Hybrid Cloud Know Your Cost, Control Your Path

DELL EMC

Organizations across industries are under growing competitive pressure to digitize products and services, and automate processes in order to engage customers, innovate rapidly, and grow revenues. But their computing platforms are typically not fast, flexible, scalable, and secure enough to really drive digital business. The best platform for digital business is hybrid cloud, and its implementation can dramatically reduce the operating costs of IT. A global survey of business and technology leaders by IDG puts the average savings at 24%, and the average enterprise reinvests 40% of those savings in new technology-driven business initiatives.[1] A fully configured hybrid cloud can be implemented in three months or less, unlocking new benefit streams of business agility, IT efficiency, and digital business.

IDG found the hybrid cloud reduces costs by 24%.

See How →

The Digital Business Imperative

Digital business means putting the power of information technology at the heart of the enterprise—reshaping products, services, processes, and customer experiences. It means leveraging technologies, including mobile, cloud services, social media, and big data analytics, to anticipate customer needs and deliver personalized services 24/7. It requires a modern infrastructure that provides unprecedented agility to innovate, execute changes, get to market in record time, and drive new sources of revenue.

In today's economy, every company is a technology company. In a recent global survey of business and technology leaders, 92% said that their organizations' competitive strategies call for digital business initiatives.[2] A leading global financial services company now derives most of its Asia-market profit from mobile banking with customers who, on average, use five products and services (versus one and a half for customers in non-mobile channels).

In today's economy, "every company is a technology company." GE now describes itself as the digital company that's also an industrial company.

Every company is also in danger of being disrupted digitally. Seventy-eight percent of surveyed executives see digital start-ups as threats to their enterprises. Consider what's already happened in the retail, transportation, publishing, hospitality, and entertainment industries. Digital business has become an imperative for both protecting and growing revenue.

Digital business places new demands on IT and dramatically raises the pressure to keep pace. The focus shifts from traditional systems-of-record that run the business to cloud-native, customer-facing, revenue-generating applications that must be sourced or developed quickly. Today's massive data volumes require infrastructure and applications to scale cost effectively like never before. IT is called upon to help drive business growth in new ways, while still controlling costs.

Success in digital business depends directly on the capabilities and flexibility of modernized technology infrastructure.

Hybrid Cloud

The best model for a modern and future-ready enterprise is hybrid cloud—a combination of public and private clouds, managed as one platform, to deliver the widest range of available services to the enterprise. As the variety, functionality, and cost-effectiveness of public cloud services continue to rise, so does business reliance on them, increasing the need to have public and private cloud services work together. So it's no surprise that hybrid cloud is catching on fast. According to IDC, more than 80% of enterprise IT organizations will commit to hybrid cloud architectures by the end of 2017.[3]

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Hybrid cloud enables an enterprise to connect actively with customers, and launch and scale innovative applications, while maintaining high levels of performance and security. It's the platform for digital business. And in the process of putting that platform in place, an enterprise can dramatically improve its IT cost structure.

That's a compelling value proposition: Enable digital business, while lowering cost and raising agility.

Driving Down IT Cost

How big are the potential savings? A global survey of business and technology leaders by IDG puts the average IT cost savings driven by hybrid cloud implementation at 24%.[4] Our analysis of organizations transforming their IT organizations and infrastructure finds a cost-reduction range of 18%–26%.

Where do those savings come from?

Modernization: Consolidation, standardization, and virtualization of technology infrastructure raise capacity utilization, and reduce software costs and the data center "footprint." Selective use of public cloud and hosted services further reduces infrastructure cost. **Savings: 15%–17%**

Operation: The automation of infrastructure provisioning, infrastructure management, and business services significantly reduces IT labor cost. Breaking down technology silos and integrating IT services improves efficiency and further reduces personnel cost. **Savings: 17%–28%**

Applications: Retiring redundant applications, leveraging usage-based pricing, and standardizing tools lower applications-related technology costs. **Savings: 11%–18%**

Development: Automated provisioning of development environments, use of agile methods, and selective migration of applications to Software-as-a-Service drive up productivity and reuse, while driving down applications development costs. **Savings: 13%–30%**

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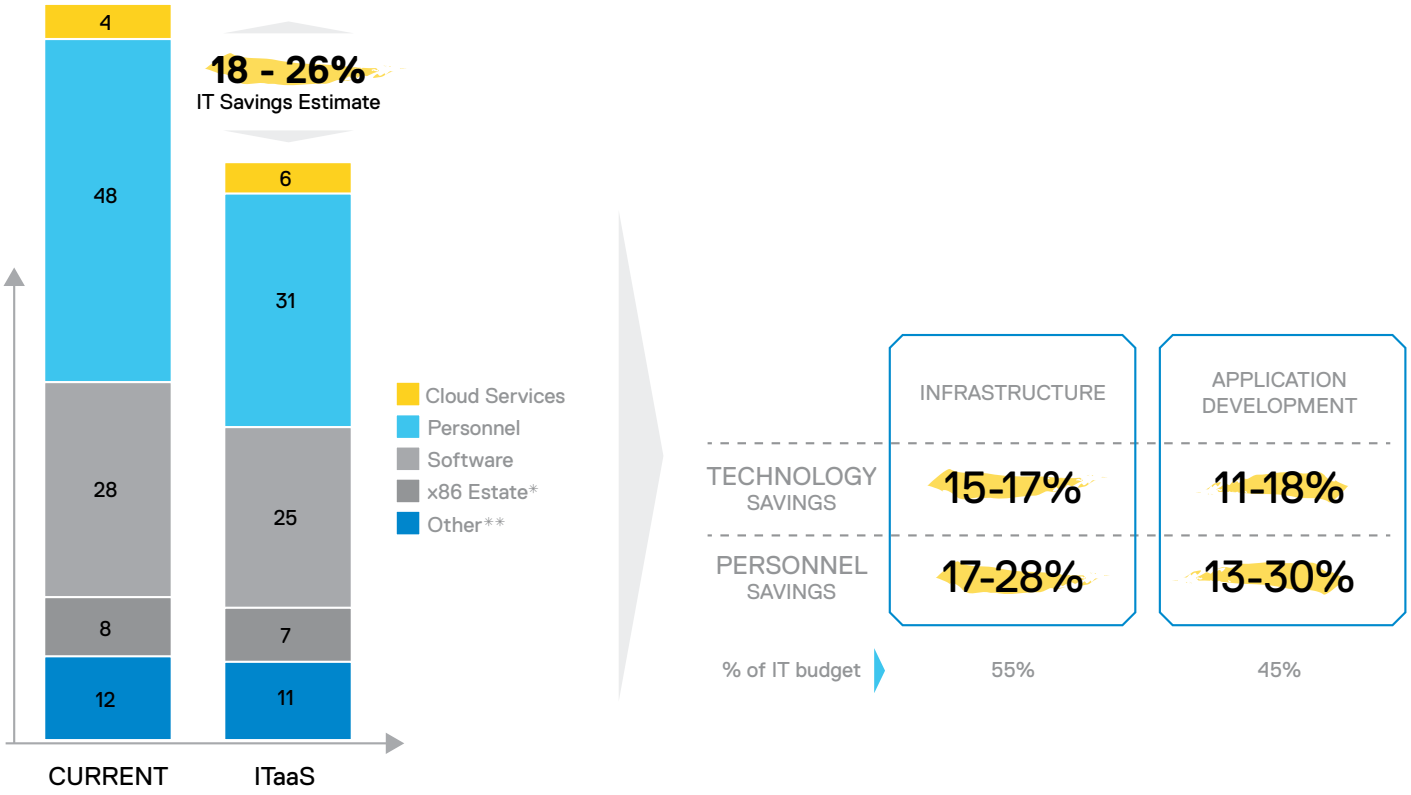
The first of those benefits yields a reduction in CAPEX. All four yield ongoing reductions in OPEX, with labor being the largest category.



Source: Gartner, Dell EMC analysis

*Linux & Windows servers
**Non X86, occupancy, telco
Note: Outsourcing is 21% of total IT spend

Source: Dell EMC client analysis

What determines where an organization lands within the cost reduction range? The biggest variables are the current state of technology infrastructure and the maturity level of IT processes. If infrastructure is not already standardized, virtualized, and consistently managed, the immediate benefits of consolidation will be high. Dell EMC has seen calculated infrastructure technology savings from clients as high as 34% and infrastructure personnel savings of 61%. If infrastructure and IT processes are in fairly good shape, hybrid cloud will amplify and accelerate progress on digital business, and the usage benefits will dominate.

The IDG survey found that the average enterprise is reinvesting 40% of its IT cost savings in new initiatives, including in technologies like mobile.[5] It also found that organizations with a significant number of workloads in a hybrid cloud accelerate their benefits streams—greater cost reduction, more savings reinvested, and more progress in realizing the digital business goals of their enterprises. A perennial goal of IT organizations is to change the budget mix, spending less on operating today's systems, so there's more to spend on technology-driven business innovations. Hybrid cloud helps make that happen.

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Buy versus Build

It's already a hybrid world. Large organizations have multi-cloud environments and are trying to get their clouds working together.

The questions are how well and how fast they are doing so. Regardless of whether they call it hybrid cloud, is the integration of the computing platform happening in a carefully managed way to minimize risk and maximize benefits? Is it happening rapidly enough to meet the fast growing demands of digital business? And is it helping save money, or is it straining the IT budget?

With hybrid cloud, enterprises have a basic choice between buy and build. A hybrid cloud can be built in-house by a very skilled and specialized IT organization. However, the implementation journey presents significant challenges for already overextended IT staffs, and many businesses have found the approach far more difficult, expensive, time-consuming, and risk-prone than expected.

The buy approach significantly reduces deployment time (6X faster) and costs (56% lower), and accelerates realization of business benefits.

Principled Technologies analyzed the labor and process costs, and time spent buying versus building a hybrid cloud:[7]

The total implementation cost of buy is less than half (44%) of build.

Implementation takes 3 months with buy versus 18 months with build, yielding 15 extra months of IT cost savings and business usage benefits.

The buy option reduces ongoing maintenance and upgrade costs, with upgrade savings of 42%.

With the buy option, an enterprise gets a fully engineered, tested, and proven hybrid cloud tuned to its specifications, including workflows for traditional applications and services, and delivered by a single provider. The infrastructure is modernized and converged, meaning that compute, storage, and networking are engineered, manufactured, managed, supported, and sustained as one integrated, scalable, automated, and secure system.

Overall, the buy path reduces risk and raises the probability of success, freeing IT staff to focus on business innovations.

IDG calls hybrid cloud "the great enabler of digital business."[6] The fastest way to put the enabler to work is buying and implementing a fully engineered solution.

Capitalizing on Hybrid Cloud

To assess the full value of hybrid cloud, an enterprise should anticipate the ways it will be put to use. The business performance and revenue capture benefits can dwarf those on the technology side. In your business, what is the potential value of each of the following?

- **Faster time to market** for customer-facing, revenue-producing applications at lower development cost.
- **More flexible computing platform** for connecting with customers and partners, and scaling up business innovations.
- **A platform to drive performance improvements** through big data and analytics.
- **Improved resiliency**, business continuity, data protection, and security.
- **Improved productivity** of teams when basic technology services are easier to access and consume.

Implementing the infrastructure and management platforms to support a hybrid cloud is not just a technical matter. It is a business imperative. The CEO, executive team, and board all have deep interest in the enterprise's ability to digitize—quickly, innovatively, and securely. The CMO has a special interest in how the enterprise connects digitally with its customers. The CFO is looking to fund business initiatives, in part by controlling costs and improving cost structures. Hybrid cloud serves all these needs.

It's a commitment to be technology-enabled and data-driven across the enterprise. That kind of agility demands the agile platform called hybrid cloud.

Hybrid cloud both promotes and protects the enterprise's ability to change in the future and thrive in a digital marketplace.

Digital business is not a one-time initiative, nor just a new set of applications. It's a permanent commitment to work differently, innovate better, and change faster.

Hybrid cloud differs from most IT investments because its reach and value are so extensive. Hybrid cloud both promotes and protects the enterprise's ability to change in the future and thrive in a digital marketplace. At the same time, it lowers IT operating cost and improves the cost structure. It's a business and technology decision that pays for itself, and opens the door to future value.

Learn how your enterprise's computing platform can drive digital business more effectively with hybrid cloud technology.

DellEMC.com/Cloud

1. IDG Survey. http://www.emc.com/collateral/analyst-reports/idg-research-hybrid-cloud-white-paper.pdf
2. Ibid.
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4. IDG Survey. http://www.emc.com/collateral/analyst-reports/idg-research-hybrid-cloud-white-paper.pdf
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7. Principled Technologies Study. http://www.emc.com/collateral/solutionoverview/it-service-transformation-with-hybrid-cloud-buy-or-build.pdf