Is the cost of cloud migration really worth it?

By Louis Koen

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In a recent poll* by Unisys which canvassed 400 businesses in eight countries, only 59% conducted a formal analysis of the potential ROI of cloud migration. However, 80% of respondents expected cost savings from shifting to cloud-based systems.

Louis Koen

The gap in these two figures is quite telling and is in line with my experience in offering solutions. Calculating the ROI is not a cut-and-dried, one-size-fits-all affair. The needs of each business are unique, as is the state of each business' current infrastructure.

I started Crimson Line 20 years ago, and one of the services we offered in 2005 was switching from landline-based telecommunication to VoIP.

Working out the returns on this shift was easy as there are very few variables involved, and could typically be worked out in one sitting with a minimum of input from the client. The savings on calls would be compared against the capital outlay in order to calculate the return on investment. But the sheer scope of functionality that the cloud offers allows it to augment or replace many aspects of existing infrastructure, both hardware and software, that the value added to each business needs to be gauged against many variables.

Cost savings: two main questions

When it comes to cost savings, there are two main questions I get asked. Often the first question is "*what is the capital outlay?"* Often this will be asked without a full analysis of the needs of the business, or a breakdown of current infrastructure.

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The second question is "*how much money will I save in the long run?"* Unfortunately, the honest answer to both questions is “it depends”.

These questions require a full analysis of the current IT infrastructure, as well as strategic input from businesses on their model and plans for growth.

The growth plan is a major point, but not for the reason you may suspect.

A growth plan needs to be analysed not to calculate the future costs of cloud-based enterprise, but the savings realised in scrapping the need to upgrade ageing hardware or the reduced cost of on-site maintenance. There is no need for a five-year IT infrastructure plan when resources are able to automatically scale based on a business’ requirements, or when functionality can be switched out on the fly.

> “ ***The elements of cloud solutions can be seen as Lego, each piece interlocking seamlessly, each piece added or removed with ease, allowing for a structure of near-unlimited scale. By contrast, in-house systems are more like Jenga - the more you alter the structure the higher the risk of it crashing down.*** ”

Freeing up of cashflow

One immediate benefit that is sure to catch the eye of the shrewd businessman is the freeing up of cash flow. Cloud services are retained through a subscription model, where businesses only pay for what is used.

Compare that to hardware, which is characterised by a massive upfront cost. Even that cost won’t necessarily guarantee that the systems will meet current and medium-term needs.

Hardware, by definition, is a fixed object that can only provide a set amount of resources. It’s a far cry from the dynamically scalable resources that are available through cloud servers.

Takealot's very black Friday

As an example, Takealot had a very black Friday when its system wasn’t able to handle the increase in traffic at sale launch. The resulting crash cost Takealot much more than an immediate loss of revenue, it also took a serious reputational knock. If it had opted for a cloud-based solution, the resources allocated would have increased in accordance with the needs without manual intervention.

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The discussion of the benefits of the cloud can often make migration seem like an either/or affair. The truth is far more nuanced.

No need for an exodus away from current IT infrastructure

As cloud solutions are modular, the pieces can fit right into current enterprise solutions.

> ***There is no need for an exodus away from current IT infrastructure because the cloud can complement existing systems, creating a hybrid solution that takes advantage of the best of both.***

This is of particular interest to businesses that have recently sunk capital into their in-house infrastructure. Far from making their current systems obsolete, the functionality of the cloud can offer augmentation.

Another result of thinking in either/or terms is seeing migration as a wholesale move. This isn't always the best way to manage the shift.

In most cases, the best method is a staggered rollout, replacing ageing elements with cloud solutions. This will further assist companies to manage their cash flow, by only paying for the supplementary functions they require.

> ***The one thing I can say for certain is that the future is in the cloud, and investment in heavy-weight hardware is fast becoming a thing of the past.***

The discussion around ROI needs to be reframed. Instead of asking what the potential ROI is, businesses should ask themselves how much capital they are willing to sink into hardware that is guaranteed to become obsolete.

**Unisys Survey: Organisations That Do Thorough ROI Analysis Before Starting Cloud Migration are 44 Percent More Successful in Realizing Expected Cost Savings*.

ABOUT LOUIS KOEN

Louis Koen is the CEO of Crimson Line, a leading cloud-migration specialist. Through a deep understanding of the fast-evolving world of IT, he has ensured that his company has remained at the fore of tech innovation. Koen's goal is to share his vision of sustainable future-proofing through sustainable IT solutions. Contact him on info@crimsonline.co.za.

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