low-margin sector.

The shift to cloud services put Zumasys in a field with much-larger competitors such as **Amazon.com Inc.** and **Google Inc.**, as well as smaller, regional companies.

Zumasys' focus on small and midsize customers helped it get traction on its new road. So did the specialization in accounting business systems.

"Those are usually the hardest to move to the cloud," Giobbi said.

About 85% of money in standard IT budgets go toward running machines, maintenance and other updates, he said.

The cloud "moves the needle down," allowing business owners to concentrate on their core business rather than IT, he added. That frees up time to meet with customers, improve sales or focus on other operations. The company aims to generate half its annual revenue from the cloud by 2015.

Meteoric Rise

The cloud-services market is on a meteoric rise as data demands surge in the corpo-

rate, consumer and data-center segments.

Framingham, Mass.-based market tracker **IDC Corp.** forecasts companies will spend \$100 billion on IT cloud services by 2016. That's up from a projected \$40 billion this year, representing a compound annual growth eclipsing 26%.

This shift is playing out as smaller players such as Zumasys aim to gain market share in cloud and other services from a crowded field of much larger competitors.

Customers

Zumasys targets businesses with less than 1,000 employees, building a client roster heavy in manufacturing and distribution. Most of its customers are based in Orange County and Los Angeles, though a recent uptick in agricultural clients has moved more work to the Central Valley.

Zumasys counts more than 1,800 customers today, including **American Express**, **Bebe Stores** and **Prima Bella Produce**.

Its 45 employees are spread over offices in Irvine; Salt Lake City; New York; New Jersey; Kansas City, Mo.; and Las Vegas, where it recently leased data center space. The Irvine office draws from the deep pool of tech talent here.

"We pay a premium for those folks," Giobbi said.

The downturn in 2009 nearly crippled the company the following year. Revenue was down, and profits vanished.

The company broke bank covenants, forcing management to freeze their salaries and trim employee count.

"We really looked inwardly during that period," Giobbi said. "We weren't in a good place, but we held it all together." ■

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