



### “Cost-Effectiveness of the Cloud”

As stated before in our previous blog on the Colorado Women’s Chamber of Commerce website, “the cloud” is simply a metaphor for the internet. Therefore, all services that a company receives from the cloud originate from a site not at the customer’s location, but are received at the customer’s location over the internet. So, what besides competitively priced products are some of the cost factors that make the cloud so attractive?

First and foremost, cloud computing is a monthly based subscription service that allows a customer to pay for only what they need. So what don’t they need? When a customer considers the cloud, they needn’t consider space planning for hardware, or new employees to manage the hardware, software and applications that run on the hardware. With the cost of new space rising in a down economy, relocation to a new location to accommodate hardware and new personnel to manage the hardware can be prohibitive. Capital investments in equipment and technology can be equally prohibitive. In this case, these are all costs that can destroy a great idea before it becomes a reality.

In order to accommodate new technology in the cloud, a company no longer needs to “get ready to get ready” by purchasing hardware, building out space, securing heating and air conditioning, hiring new people, providing benefits to new employees, experiencing protracted ramp-up times, etc. A company doesn’t need the expenses of IT expansion, or the headaches that come along with them. The capital costs for expansion can be high and dangerous to a company’s profitability. Depending on the size of the company, thousands or many thousands of dollars could be spent on building an IT infrastructure that does not provide the desired return on investment for many months or even years, if ever.

So what is the most important cost consideration for implementing cloud technology within a company’s IT infrastructure? A company needs to consider its bandwidth’s volume and the costs necessary to acquire adequate bandwidth for its cloud environment. The success of a company’s cloud computing and IT managed services in the cloud is based upon a company having adequate bandwidth. However, it can be a tricky proposition to get the right bandwidth product at the right cost. Some vendors will lock you in for many years and charge you for an internet product that is not flexible or agile enough to fit your bandwidth requirements whether your environment is expanding or contracting. There is no reason to be “stuck and gouged” by one carrier in a long-term contract anymore. The cost for bandwidth is as competitive as it has ever been because the number of carriers providing internet access continues to grow, whether telco, cable, wireless or satellite. There is no reason to not get the best product at the best price for a company’s needs in today’s competitive marketplace.

So what are the real costs of cloud computing? Internet and monthly subscription costs for services such as Microsoft Windows Server Client access Licenses, Microsoft Office, security,

backups and storage, virtual desktops (if applicable), email, database applications, proprietary software applications subscriptions housed by the cloud computing provider and a monthly subscription for managed service packages (MSP) to manage, monitor and maintain all of the customer systems are the real costs. Nonetheless, cloud computing and managed services can be much more cost-effective for a company than purchasing hardware, building out space, providing environmental efficiencies, hiring IT staff, providing salaries and benefits for them... and trying to navigate that battleship through narrow tributaries and often shallow water.

With cloud computing and managed service packages, a company can invest in IT services on an as-needed basis, expand and contract instantaneously, spare the capital investment in soon-to-be outdated technology, and spare the investment in soon-to-be escalating salaries and benefit costs. So, like a speedboat, a company can be more agile, react to market conditions more quickly by expanding or contracting its monthly IT requirements, and place the profits of smart IT decision-making in its pocket instead of into more equipment and people to manage, monitor and maintain its IT equipment.

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