ANALYST OPINION

So many ways to pay for IT

Which best suits your needs?

Tony Lock, June 2021

For much of IT history, your options for acquiring IT solutions were pretty limited. It was a choice between a one-off capital charge, combined with annual maintenance fees, and a three year lease - perhaps with an option for a peppercorn rental extension if you wanted to keep the kit for a year or two longer. Life was simple.

How things have changed. We now have a range of new ways to pay, many of them pay-as-you-go or subscription services inspired by the popularity of public cloud services and SaaS software.

What some may be surprised to learn is that subscription or consumption-based payment plans don’t just apply to cloud-based applications and virtual machines. Now it can be for the servers and storage systems that you run in your own data centre or computer room, too.

Of course, this process - like the pressure on IT spending - is not entirely new. Over the years a few approaches have been made by IT vendors to make it easier to acquire kit. One that enjoyed some success in larger environments was the “capacity on-demand” model, whereby the vendor would install more capacity in the computer room than the customer planned to use immediately, so it would be there ready for when a spike in demand occurred.

This was good if you had a workload (or loads) with an unpredictable usage profile, but it came at a price premium, and should your workload subsequently drop back below the new baseline, there would be no reduction in cost.

However, as the pressure on IT spend continues, vendors are now adapting these models still further, whether it’s to cater for fluctuating workload patterns, or simply to help organisations get a new project off the ground without having to make significant day one investments in new IT capacity.

From capacity-on-demand to consumption-based pricing

Many of these new models are based on consumption pricing similar to that used for cloud services. In other words, the vendor puts the kit into your data centre, computer room or colocation site and you pay them whenever you have workloads running on the

equipment. They monitor the kit and work out when they will add new resources to cater for your growing usage or update the equipment to newer technology.

This approach can also help organisations looking to get IT kit "off their books" under the new financial reporting standards. This is because some of these financial solutions are true "services" where the client has no control over the hardware used, just the ability to define the service qualities needed. The vendor does everything else.

Dell, HPE, Fujitsu, Pure and IBM are just some of those bringing this new way of financing IT to market. And unlike most of the past 30 years, the vendors are actually taking pains to market such offerings in their own right, usually with their own branding wrapped around. It's the first time I can remember when paying for IT was a subject of marketing campaigns.

But beware: consumption-based IT pricing comes at a premium, making it sensible to use only in particular investment cases. It is not the answer to everything. So make sure you understand the offers open to you and work out the economics, as best you can, over a budgeting lifecycle of at least three years, to ensure you get the best value for your IT spend.

About the author - Tony Lock

Tony is an IT operations guru. As an ex-IT manager with an insatiable thirst for knowledge, his extensive vendor briefing agenda makes him one of the most well informed analysts in the industry on the IT solutions landscape overall. Tony stays in close touch with how needs are evolving within the IT and business community.

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