

The Value Proposition of On-Premises Services

Consumption-based IT Services are emerging, bringing opportunity to the enterprise IT organization.

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Hewlett Packard
Enterprise

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Table of Contents

01	Introduction & Executive Summary
04	The On-Premises/Off-Premises Enterprise
07	IT Decision Drivers
10	Understanding Consumption-Based On-Premises IT Services
12	The Consumption-Based Opportunity
16	Barriers to Consumption Based Adoption
18	The Budget Reality
20	Conclusion

Executive Summary & Intro

Given the speed at which business has been disrupted over the past few years, it's no surprise that the model for IT and IT Services has evolved and adapted considerably. From changing business requirements to the blazing speed of technological development, the reasons why enterprises have adjusted their approach to IT implementations can vary considerably. But through it all, two of the major forces continue to be the shift to the cloud and the adoption of "as-a-service" models.

The cloud, particularly when combined with subscription service models, has been a transformational technology for the enterprise. The ability to shift costs from a capex to opex model has helped enterprises do more with less. The ability to scale up or down computing and storage resources has provided a great deal of agility and flexibility as well. And the opportunity to move data and processes from multiple silos to a single cloud-based platform has helped many enterprises drive to a common digital core and increase collaboration between both business units and ecosystem partners.

Yet, for all the benefits of the cloud, it has not led to a single, or universal IT model. While the marketed simplicity and cost-performance promise of the cloud has resulted in significant shifts from on- to off-premises implementations, the word that best defines the IT model today is hybrid. While many businesses were attracted by the simplicity that a cloud-based infrastructure

could provide, many others have realized that there are still significant benefits in keeping portions of IT infrastructure on-premises. The benefits of on-premises IT can vary between industries, with security, data privacy, and regulatory compliance fairly consistent across many industries. But until recently, the key benefits of the cloud – such as agility and flexibility – have been lacking in on-premises solutions. That is beginning to change as we see an increase in the availability of on-premises offerings that combine physical infrastructure with the simplicity and flexibility of cloud-based pricing.

In this paper, we explore a recent survey conducted to examine the market understanding and need for consumption-based, on-premises IT Services. This survey was designed to identify drivers, benefits, and barriers to the deployment of overall IT Services, with a particular focus on the value proposition of a consumption-based delivery model.



500

IT PROFESSIONALS
SURVEYED
DURING
FEB 2018

89%

PERCENT OF
RESPONDENTS WITH A
HIGH/VERY HIGH LEVEL
OF RESPONSIBILITY

95%

PERCENT OF
RESPONDENTS WITH
COMPANIES BASED IN
NORTH AMERICA

79%

PERCENT OF
RESPONDENT'S ORGS
WITH 1,000 +
GLOBAL STAFF

DEMOGRAPHICS

The survey consisted of 18 questions and was administered during Q1 of 2018 to 500 IT professionals across a number of key industries. Respondents were qualified primarily based on their level of responsibility for IT and IT Services and the size of their organizations (primarily 1,000+ global employees).

While the survey was global in reach, the most deeply explored region was North America which made up more than 95 percent of the respondents. The study focused on large organizations with more than 500 employees and the largest industry by response was the financial sector with 21 percent.

- Approximately 95 percent of respondents represented businesses located primarily in North America, with the balance from Europe, Asia Pacific, Middle East, Africa, and Latin America.

- 79 percent of respondents represented businesses with a minimum of 1,000 global employees, with 13 percent representing businesses with in excess of 50,000 global employees.
- The largest industry demographic was from the Banking & Financial Services sector (21 percent) while the smallest was from the Travel & Hospitality Sector (3 percent). Other sectors represented in the survey included Healthcare & Pharma (20 percent); Retail (15 percent); Media & Tech (14 percent); Energy & Utilities (8 percent); and Public Sector (8 percent).

EXECUTIVE SUMMARY

In breaking down the overall IT Services market and the value and opportunity for on-premises consumption-based IT Services, we find the following:

The enterprise has shifted in part to the cloud, but the on-premises use case is alive and well.

While the market trend has favored (and providers have pushed) a mass-migration to the cloud, the value of on-premises IT continues to be strong, driven by security, data protection, compliance, and IT performance requirements.

When it comes to selecting an IT Service, performance matters.

We evaluated the drivers behind IT Services selections, finding no single issue dominates the enterprise today. What does come through, however, is the need (and desire) to match the requirement to the outcome and the workload to the best overall performing service option.

The concept of consumption-based IT Services in an on-premises implementation appears clear, but we're not sure it's well understood.

We found a surprisingly high level of both familiarity and adoption of consumption-based on-premises IT Services. While we believe this familiarity is influenced by the wide availability of other, off-premises consumption-priced services, we do see strong interest and a need for education in the market on the differentiated features of on-premises solutions.

Perception may be reality sometimes, but sometimes reality outperforms perception, as is the case with the benefits of consumption-based pricing for on-premises IT Services.

Enterprise expectations for benefits of consumption-based on-premises IT Services centered around Increased Agility, Freeing up Staff Time, a Better Focus on Outcomes, and Faster Service Upgrades—and they were not disappointed by actual results. However, significant and unexpected benefits in Faster Time to Value and Better Service to Customers were also realized.

Lack of budget, rigid contracts, and lack of awareness are the enemy of the agile IT department, and a barrier to IT Services innovation.

Enterprises would benefit greatly from increased education on IT Services options, particularly within executive and contracting teams. Done with authority, this should help overcome budget and contracting limitations that presently are limiting agility within IT organizations.

IT Services budgets are generally rising even as cost controls continue to be an issue.

We believe the focus on cost controls or cost reductions for most enterprises is really an issue of right-sizing costs and ensuring that cost-benefit ratios are well understood and offer flexibility to adapt to changing business requirements.

The On Premises/ Off Premises Enterprise

The enterprise has shifted to the cloud, but the on-premises use case is alive and well.

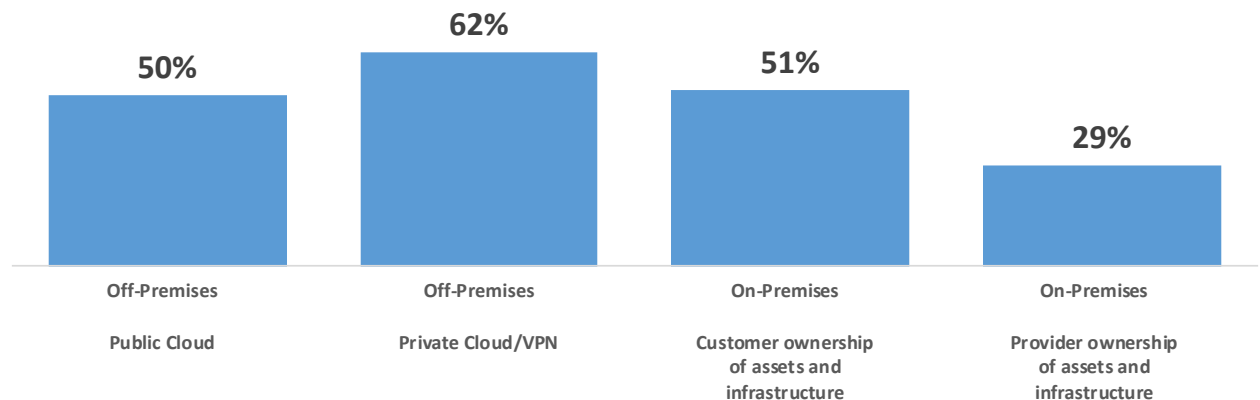
It's hard to dispute or ignore the power of the cloud in the 21st century. Whether as a location to store files, to spin up computing fabric, or to access SaaS-based applications, the cloud has taken over the enterprise market (to the point where many have now shifted the discussion to the Fog – the deployment of cloud-based resources and computing at the edge of the network).

Conventional wisdom says the cloud is the only future of storage and computing, with the days of massive enterprise data centers fading rapidly. Yet we know that many enterprises still maintain

their own on-premises services. To understand the current state of the IT Services market, we first asked our respondents to indicate which type of models were presently deployed within the enterprise (regardless of percentage of adoption). As expected, slightly over half of all enterprises surveyed still maintain some level of on-premises implementation (indicating the shift from on- to off-premises is not as dominating or complete as marketing hype would lead to believe). To ascertain if the trend was moving exclusively in the direction of the cloud, or if there was an opportunity for enterprises to remain, or even return

Diversity is the Spice of Tech Life

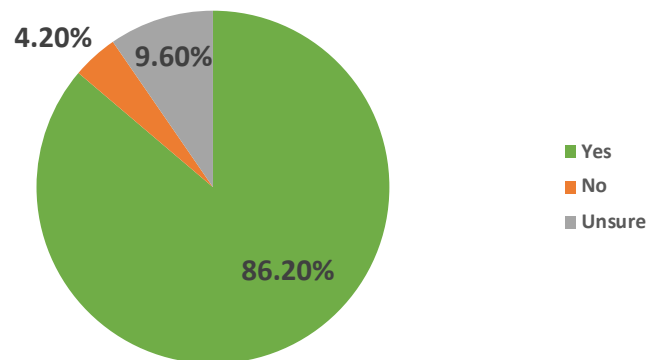
Which of the following models do you currently leverage within your organization (check all that apply)?



How do On- Premises services stack up?

On-Premises is Still In the Game

Would you consider future on-premises service offerings if they offered the same or better value as off-premises (or cloud-based) offerings?



to, an on-premises solution, we asked if on-premises was still a viable option moving forward. In an interesting twist to the “cloud crowd”, over 86 percent of respondents indicated that yes, they would consider on-premises solutions in the future if those solutions offered the same or better value.

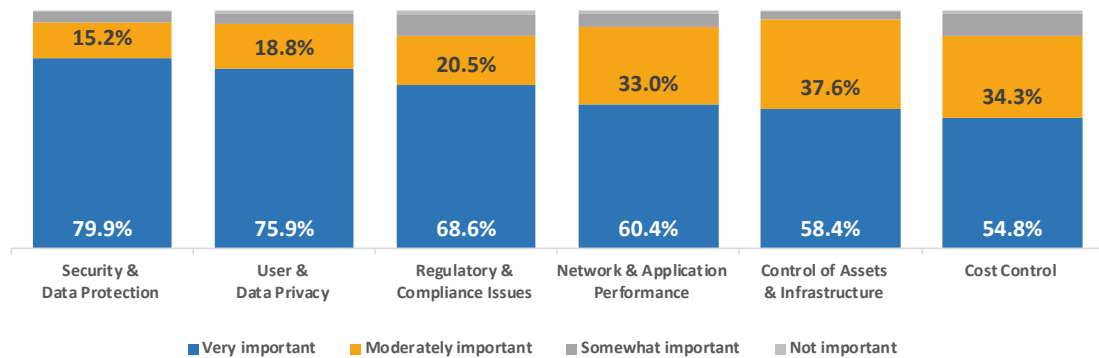
Why the surprisingly high interest in on-premises data and computing?

To start, security, user privacy, and regulatory/compliance issues are at the core of on-premises value propositions, and this is no surprise. As enterprises move into the digital era and look to find value in data, so too have criminals. Despite improvements in cyber security technology, sig-

nificant data breaches have become a regular, almost daily, occurrence both in the cloud and on-premises. Data theft now touches all aspects of an organizations operations, moving beyond the realm of user data and into the realm of operational data. While the public hears more often about the user-oriented breaches, attacks on infrastructure (including energy and critical infrastructure) continue to rise. Although no business can afford to be hacked, for industries that are highly regulated, such as Healthcare & Pharma (personally identifiable information) and Energy and Utilities (e.g. power grid), a security breach can have wide repercussions. It's here where we believe enterprise IT teams see value in on-premises implementations and potentially greater control over security, privacy, and compliance issues.

What Drives On-Premises Usage?

How important are the following factors in your decision to keep assets and infrastructure on-premises?



There are other reasons driving on-premises implementations as well. Network and applications performance (including latency and reliability) continue to be very important issues (for over 60 percent of respondents). For enterprises with applications that do not perform well in cloud environments, or are highly sensitive to latency, maintaining and even growing on-premises implementations makes sense.

While Cost Control was cited less frequently than the other factors, a majority of respondents still cite it as a Very Important factor when making the decision to keep assets and infrastructure on-premises. While this may be a surprise to the cloud-first community, we believe it makes sense and underscores the ongoing decline of IT hardware costs, the software-driven improvements of management tools, and the evolution of efficient internal operations and maintenance processes—all on top of the significant costs benefits pay-per-use models can offer.

Bottom Line

The market for on-premises IT Services is alive and well, with the potential to grow. Primary drivers of the on-premises movement are cen-

tered around security, privacy, compliance, and performance: in other words, minimizing risk. We're not convinced that on-premises solutions are any more or less secure than cloud-based offerings—both have continued to improve from a technical perspective and much of the risk associated today with cybersecurity has shifted to behavioral issues (e.g., user actions and corporate data policies). Security ultimately comes down to the individual performance of IT and cybersecurity teams. And for many IT and security professionals, having control over IT infrastructure and leveraging either internal or managed cyber security (through a subscription-based Managed Security Provider, or MSP) makes a lot of sense.

It's notable that while cost is a factor, it's not necessarily the driving factor for IT services decisions. That said, more than 88 percent of survey respondents refer to cost control as a reason to continue to invest in on-premises infrastructure. We presume this is primarily consisting of companies trying to maximize existing infrastructure but also points to the decreased cost of IT infrastructure and the improved software-driven and automated management capabilities that are now available (and weren't a decade ago).

IT Decision Drivers

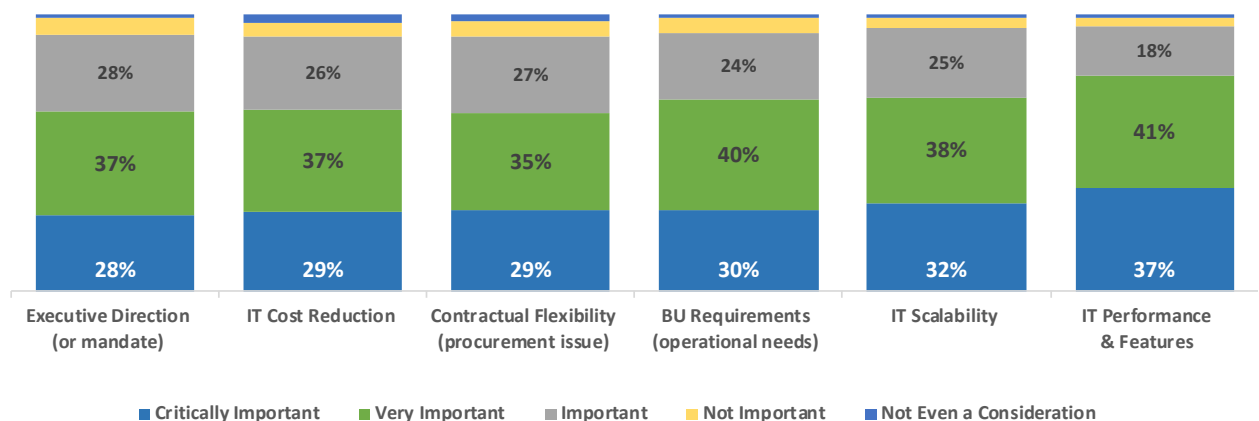
When it comes to selecting an IT Service, performance matters.

The market for IT Services is as dynamic as the number of industries that leverage them and the workloads they must support. When it comes to decisions regarding which type of IT Service is given priority or which provider is selected, we regularly see a fairly consistent list of factors. For some organizations, it is clearly a cost or contractual issue: what can they get for the best price with the least headache if they change their mind in the future. For others scalability, or performance. And still, oth-

ers consider executive or business unit direction ("our goal is to move to the cloud"). But are there any reasons that dominate more than others? Our research shows that at least from an overall market perspective, the answer is no, highlighting that support for the workload—right load, right service—is more important than ever (note: 78 percent of respondents cite IT Performance and Features as Very or Critically Important). Performance matters.

What Drives IT Services Decisions?

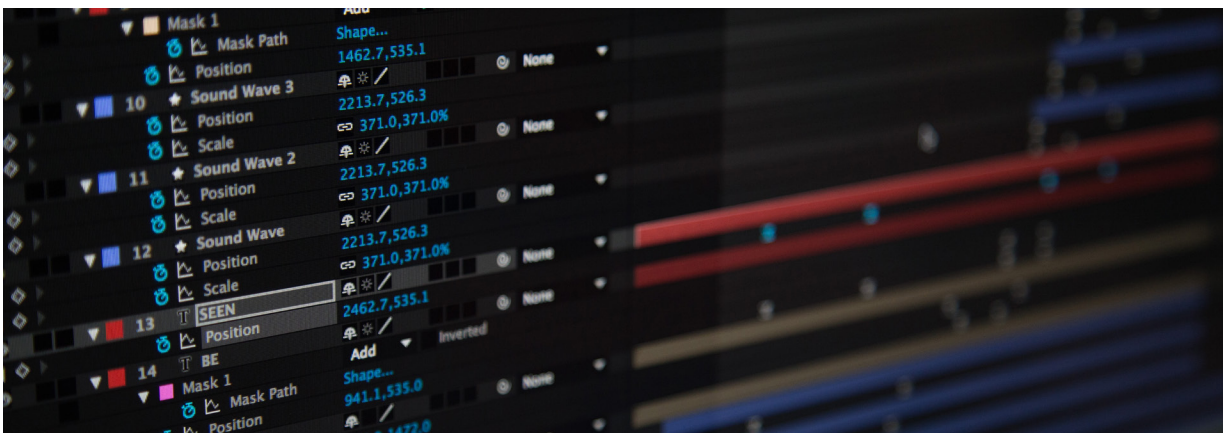
Please rate the importance of the following drivers in your organization's decision process regarding the sourcing and implementation of IT Services? Note: a critically important driver would be the top one (or two) prima



While overall factors are weighted relatively evenly, there are some differences in how individual industries value decision factors.

What Industries Value IT Decision Drivers the Most? (Based on Critically Important rating, compiled from survey results)

	MOST	LEAST
IT Cost Reduction	Banking & Financial (44 percent)	Public Sector (11 percent)
IT Performance and Features	Media & Technology (46 percent)	Public Sector (21 percent)
IT Scalability	Banking & Financial (45 percent)	Healthcare & Pharma (21 percent)
Executive Direction	Banking & Financial (39 percent)	Energy & Utilities (18 percent)
Contractual Flexibility	Banking & Financial (36 percent)	Healthcare & Pharma (20 percent)
Business Unit Requirements	Banking & Financial (35 percent)	Energy & Utilities (24 percent)



Bottom Line

From an overall perspective, there is little variation between decision factors – IT Services decisions appear to be relatively balanced in the weighting of criteria (note, we see a somewhat different perspective when it comes to RFP evaluations, a point that may indicate a difference of opinion between IT professionals and contracting officers).

Where we do see differences are between industries, potentially a result of different rates of technology adoption, different business cycles, and variances in regulation and compliance issues. Key findings indicate:

- Banking & Financial IT professionals view most factors as more critical than their peers in other industries,
- Public Sector IT professionals have limited interest in (or feel unable to influence) cost or performance, and
- Energy & Utilities are less concerned about (or getting) executive or business unit direction when it comes to IT services.

We're not surprised that Banking & Financial firms elevate the importance of most factors.

This is a very visible and highly regulated industry with a high level of competitiveness within the technology teams. Banking & Financial firms are often at the cutting edge of technology and security innovations (Fintech and blockchain are good examples presently).

Energy & Utilities rating Business Unit and Executive Direction lower than other industries is not unreasonable either.

This industry is not as fractured as most, and still relying very heavily on traditional approaches to IT (where IT Performance is the top-rated driver). More importantly, Energy & Utilities responses indicate that while Banking & Finance may elevate the critical nature of decisions, this industry depresses the importance of most factors.

The most notable split involves the Public Sector.

Similar to Energy & Utilities, it cites Critically Important factors at a lower rate than other industries, with IT Performance and IT Cost Reduction cited by only 21 and 11 percent of respondents as being critically important. We believe this statistic is accurate but doesn't represent a lack of concern. Rather, within the public sector, budgets and technology adoption have constantly trailed other industries. We believe that the low rating more accurately reflects the realities of these factors—while they are important, there is not much that IT professionals can do given the constraints under which they operate.

Understanding Consumption-Based On-Premises IT Services

The concept of consumption-based IT Services is well known, but we're not sure it's well understood.

For this survey and subsequent research, it was important to make sure that the respondents understood that consumption-based IT is a relatively new approach and must not be confused with the more commonly known IT leasing, in which companies would procure their IT assets on a simple closed end lease. This model has long been popular as it provided companies the ability to stretch out their asset payment schedules and in certain cases, they would have the ability to upgrade to newer equipment at a lower cost.

The survey presented respondents with the following:

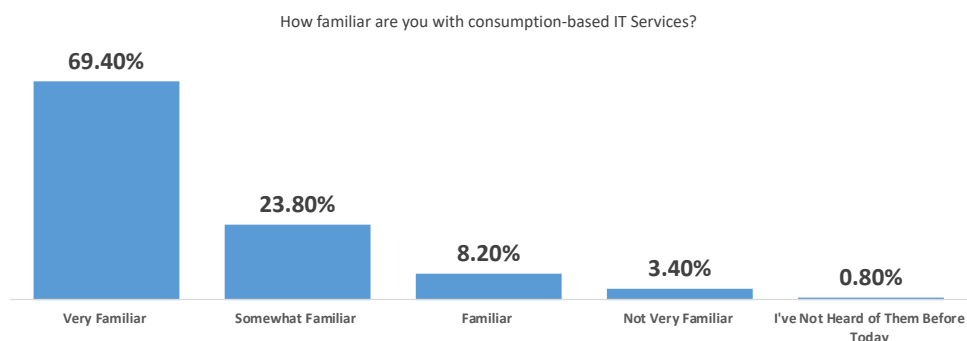
"When we refer to consumption-based IT services, we are talking specifically about services or infrastructure that are offered on a "pay-as-you-go" on-premises model, where charges are only incurred when services are used. Consumption-based IT services, like cloud computing services, are elastic and priced based on actual usage, incurring charges only when the service is "in use" (i.e., charges for backups are incurred only when backups occur).

While this could include managed services, if they are billed based on usage, this does not include offerings such as cloud-based, traditional SaaS, or subscription models that include fixed recurring fees, "leasing" or "rentals".

When we then asked survey respondents to rate their familiarity with consumption-based IT Services, an overwhelming majority (69.4 percent) indicated they were very familiar with the concept.

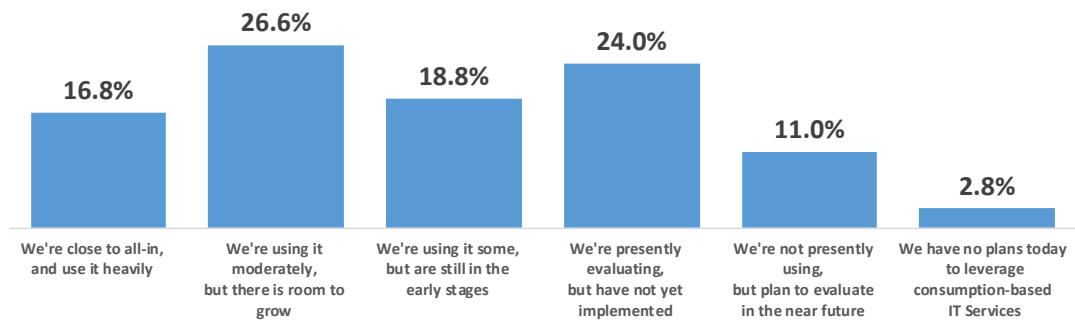
From a fundamental perspective, the concept of consumption-based services makes much sense, and there are other similar models for software, data services, and cloud computing that already allow for consumption-based billing structures. We believe this similarity holds great potential for on-premises IT Services, as highlighted by the results when we asked respondents to indicate their present planning and/or adoption rates for consumption-based IT Services.

Our Respondents are Familiar with the Consumption-based Concept



Consumption-based IT Services are Currently Deployed

What is your organization's current planning stage for consumption-based IT Services?



Bottom Line

The responses received for the early stage and evaluation stage are in line with our expectations and appear generally consistent with other adoption curves. However, the moderate and close-to-all-in usage numbers are higher than expected, potentially indicating that on-premises consumption-based IT Services are being blurred a bit, or combined with other consumption-based services.

Nonetheless, this does demonstrate an opportunity for on-premises IT to remain a solid alternative to cloud-only implementations. The respondents that cited moderate to all-in adoption are primarily concentrated in the Manufacturing, Retail and Energy & Utilities sectors, some of which have access to a variety of services that are similar in concept to consumption-based on-premises IT Services.



The Consumption Based Opportunity

Perception may be reality sometimes, but sometimes reality outperforms perception.

On-premises consumption-based IT is a relatively new go to market that is being utilized to provide companies with the ability to quickly procure, deploy, service and scale up/down IT resources based upon a variety of factors. Key factors include shifting workloads, increased privacy/security requirements and locational redundancy.

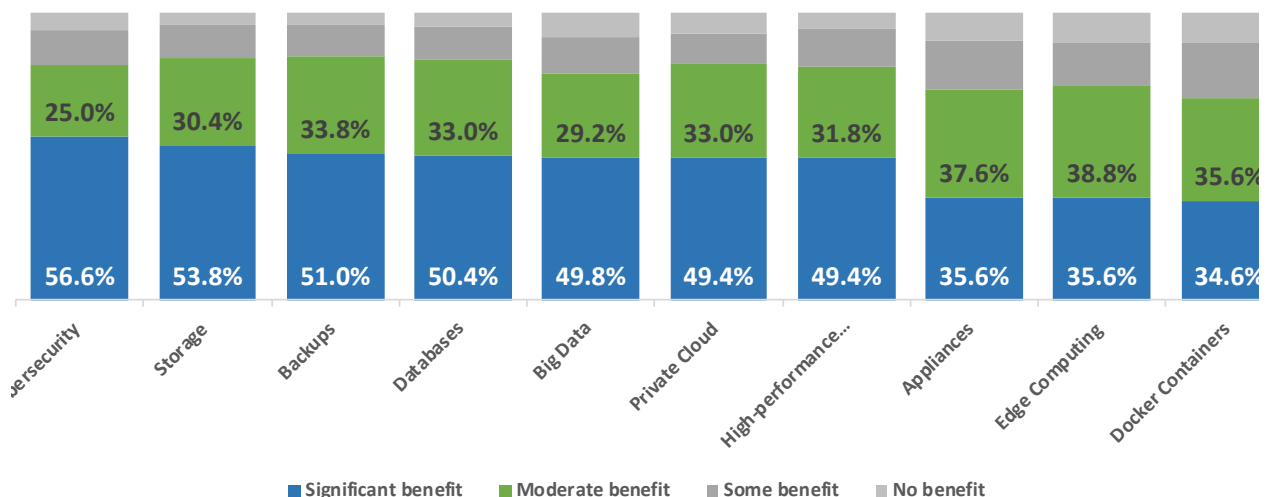
There are many other factors that make consumption-based IT services potentially valuable for companies. In the research, we outline a wide number of potential applications for consumption-based IT and we look across eight industries to better understand their interest in using these services as well as which particular use-cases have the greatest interest and/or potential value.

We asked our survey panel:

"Which of the following solutions would benefit your organization if they leveraged consumption-based pricing in a pay-per-use model?"

Where Will Consumption-based IT Services Provide Value?

Which of the following solutions would benefit your organization if they leveraged consumption-based pricing in a pay-per-use model?



The responses to this question were interesting, with the top-rated solutions for Significant Benefit were Cybersecurity (57 percent) and Storage (54 percent). The only solutions that did not receive at least a 40 percent rating were Appliances (36 percent), Edge Computing (36 percent) and Docker Containers (35 percent).

Drilling into the numbers, we identified the solutions that would be of most interest to the various industry sectors.

While the industry breakdowns are similar to the overall results, several items stand out and highlight the depth of the consumption-based market. High Performance Computing (not one of the overall leaders) has the attention of Media & Technology and Banking & Financial firms—not unreasonable given those industry’s heavy reliance on computing power. Similarly, Private Cloud for Healthcare & Pharma is not unexpected given the industry’s heavy concern with data privacy and cybersecurity (the industry’s top pick).

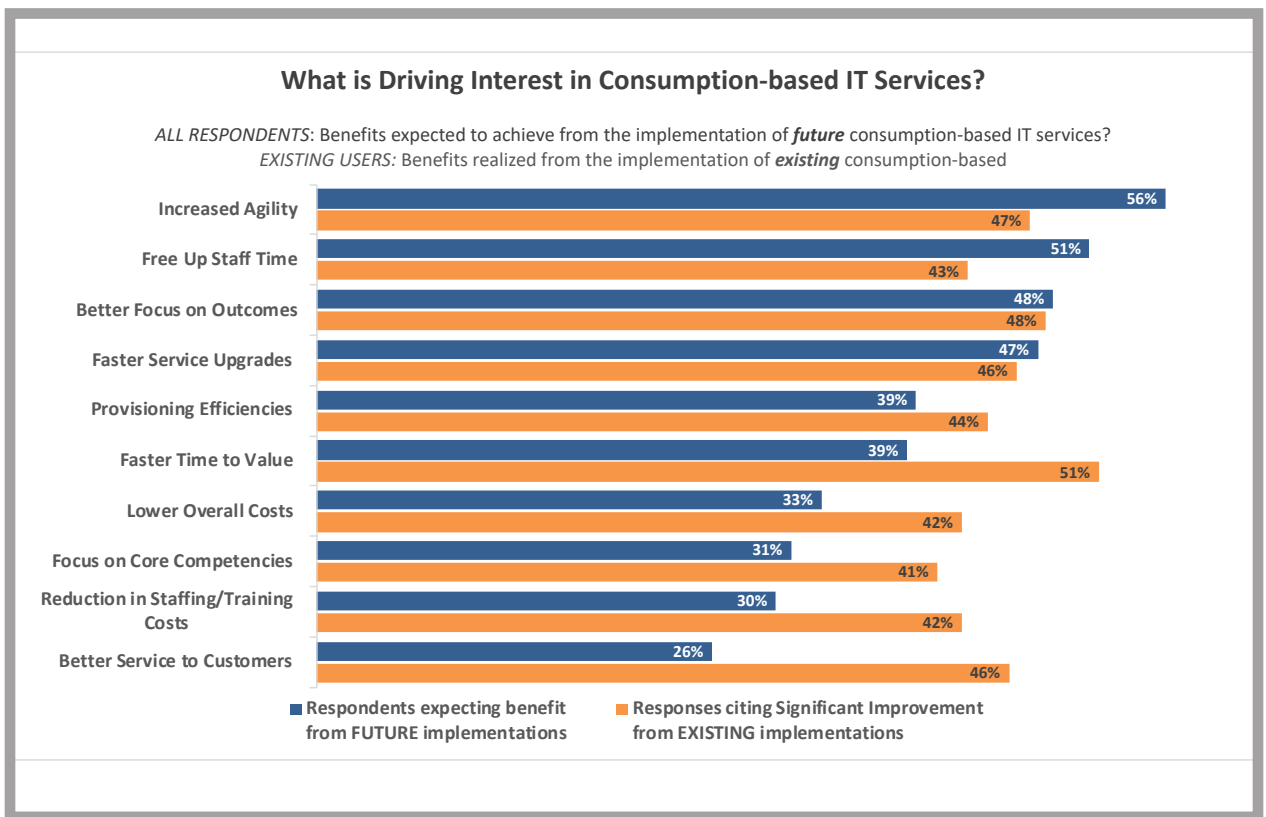
Top Consumption-based IT Benefits, By Industry

(Based on Significant Benefit rating, compiled from survey results)

	#1	#2	#3	#10
Banking & Financial	Backups	Databases	HPC	Docker Containers
Energy & Utilities	Cybersecurity	Storage	Backups	Docker Containers
Healthcare & Pharma	Cybersecurity	Storage	Private Cloud	Docker Containers
Manufacturing	Cybersecurity	Big Data	Private Cloud	Edge Computing
Media & Technology	HPC	Databases	Storage	Edge Computing
Public Sector Gov/NGO	Backups	Storage	Cybersecurity	Appliances
Retail	Cybersecurity	Storage	Private Cloud	Appliances
Travel & Hospitality	Databases	HPC	Storage	Big Data

But what is the business value of consumption-based IT Services? What are the benefits that a company can expect by adopting a pay-as-you-go model blended with the benefits of on-premises control? To understand the expectation or desire of consumption-based IT Ser-

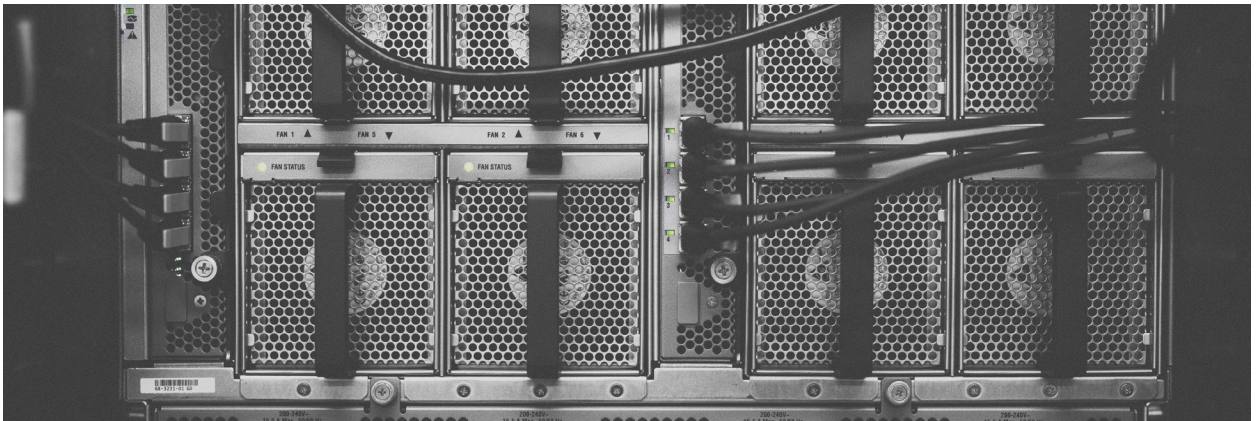
vices to support specific outcomes, and how that tracked against existing realized value, we asked two questions. The first was directed at all respondents, while the second was directed only to respondents who indicated existing implementations of consumption-based IT Services:



The result is an interesting comparison of expected against realized benefits, and the results are very revealing.

When it comes to expected benefits, increased agility, freeing up staff time, and a better focus on outcomes top the list. These are important as they all indicate benefits that would be expected from the transfer of ownership and responsibility of on-premises solutions from an enterprise to a provider. But what is truly revealing is the delta between expected benefits and realized benefits.

While only 26 percent of overall respondents expect Better Service to Customers (a very desirable outcome), 46 percent of enterprises with existing implementations of consumption-based IT service have realized Significant Improvement. Similarly, Reduction in Staffing/Training Costs, Focus on Core Competencies, and Faster Time to Value have notable deltas in their favor.



Bottom Line

When it comes to the adoption of any technology, process, or business strategy, results are key. Despite the buzz of cloud-based IT Services, the value of on-premises consumption-based IT Services is clear. Based on our research, it appears that not only can benefits generally meet expectations they can exceed expectations.

Equally important are those benefits that we'd term "outcome" benefits, where overall business outcomes can be supported: Faster Time to Value, Focus on Core Competencies, and Better Service to Customers (topics that are often the focus at the executive, board, or business unit level).

Barriers to Consumption-Based Adoption

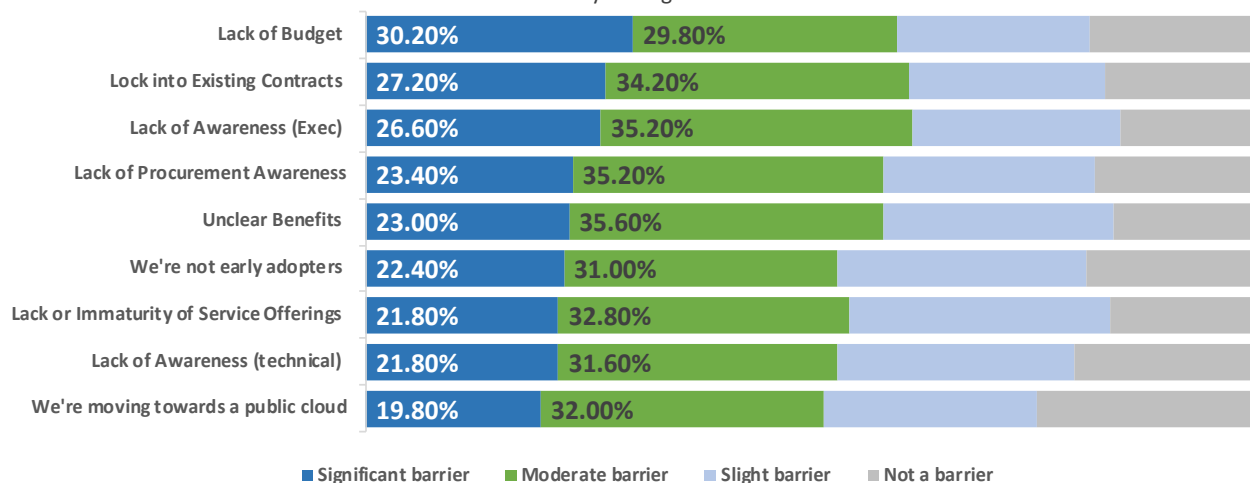
Lack of budget and rigid contracts are the enemy of the agile IT department.

It's difficult to discuss and analyze the opportunity of consumption-based IT Services without also the challenges, or barriers, that must be overcome. This is a common issue with many new technologies or service offerings—the focus is often exclusively the finish line, overlooking the hurdles that must be crossed. This is different, although

related, to risk management and is something that should be considered by any enterprise looking to embark on any transformational initiative. We asked our survey respondents to evaluate a group of barriers typically encountered by IT departments as they look to introduce new technology, services, or processes.

The Barriers to Consumption-based IT Services

Please evaluate the following barriers to implementing consumption-based IT services within your organization:



Bottom Line

Lack of budget is an oft-cited issue within IT departments, as is a lack of contractual flexibility, but it is unexpected given that cost reduction is not the primary driver in IT Services decisions. When we look at the industry splits, Lack of Budget is cited as the most Significant Barrier by Media & Technology, Healthcare & Pharma, Public Sector, and Retail respondents (three of the top four respondent categories), which may indicate it is an issue somewhat specific to those industries. The lack

of awareness, at both the executive and procurement level, is reasonable as well given the emerging status of on-premises consumption-based IT Services, particularly when the prevailing hype says the future of IT is in the cloud (and it is, but not exclusively and not for every situation today).



The Budget Reality

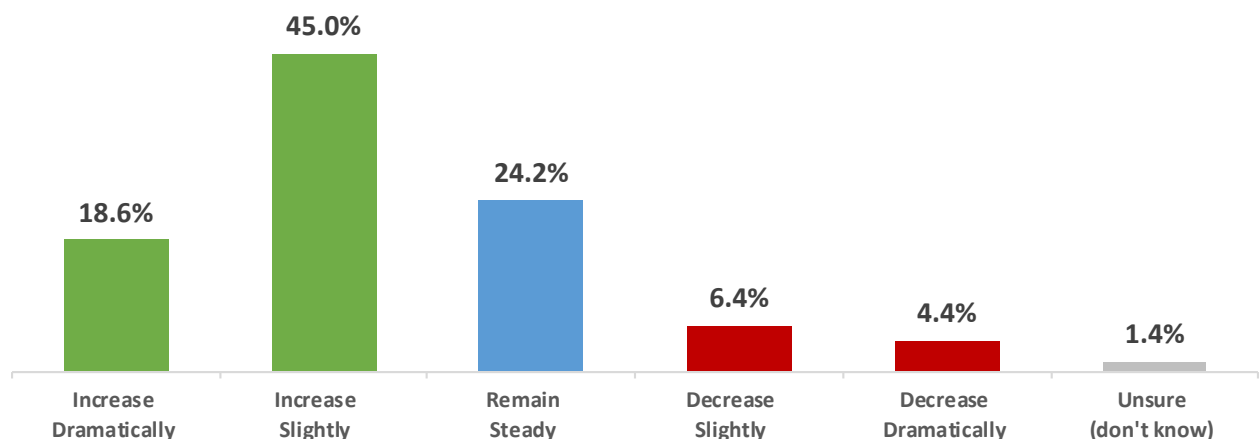
Follow the money, upward.

As highlighted previously, budgetary concerns were cited in our research as the leading barrier to the adoption of consumption-based IT Services. But it's important to understand that budgets are not necessarily a significant issue for all industries. To this point, we asked our survey respondents to comment directly on budget trends for both

overall IT spend and spend related to IT Services (all services, not exclusively consumption-based). When asked directly on the expectation for overall IT budgets over the coming 12 to 24 months, only 11 percent of respondents indicated a downward trend, with 63 percent anticipating budgets to either Increase Slightly or Increase Dramatically.

Overall IT Budgets are Still Growing, But Not For All

What is your expectation for overall IT budgets (hardware, software, services, public cloud, etc.) over the coming 12-24 months?

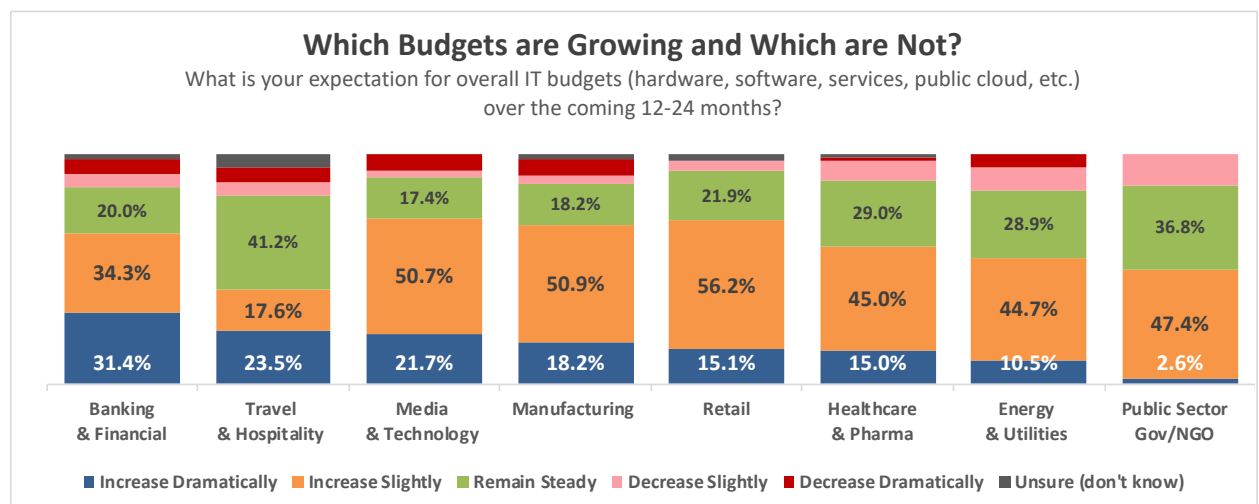


While a small percentage of respondents anticipate falling budgets, it is worth noting that the industries with the lowest expectations for budgets to Increase Dramatically were the Public Sector (where budgets are highly contested) and Energy & Utilities (potentially a sign of increased competition and declining margins, and certainly not un-

expected given the price of oil over the past few years). But the overall state of IT budgets appears very positive, with a solid expectation that budgets will continue to grow (in line with our ongoing opinion that companies are increasingly relying on technology to fuel core business operations).

The growth of overall IT budgets is mirrored with budgets for IT Services, with less than 9 percent anticipating declining IT Services budgets, notably impacting Travel & Hospitality, Public Sector, and

Manufacturing (although while manufacturing responses have the lowest anticipated level of Dramatic budget increases, almost 62 percent of responses anticipate at least a slight increase in IT Services budgets.



Bottom Line

Both our current research and ongoing client engagements tell us that budgets matter. But we believe it's not necessarily the level of spending, but the value received that matters the most. However, tracking value against fixed-cost or even subscription models prevents a true cost/benefit calculation. In contrast, when costs can be measured directly against consumption or use, the cost/benefit equation becomes much more direct and can be used to inform ongoing

or even real-time business decisions—a benefit for both IT departments and business units looking for increased visibility and agility in operations.

Based on our research, we believe there is an opportunity to upend the budget-as-a-barrier paradigm and leverage consumption-based IT Services to gain clearer insight and control over spending as measured against specific goals or outcomes.

Conclusion: Identify the outcome, choose the approach.

When it comes to IT Services, there are clearly a number of key drivers and options from which today's enterprise can choose. Most importantly, it is worth pointing out that there is no one correct option, either for a single enterprise or a given industry. Diversity in technology is a good thing, and when it comes to IT Services, enterprises have demonstrated they understand the value of creating an architecture that leverages different approaches that combine to offer the best solution for their particular needs. Often, this means identifying the outcome that you are looking to achieve and then, after careful consideration, choosing the approach (or approaches) that best help achieve that goal.

An important caveat for enterprises to consider is that we are in times of rapid change, and there are constantly new approaches to consider when developing and implementing outcome-based IT solutions. As our research shows, there is solid interest in, and realized benefits from, the adoption of on-premises consumption-based IT Services models.

We believe the value offered by consumption-based on-premises IT Services is tangible and should be considered by organizations that are evaluating and implementing changes and/or upgrades to their IT as their adoption cycles continue; realistically meaning this option should be considered by all companies.

As it pertains to fully understanding the current IT Services Landscape, we also draw the following conclusions:

The On-Premises/Off-Premises Enterprise.

The enterprise has shifted in part to the cloud, but the on-premises use case is alive and well. For almost every company, a cloud strategy needs to

be less defined by location than by specific workload. The question should be "where does this particular workload belong" and the key considerations should always include the early mentioned topics such as security, compliance, application performance and then to a lesser extent cost.

IT Services Decision Drivers.

When it comes to selecting an IT Service, performance matters. IT Decision making continues to be more complex as emerging technologies such as IoT demand cross-functional cooperation. It's critical that IT engage the proper functions to meet user needs and budgetary constraints, however, it is also critical that IT be prudent in managing security, privacy and compliance as these areas are becoming more critical and vulnerable as enterprises remain the target of hackers and regulations (i.e. GDPR) continue to evolve.

Understanding Consumption-based IT Services.

The concept of consumption-based IT Services in an on-premises implementation appears clear, but we're not sure it's well understood. While the survey revealed that the majority of companies are familiar with or already leveraging consumption-based IT Services, we believe that additional education and a clear understanding by IT of how these services differ from leasing and managed services of the past will result in increased adoption. True consumption-based IT removes complexity, provides flexible scalable infrastructure and the required resources to support those assets. Further, putting the right workload in the right place means considering on-premises options as a means to achieve higher overall value.

The Consumption-based Opportunity.

Perception may be reality sometimes, but sometimes reality outperforms perception. The real opportunity can be summed up by three words that have been thematic throughout this paper: Flexible, Scalable and Efficient. With consumption-based on-premises IT, companies can develop their infrastructure to be as flexible as their business while constantly right sizing and having costs stay in line. This is what companies have long desired from their IT, and the opportunity is now presenting itself readily with consumption-based IT in an on-premises model.

Barriers to Consumption-based Adoption.

Lack of budget and rigid contracts are the enemy of the agile IT department. While budget cycles and existing contract lock-ins may be significant issues, the balance of the top

five barriers to the adoption of consumption-based on-premises IT Services (Lack of Executive Awareness, Lack of Procurement Awareness, and Unclear Benefits), all point to an educational issue that can be resolved fairly easily and potentially be used to counter or soften budget and contractual issues over time.

The Budget Reality.

Follow the money, upward. While there are many mentions of efficiency, it is important that enterprises considering the utilization of consumption-based IT realize that this isn't a magic cost cutting but should more appropriately be looked at as a cost "right sizing." Because of the completeness of consumption-based on-premises IT services, there are costs associated with turn-key. However, TCO, especially as continued evolution and adoption of services grow, should realize cost benefits that improve cash flow, especially during times of rapid growth or seasonal decline.



Recommendations

As our research showed, there is a strong interest in consumption-based on-premises IT, and we believe based upon the clear value proposition that the demand will continue to increase as consumption-based services become more comprehensive and meet more of the needs of enterprise IT.

It's important that we reiterate that there is no single solution that should be held above all others when it comes to IT Services.

As noted in our conclusion, the best enterprise strategy is to first identify the outcome desired, then select the best possible approach to achieve that outcome. There are several actions and steps that we believe should be used to guide the IT Services decision process, and potentially inform the outcome as well.

Understand the current IT architecture.

Each company must consider its current investments, services, and configurations as they seek possible alternatives or changes to their IT services landscape.

Identify gaps between existing implementations and business goals.

This is critical, but often missed as IT seeks operational perfection. Seeing an opportunity to achieve the most efficient route to business goals should be seen as a key driver for change in IT Assets and Services.

Identify areas where existing results have not met expectations.

Often times there are gaps in service agreements between what is being delivered and what was specified. Being steadfast to receive all procured services is important, however, if receiving services requires a lot of "chasing" from IT, then the service provider should be reviewed and potentially replaced.

Understand the value proposition of consumption-based IT services for YOUR organization.

If it is determined that consumption-based on-premises IT may be a good fit, it is important to start aligning the offerings to specific business goals. This is where more clarity will be seen as to the fit of moving a portion of your IT infrastructure and services to a consumption-based engagement.

Set expectations correctly for IT, business units, and executive management.

A historic sticking point has been the view of IT as a cost center rather than a profit or revenue generating center. Consumption-based economics don't completely pivot this perception, but having IT, which is often the core of your business operation, running on exact usage creates efficiency for workloads that's never before been achievable at scale. It also allows costs to be monitored and adjusted in near-real time, providing for a better cost/benefit decision model that better supports both the strategic and tactical goals of the business.

Establish the right partnership. Consumption-based on-premises IT Services will be offered by more and more companies as time goes on.

Being diligent in choosing a partner is critical in making a move to consumption-based IT.

Learn more about HPE at Pointnext:

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