Pay-As-You-Go On-Premises IT Models

Reduce risk while accelerating transformation.

Introduction

Businesses face numerous pressures that require masterful balancing acts. Maintaining a competitive edge, controlling costs, managing technical debt and ensuring efficiency are all essential to securing a place in a crowded and fluctuating market.

In recent years, many organizations have adopted public cloud strategies in order to provide agility, scale and pay-as-you-go consumption. Yet, public cloud migrations and integrations with existing applications can be challenging and costly.

With the pace of transformation accelerating, two-thirds of organizations (67%) are investing in new digital solutions/services in response to today's market environment.[1] As a service is a simple approach to driving key business outcomes through modern infrastructure on-premises, in the cloud and across the entire IT estate, providing the benefits of cloud consumption — pay for what you use with agility — without the risk of a complete migration with unpredictable outcomes.

What as a service offers the business

As the need for agility intensifies, a major obstacle to businesses looking to transform into a more dynamic business environment is technical debt from running core applications through older technology or technology that is not evolving with business needs. In fact, 86% of organizations were negatively impacted by technical debt in 2023, causing the greatest fallout in the ability to innovate.[2]

Inhibited by technical debt, organizations commonly consider two potential approaches:

1

Continue with CapEx data center where they buy inflexible solutions and manage themselves, which has negative connotations to a cost center

2

Public cloud, which can provide agility — but is typically not ideal for all business applications, making it potentially expensive and technically difficult to manage and secure

A third option?

For organizations looking to optimize costs and support elastic demand on-premises with cloudlike solutions, **an as-a-service, on-premises IT model with pay-as-you-go consumption offers the ability to scale and drive transformation while controlling risk and costs.**

As-a-service offerings bring such agility by way of three key benefits:

1

Reduced CapEx spend

Pay-as-you-go on-premises services can help a business retain cash, improve liquidity and maintain a more responsive stance during both uncertain and more stable times. Organizations can tap opportunities to increase storage capacity, reduce latency, and more easily meet governance or regulatory standards with solutions that don't require CapEx spending. Organizations with cost or data sovereignty issues could also find the idea of cloudlike consumption on-premises attractive.

2

Consumption-based billing

One of the most challenging things for any business or IT leader is effective planning. Penalties associated with inaccurate forecasts are wide-ranging, but when looking specifically at those related to IT needs and infrastructure, the costs can be substantial. It's not uncommon today for an organization to be somewhat locked into an architecture or cloud service for which they are overpaying.

As-a-service offerings provide consumption-based billing that lets businesses pay only for what they actually use, improving the business's overall cash position and reducing the pressure on planning resources — a benefit much needed in volatile times.

3

Risk mitigation

By eliminating or alleviating CapEx and aligning costs with usage through consumption-based billing, pay-as-you-go on-premises services help organizations reduce the risk of overcommitting financial and other resources. Used in conjunction with other tried-and-true risk mitigation strategies, such a shift can make a meaningful difference.

Taking the route of as-a-service offerings also supports more risk-mitigated cloud strategies by offering a bridge to cloud through aligning consumption models and, in many cases, providing a technical integration path. It can be difficult to anticipate cloud data needs many months in advance; as-a-service offerings circumvent this challenge.

CapEx vs. lease vs. cloud consumption vs. as a service

As you consider various financial models for driving IT transformation, it is important to understand overlaps and points of divergence. IT decision-makers must educate themselves in order to help the business make the wisest investments. Of course, IT may need to defer to short-term and long-term corporate financing strategies and policies in place.

CapEx

Purchasing hardware for your data center may be the right choice if and when security or compliance standards are especially strict, legacy systems would require substantial overhaul otherwise, or there are tax or interest rate benefits to be gained from owning versus other usage models. It's also an ideal approach when your organization knows exactly what it needs now and over a longer period of time, as the investment is amortized over three to five years.

- Upfront costs and/or financing required
- Pay for equipment regardless of consumption
- "Stuck" with equipment until refresh cycle comes up
- Can limit flexibility and may depreciate more quickly than desired
- Generally is the lowest cost — and the least flexible

Lease

While modern OpEx offerings may seem similar to a lease, the financial considerations surrounding a true lease can look quite different. Leases may be ideal for organizations that already have clearly defined frameworks for evaluating, validating and reporting leased assets, though they will have capacity limits and interest payments.

- Closest option to CapEx but has no or less upfront costs.
- Appears on the balance sheet, per FASB.
- Lessee is responsible for fixed monthly payments plus interest.
- Like CapEx, lease agreement makes lessee "stuck" with equipment for the term.

Cloud consumption

Adopting cloud can help an organization avoid heavy upfront investments by offering an OpEx model, in contrast to a CapEx one. This approach affords flexibility and the possibility of lower costs overall; however, many organizations will incur egress and access charges as well as other unexpected costs over time.

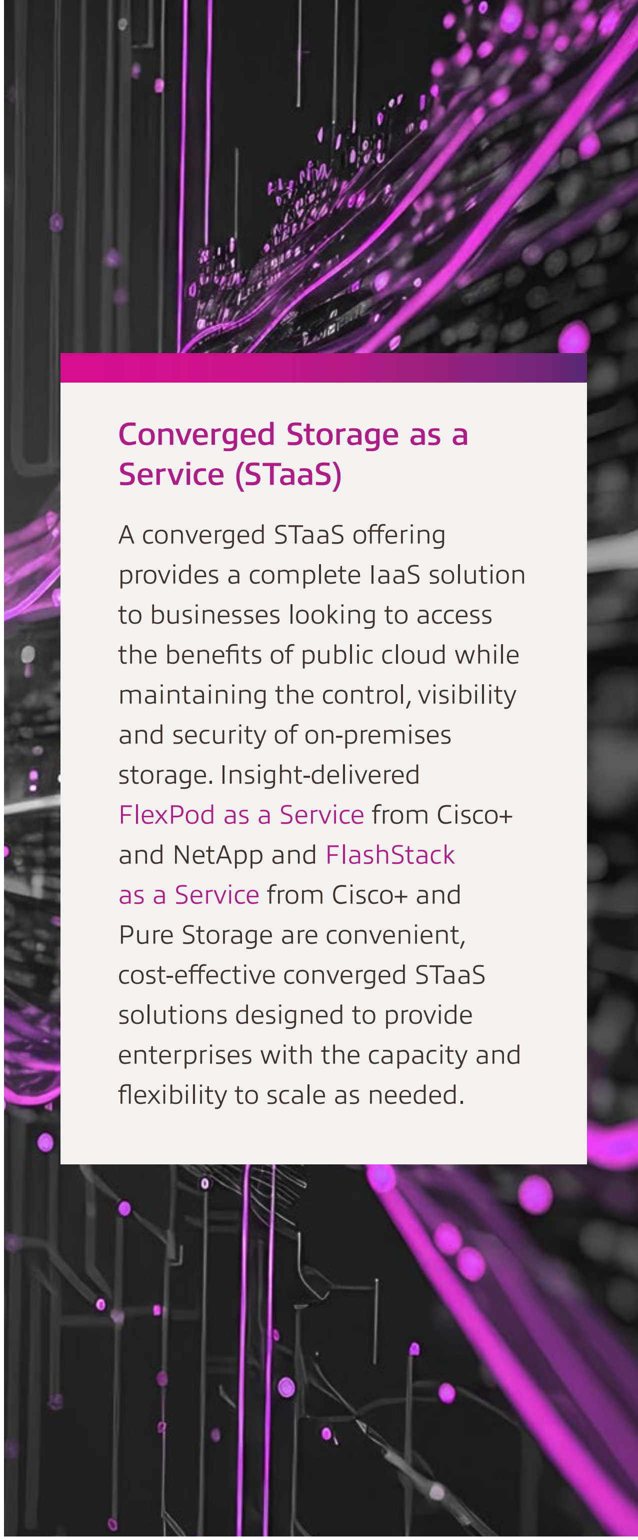
- Low initial outlay
- Infinite capacity for scaling as needed
- Have access to the latest cloud services, always
- Significant "hidden" costs (ingress, egress, API, etc.)
- For high-performance, high-availability storage, cloud costs can be much higher

As a service

Taking a consumption-based approach and applying it to on-premises infrastructure, as a service confers public cloudlike benefits with more transparent pricing and contract terms, the flexibility to shift workloads to the cloud as needed and the ongoing peace of mind of a local system. There is no requirement for your business to own and operate a data center independently either. There are plenty of hosting options, many of which provide excellent on-ramps to public cloud resources.

- Pay for what you use as you use it — no risk of overprovisioning.
- Little to no initial outlay — pay over term vs. upfront in CapEx.
- Transparent and predictable pricing (rates are defined).
- Costs are variable, depending largely on usage — typically higher than CapEx, but much lower than cloud.
- Eliminate hardware lifecycle issues and take advantage of the latest technologies.
- May/may not qualify as a lease.
- Storage solutions can be a bridge to cloud solutions — rebalance Infrastructure as a Service (IaaS) between on-premises and public cloud as strategies evolve.

Ultimately, your organization will likely need to calculate ROI to compare options and make ideal selections. Such decisions may also spur conversations surrounding IT's role — whether cost center or value center — and whether such a role is best suited to the business and its strategic and transformation objectives.



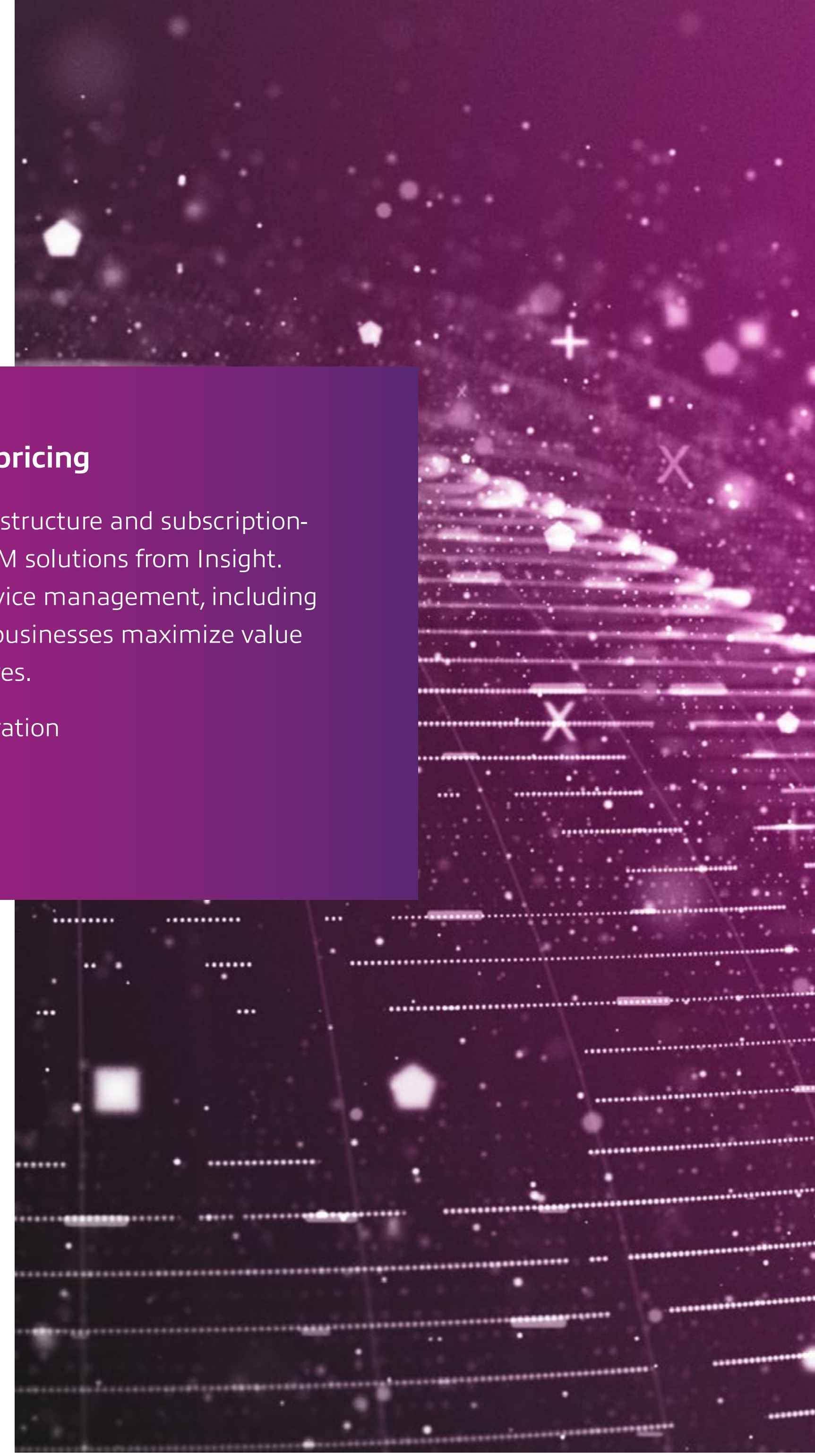
Converged Storage as a Service (STaaS)

A converged STaaS offering provides a complete IaaS solution to businesses looking to access the benefits of public cloud while maintaining the control, visibility and security of on-premises storage. Insight-delivered FlexPod as a Service from Cisco+ and NetApp and FlashStack as a Service from Cisco+ and Pure Storage are convenient, cost-effective converged STaaS solutions designed to provide enterprises with the capacity and flexibility to scale as needed.

As-a-service options

As a service has had a clear, upward trend line since well before the emergence of the pandemic, surging in popularity alongside the adoption of public cloud.

Insight delivers as-a-service offerings that are both service-based and configuration-based, for on-premises compute and storage infrastructure.



Service-based pricing

Use cutting-edge storage technologies from leading OEMs with an OpEx model through Insight. These offerings provide great pricing transparency and flexibility while sparing organizations the upfront and ongoing costs of purchasing and maintaining equipment.

- No defined hardware configuration
- No specific terms or exit fees
- Flex use up or down

Configuration-based pricing

Leverage on-premises infrastructure and subscription-based pricing on top of OEM solutions from Insight. We provide end-to-end service management, including cost optimization, to help businesses maximize value and achieve target objectives.

- Pricing based on configuration
- Terms apply (financing)
- May be deemed a lease

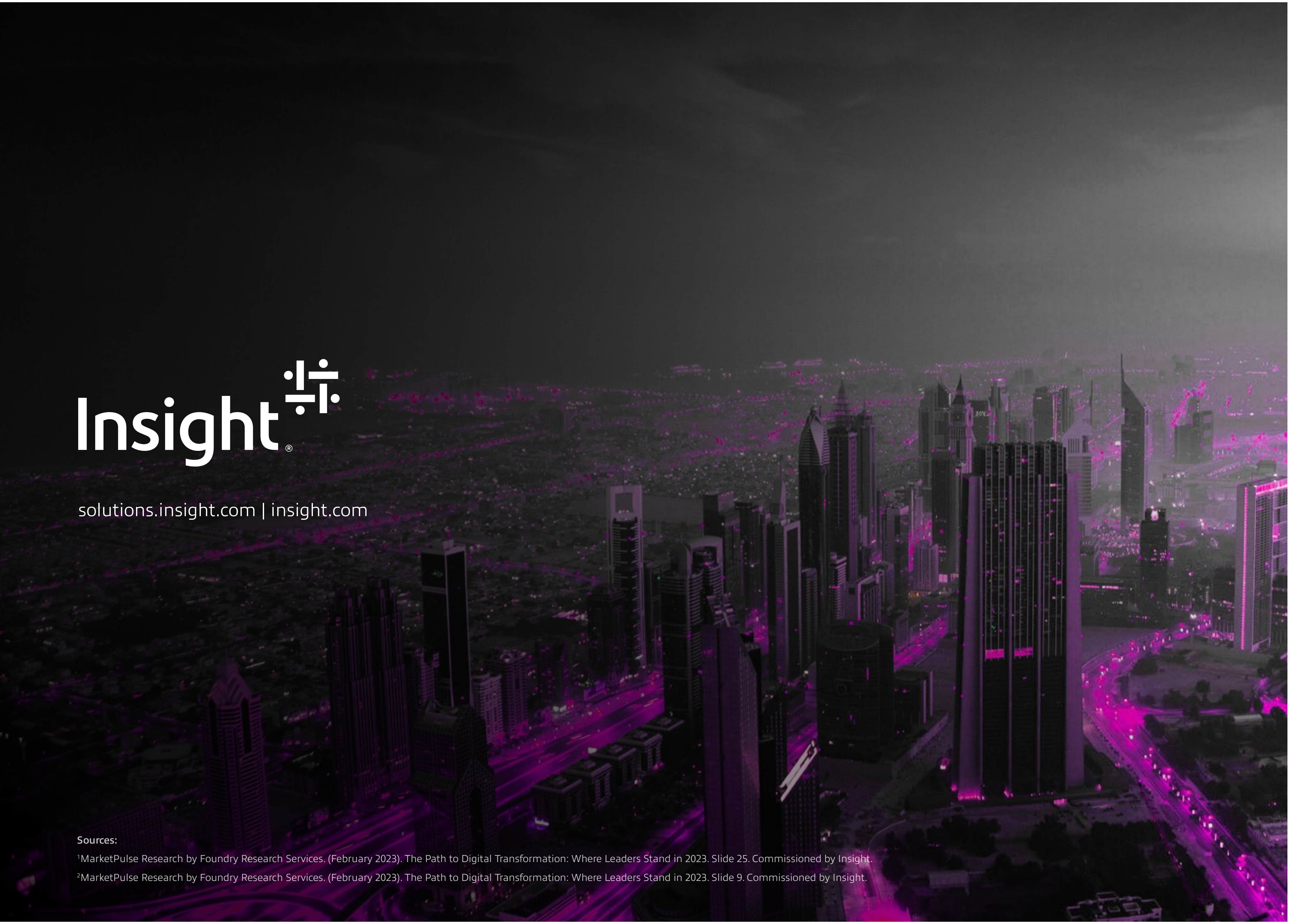
Each offering comes with the client's choice of Managed Services from Insight: Essentials, Advanced or Premier. Managed Services from Insight leverage a proven model that delivers exceptional outcomes and supports continuous improvement to enable expert modernization and optimization for every part of clients' IT estates. At a baseline, we provide real-time performance and capacity monitoring, streamlined billing, customizable notifications and a single system of record across all platforms. Greater levels of service also deliver 24/7/365 technical support and incident resolution, OS and common application patching, and capacity planning support, as well as continuity management and infrastructure assessments.

We not only know and deliver as-a-service solutions well — we can combine solutions (e.g., adding compute or cloud to a storage solution) to meet your unique objectives. This means less complexity, more customization and the benefits of vendor consolidation.
Learn more here. →

A go-forward plan

There are many paths you can take to fulfilling business IT requirements. If your organization is interested in pay-as-you-go models and programs, let us know. Our teams have decades of business and IT consulting experience with organizations across industries. We can help you narrow in on the solutions that make the most business and financial sense.

Once you determine your path forward, Insight can deliver **as-a-service offerings** with unmatched skill and resources. We provide robust Consulting Services and Managed Services for clients on six continents, caring for hundreds of thousands of infrastructure components and managing thousands of incidents and service requests each year. **Ask us for more information today**.



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Sources:

[1]MarketPulse Research by Foundry Research Services. (February 2023). The Path to Digital Transformation: Where Leaders Stand in 2023. Slide 25. Commissioned by Insight.

[2]MarketPulse Research by Foundry Research Services. (February 2023). The Path to Digital Transformation: Where Leaders Stand in 2023. Slide 9. Commissioned by Insight.