CLOUDY FUTURE?

THE FLEXIBILITY TO TRANSITION FROM PERPETUAL LICENSES TO CLOUD-BASED APPLICATION DEPLOYMENTS SUGGESTS A BRIGHT FUTURE.
Enterprise license software applications are evolving as the cloud and software as a service (SaaS) continue to dominate today’s delivery models. Although the move toward a cloud environment can simplify licensing, it can also further complicate an often-confusing environment if undertaken without an understanding of its potential impact on compliance requirements. This dossier takes a look at what organizations need to know about cloud-based software and how organizations can make the most of this rapidly growing environment.

CLOUD AWARENESS

The rationale behind the move to the cloud-based software model has become increasingly clearer as the offerings mature. For instance, when embracing cloud applications, organizations enjoy rapid application deployment and provisioning as well as improved levels of scalability as needs change. Likewise, upgrades, revisions and patches are no longer the time-consuming endeavors common in traditional on-premises application deployments. Instead, with cloud-based applications, the manufacturer handles all the ongoing maintenance and version rollouts.

Of course, as companies consider moving toward the cloud, it’s crucial to understand any compliance and regulation requirements up front. “Organizations need to make sure that any cloud configuration under consideration also adheres to the same stipulations, especially if an enterprise operates within a heavily regulated market,” says Chris Daya, software specialist with Vernon Hills, Ill.–based CDW, a leading provider of integrated information solutions.

Companies can lower cloud security risks by formulating a formal cloud strategy with security needs and solutions at its core. They can also benefit by identifying areas—cloud security included—where outside experts can add value to their efforts. Once these steps are taken, organizations can continue their cloud journey with a high degree of confidence that they will arrive at the many benefits cloud-based solutions can deliver.

UNDERSTANDING SUBSCRIPTION LICENSES

The cloud licensing process has a few key differences from the traditional on-premises purchase model. Specifically, cloud-based licensing follows a subscription-centered model rather than a perpetual model. As a result, the software costs automatically turn into more of an operating expense (OpEx) than a capital expense (CapEx) outlay.

“For some companies, this is exactly what’s needed, especially when adding new software to the mix,” says Daya. “The biggest benefit here is that an OpEx approach can open the door for businesses to leverage applications that otherwise may have been financially out of reach.”
In addition, cloud licensing provides organizations with an unparalleled level of flexibility. For instance, depending on the application, a cloud license enables an organization to access the software through either the cloud or an on-premises environment. “Microsoft Office 365, for example, allows the business to have an exchange server on-premises; in the cloud; or even within a hybrid model, in which it’s not unusual to have some access via the cloud and some through an on-premises model,” Daya says. “Because of this flexibility, some businesses will have 100 percent of the people using on-premises software yet have 100 percent of the software covered under cloud licensing.”

MAXIMIZING OPPORTUNITIES

Understandably, more enhancements and improvements are emerging as the cloud evolves. The cloud introduces a host of additional features, enabling manufacturers to drive home the value of transitioning to a cloud license versus a perpetual license, explains Daya.

“Some firms have added unlimited archiving in the cloud, which can translate to significant drops in storage costs for some organizations. One Drive for Business is a prime example,” he says. “With this solution, Microsoft provides organizations with an IT-focused and -controlled environment for user data storage. This is quite valuable and can prove crucial, because it helps IT counter the common practice of employees’ putting company data into a third-party environment. This means that the company no longer needs to worry when a particular employee leaves the company or if a laptop or a device disappears. When data storage is all integrated into a cloud environment, it all stays with the company.”

Having an experienced partner on board can help facilitate the licensing process. Partners can play a pivotal role in determining which offerings are most appropriate for an organization, in addition to handling the negotiations. Many software manufacturers have different levels of offerings, depending on the number of users and the desired capabilities. Likewise, some manufactures may require different licenses for hybrid deployments.

“When making the jump, businesses need to understand that most licensing options allow for transitions that fit the organization’s needs,” says Daya. “This is often the best way to enter into the cloud, because it enables smaller subsets of users to try out the offering before a companywide rollout.”

ALTHOUGH THERE ARE OBVIOUS BENEFITS TO EMBRACING THE CLOUD, MAKING THE MOVERequires DUE DILIGENCE TO ENSURE ALIGNMENT WITH ORGANIZATIONAL NEEDS.

- **Cost Model** – A move away from the perpetual license model completely changes the cost structure. Before making a commitment, organizations should analyze existing on-premises costs—such as internal infrastructure, support and licensing—and compare that with cloud-based subscription costs. This will help accurately determine whether the move from CapEx to OpEx makes sense.

- **Scalability** – Whether or not the organization has fluctuating needs can play a pivotal role in making the cloud decision. Unlike on-premises models, a fluctuating number of active users has no impact on in-house infrastructure. However, forecasting fluctuation can help significantly in determining the best licensing arrangement for the business when it comes to the cloud.

- **Resource Availability** – As IT organizations are constantly asked to do more with less, the cloud decision needs to take into account how many resources IT has available for deployment and ongoing support. On-premises deployments and upgrades can be taxing on the IT department, whereas the cloud requires very little IT involvement.

- **Integration** – The failure to integrate with existing deployments can spell disaster. Although flexible integration options exist for most cloud deployments, due diligence here is a must.
5 MISCONCEPTIONS OF CLOUD SOFTWARE AND VIRTUAL LICENSING

Are you leaving money on the table by not optimizing your virtual or cloud environment to cut software licensing costs? Don’t fall prey to these five common software licensing misconceptions.

By Thor Olavsrud, CIO
April 2013

If you’ve been busy virtualizing your environment, or migrating to an internal cloud, chances are your software licensing and maintenance costs are spiraling out of control.

Every CIO wants to balance costs and maximize efficiency, but the shift to virtual and cloud hosting models has changed the game when it comes to software licensing, and many IT organizations are playing under old rules that no longer apply.

“Traditionally, asset management has been responsible for a lot of these costs and the operational groups were less concerned about it,” says Andrew Hillier, CTO and co-founder of Richmond Hill, Ontario-based CIRBA, a specialist in capacity transformation and control systems for virtual and cloud infrastructure. “But if you’re building an internal cloud, all of a sudden this becomes your problem.”

Hillier says CIOs need to be aware of five common misconceptions of software licensing that can prevent significant savings in the data center.

Misconception 1: ‘I License Each Software Instance, So Virtualization Doesn’t Impact This’

“One misconception is that if you license per instance, when you move to the cloud it doesn’t change,” Hillier says. “They think it’s going to be one for one.”

But moving to a virtual or cloud environment opens the possibility of moving to a per-host model, where licensing an entire physical host server allows an unlimited number of instances to be run. That seems good on paper, but the truth, Hillier says, is that it translates into savings only if you can control virtual machine (VM) placement and maximize VM infrastructure. Essentially, he says, if you can defrag the environment to fit the expensive components on a subset of your infrastructure, you can realize huge savings.

“The licensing doesn’t change unless you go to a per-host model,” Hillier says. “Then you can radically change it.”

Misconception 2: ‘I’m Not Near a Renewal, So There Is No Point in Looking Into It’

“A lot of people are on a three-year contract or multi-year contract,” Hillier says. “If you’re locked in, you might say ‘what’s the point of looking into this?’ But the fact is, even if you’re not near renewal, it’s still advantageous to save on the maintenance. Maintenance is extremely expensive; just on the maintenance the savings can be huge in these environments.”

Just carving down the maintenance on databases can save millions of dollars, he says.

Misconception 3: ‘I Have to License the Entire Virtual Cluster, So It Is Difficult to Cut Costs’

“People think that if you’re going to run software, you have to license the whole cluster,” Hillier says. “If you don’t have any controls in place and can’t control where it runs, then yes, you have to license the whole cluster. But you only have to do that if you have no way of controlling where the VMs go. If you do, you can license just the piece it’s going to hit.”

It really comes down to having the proper management tools, he says. There are many constraints that govern which VMs can and should go together. These constraints include utilization, type of workload, SLAs, compliance, technical compatibility and security. Even in static situations, figuring out how to maximize density can prove difficult. And virtual environments add the complexity of workload mobility and rapid change.

Given these challenges, it’s no surprise that organizations often throw up their hands, Hillier says. But the right management tools can make all the difference.

Misconception 4: ‘I Get Such Big Discounts on Software That Optimizing It
Won’t Save Much’

Hillier says this is a big mistake. He says CiRBA looked at 18 virtual environments of organizations with more than 1,100 physical servers. Simply by optimizing VM placement and VM density, those organizations were able to achieve cost savings of 55.6 percent on average (the majority of environments experienced savings between 40 percent and 70 percent, he says).

“If you take an environment that’s basically random and then concentrate your databases and OSes, you can save 56 percent over no optimization,” Hillier says. “If you paid list price, just on eight servers worth of VMs you could save almost a half million dollars. If you paid a tenth of that cost, you can get the same savings off of 80 servers instead of eight. You’re still going to save a lot by looking at this. Even if you get a 99 percent discount, it’s something you need to look at.”

Misconception 5: ‘Internal Cloud Simplifies Licensing’

“If I’m the consumer and I go to external cloud, obviously that simplifies things,” Hillier says. “I just pay a single fee to say, IBM, for the software. But on internal cloud, if you’re the one that runs the infrastructure, it doesn’t necessarily simplify things. You need analytics to figure it out. We find that some of the groups building out the cloud often inadvertently become the asset managers. People can accidentally take on the role of asset management without intending to.”

That’s not a reason to avoid a migration to a virtual or internal cloud environment, he says. After all, there’s a great deal of agility and flexibility to be gained. But, he says, IT organizations taking the leap should be aware that these environments do create higher complexity than the older environments they’re replacing.

“We’re finding the shift to cloud really does require another level of analytics beyond what would traditionally be done with trending and charts,” he says. “The technology enables benefits, but you won’t get them unless you’re clever about how you use that environment. When we look at these environments, we consistently see huge optimization potential.”