

Where to next? How to harness your business potential and enhance your IT strategy

In the world of the internet IT plays one of the most critical roles in businesses today. Through eBusiness and eCommerce the internet allows a dialogue with customers, the ability to tap into a broader customer base and the capability to enhance internal business operational systems.

The internet opens up no end of business opportunities and powerful information sources for businesses, but with today's economic turmoil, finding the right level of IT investment and leverage is critical. In the news, business media is talking about the tightening of belts pitched against the need to make critical business investments. Even more than ever it is important to focus on core competencies and deliver service excellence to make an impact in an increasingly competitive market. With so many things to do, where do businesses start? How do businesses structure the IT investment to allow focus on core business operations?

Scarce critical resources are fueling the need to change and the drive towards managed hosted solutions.

Maximising the Effectiveness of the IT Infrastructure

The back office of IT infrastructure can be vast, complex and resource draining. With the soaring cost of energy sources and its accessibility, sourcing the right IT platforms, housing the systems in the right environment, security, staffing and maintenance - building the right infrastructure is a daunting process. Overall the cost to build and maintain such an IT infrastructure can reduce a business' agility to move quickly and respond to changes in the market.

The decision to maintain internal data centres versus data centre outsourcing is an important one and one that does have an impact on the bottom line. External data centres help companies reduce the risk of IT investments and are scalable to expand with business operations.

Enterprise class data centres underpin organisations and provide a vast range of server and hosting solutions to protect online investments, including managed services. With tighter budgets and increasing costs, outsourcing to data centre facilities or using a combined, hybrid approach can optimise scarce resources and be a critical IT investment life saver.

Managed hosting provides a complete end to end service, whilst enabling a business to maintain full control of its server(s). Managed hosting providers lease high quality servers in state of the art data centres with guaranteed service levels agreements to provide businesses with continuity of service.

Case Study - Revolutionising Business

Business Driver

- > Launch of a new eBusiness site to deliver an innovative business model

Solution

- > Invested in managed hosting to underpin the start-up and manage operational expenditure
- > Based on initial company performance scaled back IT requirements to manage cash flows through working with hosting partner to optimise hosting requirements and scale solution to enhance overall performance
- > Through increased company growth, scaled IT infrastructure to aid growth

Results for the eBusiness Solution

- > Delivers consistent revenue streams year on year
- > Reaches a broad international target audience

What can be Outsourced to Managed Hosting Providers?

All applications running on servers can be hosted. With applications ranging from internet web sites, intranets, extranets, email (Microsoft Exchange, Lotus Notes, etc), databases, Sage accounts and many other custom built applications.

The Case for Outsourcing - The Real Cost of Managing IT In-House

The cost to maintain existing IT infrastructure typically represents 75 – 80% of the IT budget, often with costs hidden.¹ So what are some of costs associated with IT infrastructure?

- **Capital Expenditure**

The right investment decisions can be difficult to make, especially when looking at capital expenditure (Capex). 2008 sees the introduction of new UK corporate tax rules that will have a negative impact on business. Medium and large companies will be hit the hardest with changes to deductions for plant and machinery (excluding cars) where server equipment falls into. Capex deductions have been changed to 100% for the first £50,000 of total expenditure and then 20% on the net value for each year following. Compared to the leasing of servers, businesses are able to write-off 100% of the cost each year, significantly reducing the businesses

¹ Quocirca Report on behalf of GDCM, March 2008, *Data centre Asset Planning*, London, UK: Szubert, D. and Longbottom, C.

tax bill.² Buying servers outright is no longer the tax advantage it once was and not necessarily a cost-effective solution for many businesses today, especially when the typical hardware refresh cycle is less than 3 years.

- **Resourcing**

The running of IT infrastructure requires a significant investment in scarce resources, especially time and ensuring the correct level of skilled, experienced staff. Even a small number of servers require qualified IT engineers to managing weekly security patching, monitoring (24/7), problem solving time, hardware failure diagnoses and correction, back-ups and general maintenance. Does relying on a single engineer for the 24/7 support of critical services seem a sensible business proposition? To ensure full business continuity at least 2 members of staff need to be fully trained to manage the server infrastructure and to help factor in for illness and annual leave so not to leave the business short. Current salary levels alone for IT engineers range from £20,000 to £60,000 per annum depending on the levels of skills required, plus an additional 50% of the salary for the typical cost of employment.

- **Software Licensing and Upgrades**

Software is a critical component in any IT solution and costs do mount, especially with enterprise class anti-virus, back-ups and monitoring solutions and obtaining economies of scale can be difficult. Through dealing with vast volumes of licenses hosting providers are able to leverage economies of scale which small, medium business and mid tier companies are unable to. In addition, upgrades are available through licensing agreements between hosting providers and software vendors enabling faster time to market with the latest technology solutions.

- **Facilities**

The right environment and conditions for servers is vital for their efficient and effective operations. Throughout the UK real estate and energy sources are at a premium, especially in high density cities such as London. Tapping into enough power supply and communications connectivity can be challenging on its own, let alone ensuring the IT infrastructure has the right standby electricity generator, redundant cooling and UPS protected power. What will be the cost to business if any of these services fail?

One after the other, costs begins to mount putting undue pressure on businesses in economic tight times.

² HM Revenue & Customs (HMRC), 2008

Case Study – Streamlining Operations

Business Drivers

- > Rationalise capital and operational expenditure
- > Improve IT operations

Solution

- > In-house IT infrastructure suffered from poor performance and slow in-house support with down time impacting sales revenue
- > The decision to move from in-house to managed hosting reduced the budget 10 fold
- > Managed hosting reduced service time from 1-2 weeks to resolutions in 1-2 hours
- > Continuation of service, delivering an eCommerce site that is strategic for business

Results for the eCommerce Solution

- > Continued to drive revenues
- > Focused on consistent service excellence for customers

The Case for Managed Hosting – Adding Real Value

Changing market conditions are accelerating the drivers for businesses to partner with hosting providers in enterprise class data centres. The wave of change for managed hosting is being accelerated by:

- **Increased focus on the Business**

Business is under constant pressure to reduce costs to attain competitiveness in the market and to focus on core competencies. Outsourcing data centre infrastructure into a managed hosted environment enables companies to reduce capital expenditure on IT equipment and streamline operational expenditure through leveraging economies of scales achieved in data centres. It also enables business to leverage the knowledge and expertise of skilled IT professionals. With dedicated IT engineers expertise is always at hand.

- **Business Continuity**

Downtime in eBusiness and eCommerce has a negative impact on business, no matter what size the entity is, business continuity is critical. According to the London Chamber of Commerce, 80% of companies researched were found not to have plans in place for IT infrastructure to ensure business continuity in the case of a disaster and that 43% of businesses experiencing disasters never fully recover.³ Disaster recovery solutions through the use

³ London Chamber of Commerce and Industry, Disaster Recovery: business tips for survival.

of off site and/or multiple data centres do minimise the risk for business and for stakeholders such as insurance companies. Enterprise class data centres are built with redundancy solutions to protect the servers and network against unforeseen disasters.

- **Infrastructure Management**

The full end to end management of servers to support IT operations requires skilled IT engineers and the right environment to protect the capital investment. The challenge for many businesses is not realising the time and skill involved to maintain optimal performance for the equipment. Enterprise class data centres and managed hosting takes the pressure off companies, knowing the back office infrastructure is housed in a safe and secure environment in ideal conditions to drive efficiencies combined with remote hands expertise to maintain and update the servers.

- **Time to Market**

Agility in the market and responsiveness to change gives business an amazing competitive advantage, yet legacy systems and infrastructure can slow responsiveness. Outsourced managed hosting solutions enables business to leverage IT advances more rapidly and scale according to market requirements.

Summary

Managed hosting can enable business agility in the market place and allow focus on core competencies whilst experts are on hand and managing back end operations for online presence. No matter what type or size of company, whether it is a government entity, multinational or a small to medium size business, managed hosted solutions can support or compliment any IT and business strategy. CxO's, MD's, IT directors and IT managers are focused on business results, and how to maximise the effectiveness of IT infrastructure to support and underpin business growth in order to meet company goals. Managed hosting in enterprise class data centres is a critical element in business today to underpin eBusiness and eCommerce.

About DediPower Managed Hosting

DediPower, one of the UK's fastest growing managed hosting providers delivers a range of managed hosting solutions including: dedicated servers, application and exchange hosting, high availability multi-server clusters and co-location. DediPower is a Microsoft Gold Certified partner and a RedHat Ready Hosting partner. A winner of numerous awards, hosted sites include Sony, Sam Learning, Institute of Physics, Coca-Cola, Capita, First Great Western and Carphone Warehouse. Established in 1998 and self funded, DediPower runs its own purpose built data centres totalling over 22,000 sq ft situated in Reading, UK. For more information visit www.dedipower.com or call 0808 156 0090.

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