



THE REAL COST OF CLOUD-BASED SOLUTIONS

Many retailers are struggling to keep pace with new technological trends and innovations. Often they believe they don't have the budget to replace their current legacy systems with more flexible solutions.

However, retail industry research has confirmed that implementing cloud-based solutions can be more financially beneficial than maintaining legacy systems. According to ***The Cloud Takes Shape***, a 2013 cloud survey by KPMG, seven in 10 of cross-industry senior executives agree or strongly agree that the cloud environment has delivered significant efficiencies and cost savings to their companies.

As a result of these improved efficiencies and cost savings, cloud adoption is on a rapid upswing: A recent survey from IDC Retail Insights, titled: ***IDC Global Technology and Industry Research Organization IT Survey, 2012***, found that nearly 65% of retail respondents were at least evaluating cloud technology, and 36% either were up and running, or implementing within the next year.

Consider each of these factors to determine the financial benefits you can anticipate by moving to cloud:

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– Aberdeen Group

1

COST OF IMPLEMENTATION AND SOLUTION UPGRADES (TCO)

The following costs associated with your current approach may be substantially more compared to the bundled subscription price of cloud offerings.

- Labor: IT system administration hours/headcount;
- Application software (SaaS only);
- Licensing purchase and maintenance;
- Technical support and user support;
- Hosting (physical building, power, cooling, etc.); and
- One-time costs for the transition, such as technical readiness, professional services and change management.

A January 2013 survey conducted by Aberdeen Group indicated that reduced capital budget was the most significant benefit reported by cloud users. According to the report, titled: ***Why Mid-Sized Organizations Should Consider Using the Public Cloud***, mid-sized companies (100 to 1,000 employees) were most likely to report reductions in the number of storage and computing devices.



2

EASE AND SPEED OF
IMPLEMENTATION

- Ask your vendor for average implementation times for the proposed cloud solution. Compare this to the cost of an on-premise system upgrade or replacement for your current solution.
- Consider the time-to-benefit impact of more advanced functionality. An often-cited benefit of the cloud is the ability help retailers quickly ramp up new services and capabilities.



3

COST OF MAINTENANCE
AND UPKEEP

- Calculate the cost of maintenance for current infrastructure, including upgrades, updates, patches, etc., versus the bundled cloud price.
- Measure the rate and cost of past downtime and related costs. Compare this to the uptime rates of the cloud provider.
- Calculate the cost of idle time wasted with current systems, as well as CapEx for infrastructure. Often retailers invest in extra technology to meet maximum demand. However, sometimes that technology goes underused at other times.
- Consider any internal costs related to managing the third-party cloud vendor relationship, including legal and regulatory compliance.



4

IMPACT ON CUSTOMER EXPERIENCE

- Consider the cost to upgrade current infrastructure to meet enterprise goals.
- Cloud-based software delivered under a Software-as-a-Service (SaaS) model often means the developer is constantly adding enhancements to the software and making them instantly available to users. That means retailers can better keep up with trends in real time. Ask your current and proposed vendors for roadmaps of planned enhancements, including a timetable, and compare implementation dates for your most desired functions.
- Determine the price of advanced functionality available via software license versus SaaS. Often a SaaS model enables retailers to access capabilities they could not afford via traditional licensing.





CONCLUSION

According to Aberdeen's **Mid-Size Cloud** report, "early mid-sized adopters of the public cloud have shown services such as SaaS, cloud storage, and recovery-as-a-service can greatly reduce the need for expensive computing hardware and lower the overall cost for IT."

But lowering costs is just the first benefit of cloud computing for retailers. The cloud also provides retailers with the flexible platform they need to embrace customer-centricity and the rapidly changing needs of today's demanding shopper.

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