

Software licensing - does going to the cloud always make sense?

Will Garside, April 13, 2011

Advice



It's taken as given that cloud is the cheaper option but that's not always the case, software licences can be unforgiving

Alderson Scott warns that even though they were quite happy with their cloud provider there were a few unexpected fees tacked on, "set-up days were not completely transparent but after a frank discussion these were considerably reduced."

Global marketing agency, Iris Worldwide is another firm that has moved its core systems into the cloud. "We started with an in-house IT presence but we have been quick to adopt [hosted and cloud] in certain areas," explains Rory Tarabay, head of IT at Iris, highlighting the move to fully hosted email around four years ago.

Then they were paying around £12 to £15 per user but in the space of four years that cost has dropped by 70 percent. "We did look at taking it back in-house but we were looking at significant cost and support implications," explains Tarabay,

Microsoft SPLA agreements are another area Iris is using to streamline licensing costs. "Way back when people were using box copies it was a logistical nightmare but moving to Microsoft BPOS – we now pay a small fee which allows us to move [for example] our Outlook licences up and down" he explains. "So if we have a project which needs 50 extra people we can get those licences for just as long as we need them." Iris gets its Microsoft BPOS and Outlook licences from Inty, a cloud services provider. Tarabay believes that "being able to minimise capital expenditure makes a massive difference," to the firms cost structure. Iris is now looking to areas like CRM and file transfer as additional services that can be moved to a cloud model.

Christian Berthelsen, CTO at Fourth Hospitality has never had much in-house IT infrastructure as his business provides software as a service for clients such as PizzaExpress, Hilton and Subway. The firm recently moved from a hosted to a scalable cloud with Carrenza, a rapidly growing cloud service provider.

The company uses a full Microsoft stack including Windows Server, development tools and SQL servers. According to Berthelsen, moving from hosted to scalable cloud incurred no significant licence cost increase; in fact he believes that over time the actual overall licensing costs were kept steady as they were able to get more power out of the individual cores, processes and storage. The entire IT infrastructure at Fourth Hospitality is pretty much SaaS including a large Salesorce.com implementation, "We have grown and grown and they [Carrenza] have matched us step for step, we put on a few more licences and never had any downtime – much better than trying to do it ourselves." He adds.

It's clear that software licensing in the cloud is an evolving issue. As a rule of thumb, reducing licensing costs is not always guaranteed via the cloud. Moving from a situation where a firm owns a server with effectively "unlimited users" to a per seat cost model can cost more over a five year period compared to an equivalent on-premise fee.

Elastic cloud pricing for applications that have previously been based on the size of the on-premise server, for example a big Oracle databases, may require a negotiation with a software vendor before "fair" licensing costs are achieved. Freeform Dynamics's Dale Vile recommends that firms have the discussion about the ability to move between different types of cloud models with a service provider before committing. Hosted, fixed resource pools and a truly elastic cloud should be considered as options. This flexibility of deployment is probably more important than often unused areas like elasticity.

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