

## INSIGHTS – CLOUD COMPUTING

# Cloud Applications Cut IT Costs

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**C**loud computing is a business model that incorporates software as a service, platform as a service and infrastructure as service, the functionality of which can be used on a pay-per-use basis.

With software as a service, users access applications over the internet, and platform as a service provides a platform for delivering applications and services online, says Richard Vester, executive head of hosted services at Vodacom Business.

He says a platform might consist of a database that is used to deliver applications or to store, aggregate and deliver information. Alternatively, it might provide a development environment that allows developers to use tools such as SpringSource, VMWare, Silverlight to develop applications, websites or services for the cloud.



With infrastructure as a service, instead of IT staff installing hardware, operating systems and applications in-house, they would upload them to a service provider's data centre, and use the functionality online. "With cloud computing, companies can pay for the infrastructure capacity they need for the duration of a project and increase it as they need it," says Vester.

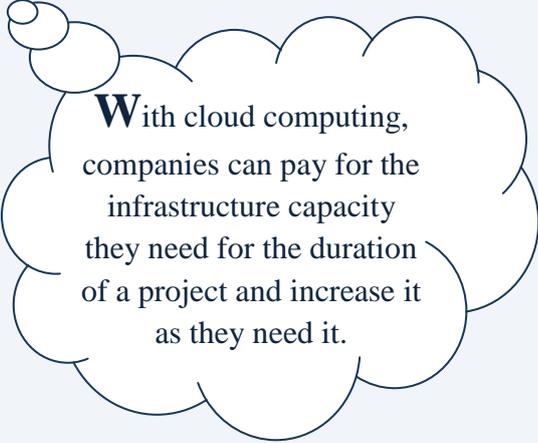
He says if a company's service provider has a cloud management system it will be able to provide a breakdown of all the cost elements relating to the services used, allowing these to be charged back to individual business units based on actual usage.

Gerard Dumont, senior systems architect at IBM, says software as a service is the most popular cloud model to date, consumer examples being Gmail, Yahoo! Mail, Google Earth and even Facebook. "In all these cases users are interacting with applications online."

He says at a corporate level, email, customer relationship management, workforce management, time sheet, payroll and accounting applications, video conferencing and other

collaborative applications like document and file sharing activity are all available on a pay-per-use, software as a service basis.

Business intelligence, business analytics and predictive analytics applications are also available on software as a service basis, says Dumont. “Even larger companies are starting to use these types of applications on this basis.”



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JJ Milner, MD of Global Micro Solutions says cloud computing encompasses any service that is accessed over the internet that provides near infinite capacity to meet the current demand as customers scale their requirements up and down. In addition, a web interface enables users to help themselves to services and change them at will to suit their current business needs.

Users are also able to see what it is going to cost them before they select a service or feature or make a change. However, to meet all these requirements applications need to be designed from scratch specifically for cloud computing, says Milner.

“This is why so few applications are currently on offer in the cloud, but we will see more coming through as software suppliers become more cloud-centric.” He says Microsoft and Amazon.com have both developed platforms for software developers to develop applications that run in the cloud.

Mayan Mathen, chief technology officer at Dimension Data for Middle East and Africa, says cloud computing allows companies to launch projects quicker to respond to changing requirements. For example, when Dimension Data is approached by a supplier to resell its technology it vets them and evaluates their offerings before trading with them.

To develop a system internally to automate this process would have taken a year, but the company found an application service on the internet called Apptus that offered this functionality on a pay-per-use basis.

The company also recently found a cloud based service desk application that can be used to support any service and includes the logging of service requests and tracking progress of the job through to completion.

It has also developed an on-demand hosted call centre service, whereby customers select the functionality they need, on a pay-per-use basis instead of installing the infrastructure themselves. “They just need to equip their call centre agents with phones.”

Cloud computing should be viewed as an extension of outsourcing, says Robbie Quercia, director of Deloitte Consulting. “It is nothing more than pre-packaged managed services or outsourcing services.”

If organisations are already outsourcing their IT infrastructure and are using applications like email on a pay per use basis and they have a new requirement it will make sense for them to look at cloud services, says Quercia.

He says companies that are still running everything in-house and are finding it difficult to add new functionality or test new initiatives can also benefit from using an external cloud service. “If the initiative fails you can switch off the cloud service.”

Roelof Louw, solution architect at T-Systems says companies that move to a cloud computing model from a distributed infrastructure environment where servers are dedicated to specific applications can reduce their IT costs by as much as 30%.

He says T-Systems has a customer that had already consolidated most of its IT infrastructure into an optimised data centre environment, and the cost savings that could be achieved by moving to a cloud computing model are therefore not that significant. But its hardware is depreciated and needs replacing, which places it in an ideal position to do so.

With a cloud service the company would be able to purchase the capacity it needs instead of outlaying capital to replace equipment, says Louw. If any component in the service provider’s data centre fails there is an automatic switchover to another and the data is mirrored daily to a back-up site, with an automatic switchover in the case of a disaster.

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