

Economics of Cloud Sourcing and what that Means to Your IT Team

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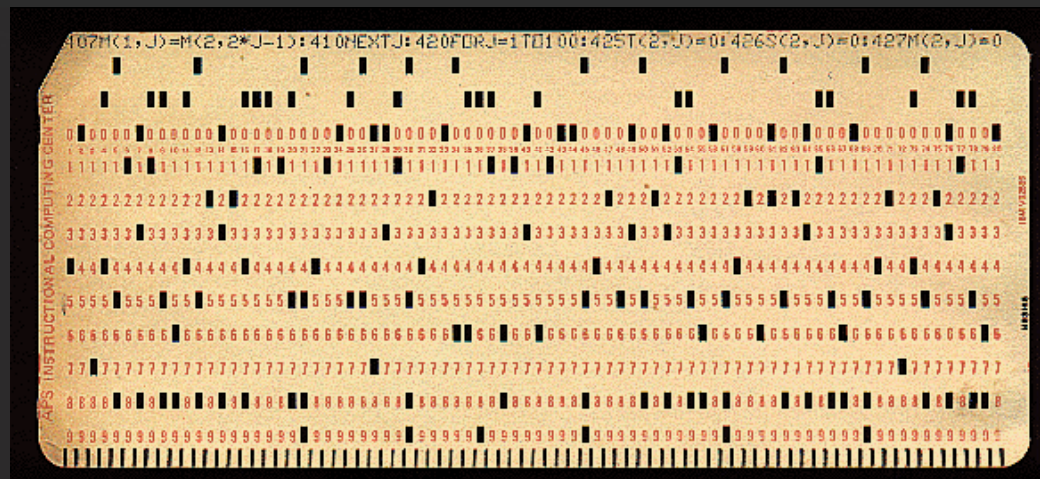
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Remember RPG and punch cards?



The Forecast is Cloudy...



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The point is....

IT has evolved continually since its inception.
And will continue to do so...

We have seen a lot of fads come and go...

Good IT decisions

- *Making good business decisions means balancing cost and benefits.*
- *Sometimes there is a tradeoff*
- *Sometimes initiating change is not popular*
- *Sometimes, even “no brainers” have costs*

Clouds and Business Value

- Cloud services are attractive when they offer
 - Greater *business value*
 - Lower *cost*
 - Unique *capabilities*
- To cloud-proof yourself, you need to offer
 - Greater *business value*
 - Lower *cost*
 - Unique *capabilities*

Some definitions...

- *Hosted Business E-mail*
 - *Includes hosted Exchange segment*
 - *Host takes responsibility for your system cradle-to-grave*
- *Managed Business E-mail*
 - *Your infrastructure is managed by someone else*
- *ISP/Webmail*

Not all Hosted Exchange is the same!

- **What are you getting if you outsource?**
 - Better service level agreement?
 - Type and hours of support? Who can call? Faster ticket resolution times?
 - Storage? Archival?
 - What is the delineation of support?
 - Small hoster versus big hoster?
 - Mobile devices?
 - Public folders, transport rules, message hygiene...

Factors to consider in cloud-sourcing...

- **Price**
 - \$5 to \$10 per mailbox
 - Take in to consideration what you are getting
 - Will the cost remain the same over time?
- **Mailbox size / Archiving features / Archiving retention**
- **Exchange version / features**
 - Web interface, mobile devices..
- **Management tools**
 - Look for simplicity but allow your staff as much control as possible
- **Support**
 - SLAs, availability of support, who can call support
- **Business security**
 - Assurances of business viability
 - Trustworthiness of staffing
- **Compare “apples to apples”**
 - Don't be surprised if this is not easy to do

I'm a bit troubled...

- Getting “in” is easy...
 - How easy is it to get out?
- Letting the cloud define your business model
- Will your cloud be around in 5 years?
- Will your cloud's costs be similar next year?
- How can you measure your cloud's performance?

What does this cost me?

- Do you know what IT is costing?
 - Direct or indirect costs
- Federal government \$25 per mailbox per month
- Good corporate number is around \$15

Case study – Contoso Traders

- Exchange Server 2003
- 2,200 users (predominantly at the HQ)
- Mail servers in 3 locations, cluster at HQ
- Users allowed 450MB of e-mail storage
- SAN in HQ office has 1TB of usable storage for e-mail at \$13/GB
- No VOIP, fax, or other 3rd party applications
- 1 full time admin assisted by 2 part time admins

Case study – Costs

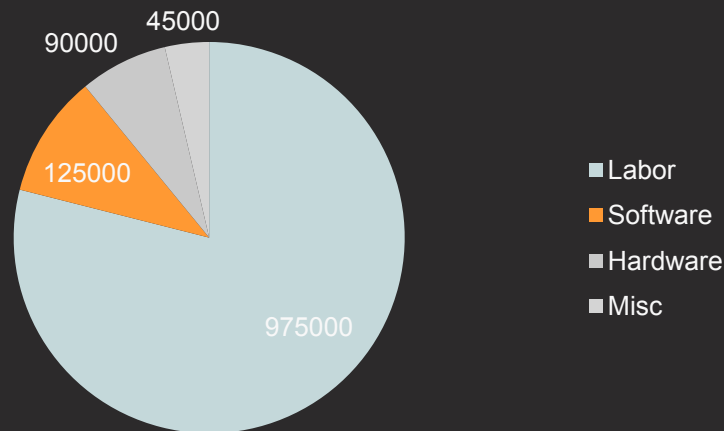
- Cost for system over 5 years is \$1.3M
- Around \$10 per mailbox per month
- That is actually pretty good

Case study – Future direction

- **Planning migration to E2K10**
 - Server/mailbox consolidation
 - Use local storage rather than SAN
- **Estimated cost for 5 years**
 - \$1.2M
 - \$9 per month per mailbox

Case study – Costs for future direction

- **What??!!! Isn't E2K10 supposed to *save* money!**
 - Hardware - \$90,000
 - Software - \$125,000
 - Power/HVAC - \$40,000
 - Labor - \$975,000



Calculate your per mailbox costs

- Estimate lifespan of system (3, 4, 5 years)
- Determine how much labor is involved
 - Include both part time and full time
- Fixed costs
 - Servers / Storage / Racks / domain controllers
 - Backup / Disaster Recovery
 - Software including all third party tools
 - OS, application, security
- Variable costs
 - Annual hardware and software maintenance
 - Space, electrical and cooling costs

Other direct costs

- Software licensing and annual subscriptions
- 3rd party message hygiene
- Security / protection (VPNs, firewalls, appliances)

Hidden costs – Employee costs

- **An employee making \$10.00 per hour:**
 - Cost of med/social security \$0.77 (7.65)%
 - Cost of workmen's comp \$0.65 (used 6.5 percent; use your rate)
 - Cost of health insurance \$3.34 (used monthly cost of 550.00)
 - Cost of vacation time \$0.40 (two weeks vacation)
 - Cost of holiday time \$0.20 (five paid holidays)
 - Cost of personal and sick time \$0.20 (five sick and personal days)
 - Cost of pension plan \$1.00 (\$1.00 per hour)

Total direct cost for an employee is \$16.56 per hour
- **Your cube 45 foot square cube:**
 - In downtown SFO \$8,100 to \$21,000 per year
 - In downtown LAS \$810 to \$2,700 per year
 - In downtown ATL \$5,940

Hidden costs – Power and cooling

- **A single 2U Dell R815 server - \$5K acquisition**
 - \$0.072 cents per hour for power (\$0.20 KWh cost)
 - \$1.73 per day
 - \$631 / year PLUS \$630 cooling costs (assuming 77 degree F cooling)
- **A rack with 12 R815 servers – \$77K acquisition**
 - \$7,600 power per year
 - \$7,700 cooling costs per year
- **HP Power Advisor**
 - <http://h18004.www1.hp.com/products/solutions/power/advisor-online/HPPowerAdvisor.html>
- **Dell Energy Smart Solution Advisor**
 - <http://content.dell.com/us/en/enterprise/blade-server-solutions-design-your-blade-solution.aspx?c=us&l=en&cs=555&redirect=1>

Determine the intangible value of “in house” or “on-premise”

- Flexibility?
- More features/functions that YOU want?
- Direct customer interaction?
- Better support?
- Sell heavy on the “in house” side

If your job was...

... about to be cloud-sourced...

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Change jobs?

- Some industries / companies will “never” outsource
 - Some government
 - Health care
 - Financial sector
 - Certain international firms

Greater Business Value

- Two key questions
 - What business value do you currently offer?
 - How can you make it greater?

Business Value Philosophy

"Not everything that can be counted counts, and not everything that counts can be counted."

- Albert Einstein

"So you'd better know the difference. Now start counting."

- Paul Robichaux

Your Business Value

- What do you *do*?
- If you're like most IT staff, you...
 - Fix things
 - Keep things from breaking in the first place
 - Clue in the clueless
 - Prepare for the future

Your Business Value

- How do the things you do create value for the business?
 - Do you make or keep others *productive*?
 - Do your actions make actual *cash money* for the business?
 - Do your actions *save money*?

Intangibles

- *What intangible value do you provide?*
 - Leadership
 - Example
 - Stability / maturity
 - Continuity
 - Communications skills

Communicating Your Value

- How do you communicate the value you bring?
 - Do people only notice you when something's gone wrong?
 - Do you communicate your actions and achievements to your boss?
 - Regularly?
 - In writing?
 - As part of your org's performance measurement process?

Increasing Your Value

- What do you know about the *business*?
 - What's your organization's biggest challenge?
 - If someone asked for a SWOT analysis, could you do it?
 - Strengths, Weaknesses, Opportunities, and Threats
 - What do you know about other functions in the organization?
- Can you act as a liaison to the business?

Know Your Weakness... and Fix It

- If someone asked you what your weak spots are, what would you say? What would your boss say?
- And what are you going to do about it?

Lower Cost

- This is the most difficult angle of attack
 - No one wants to take a pay cut!
 - Personnel costs are only a fraction of the overall cost of your messaging system
- What could you do to lower your overall costs?
 - Both technical and non-technical possibilities
 - ...Including cloud-based outsourcing

Unique Capabilities

- Can you make yourself more difficult to replace?
- Are you a specialist or a generalist?
 - You need to be *both*

Unique Capabilities

- **Certifications**
 - Security: CISSP, “+”, CEH, etc.
 - Project Management: PMP
 - Disaster recovery / business continuity
 - Vendor-specific: VMware, Cisco, etc.
 - Microsoft: too many to list
- **How would you like to be the only one who...**
 - Can do disaster recovery planning?
 - Plan for business continuity?
 - Is certified on your expensive SAN system?

Questions? Discussion?
Thanks for coming!

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desk.

Thank you!