

# CLOUD VS COLOCATION

## Comparison Guide

How to Manage Cost and Simplify Complexity





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# INTRODUCTION

Choosing between cloud and colocation-based hosting isn't always as simple as thinking about data security and availability. For an increasing number of organizations, including startups, app hosting and data management present challenges. According to RightScale, 32% of organizations are running over 1/5th of their application workload in the cloud.

Organizations with unpredictable or fast-growing demand for applications can experience unique hosting challenges. If you're determining the best way to manage your organization's workloads, choosing between the cloud and colocation can be particularly difficult. In this guide, you'll learn how to manage the costs of workload hosting and make sense of the complex options available.



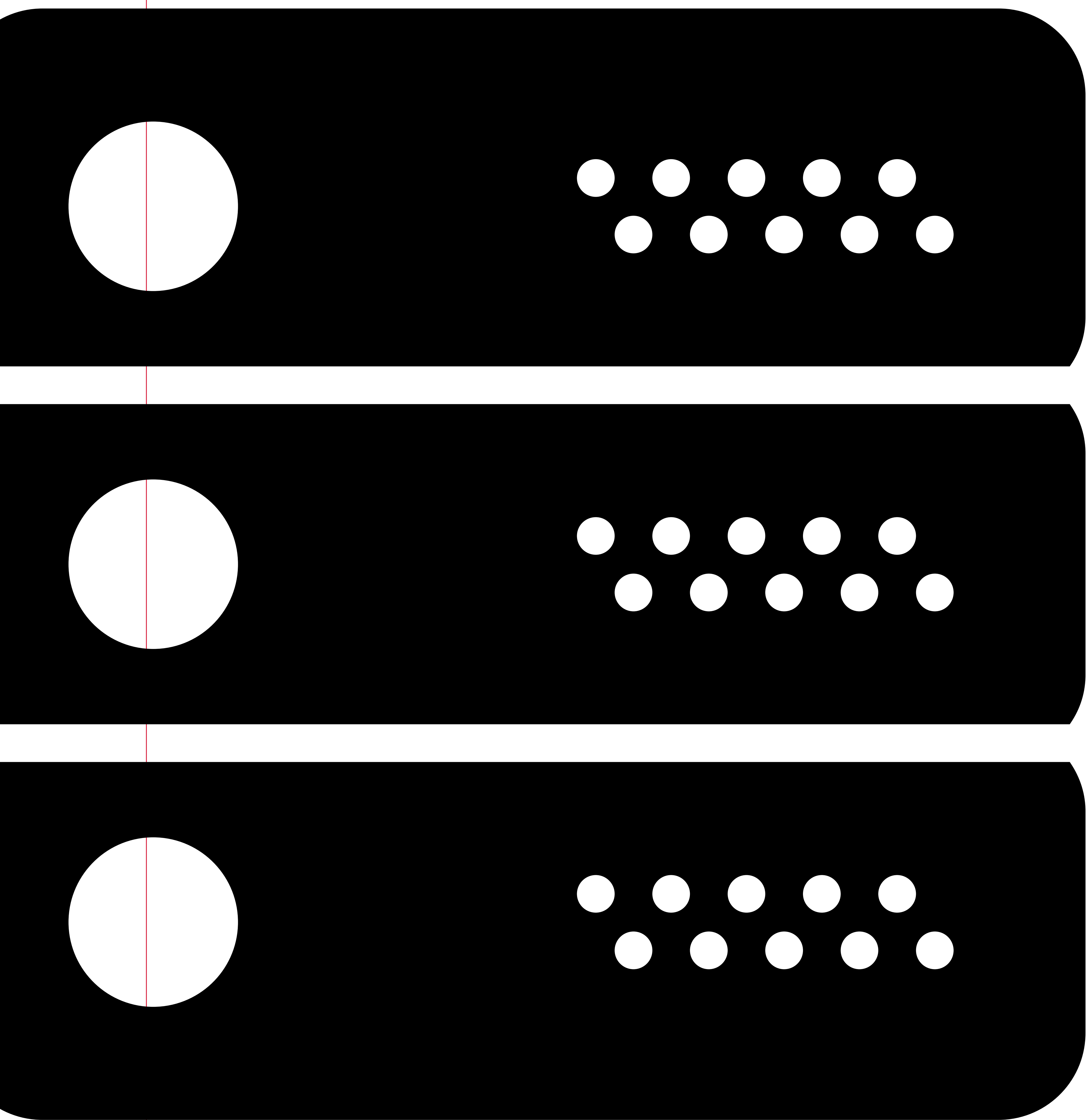


## CHAPTER ONE

# Why Colocation?

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## Why Colocation?

Colocation is the process of owning and maintaining your own hosting infrastructure, which is located in a provider's data center. This approach allows organizations to maintain total control over their data and hardware, while sharing cooling, power, and redundancy services with a trusted provider. Post-implementation, your staff will retain control and responsibility for troubleshooting, maintenance, and upgrades. This helps mitigate cost because you are in a shared resource of restricted physical access, redundant power and cooling systems, access to multiple choices for connectivity and also ongoing physical security.

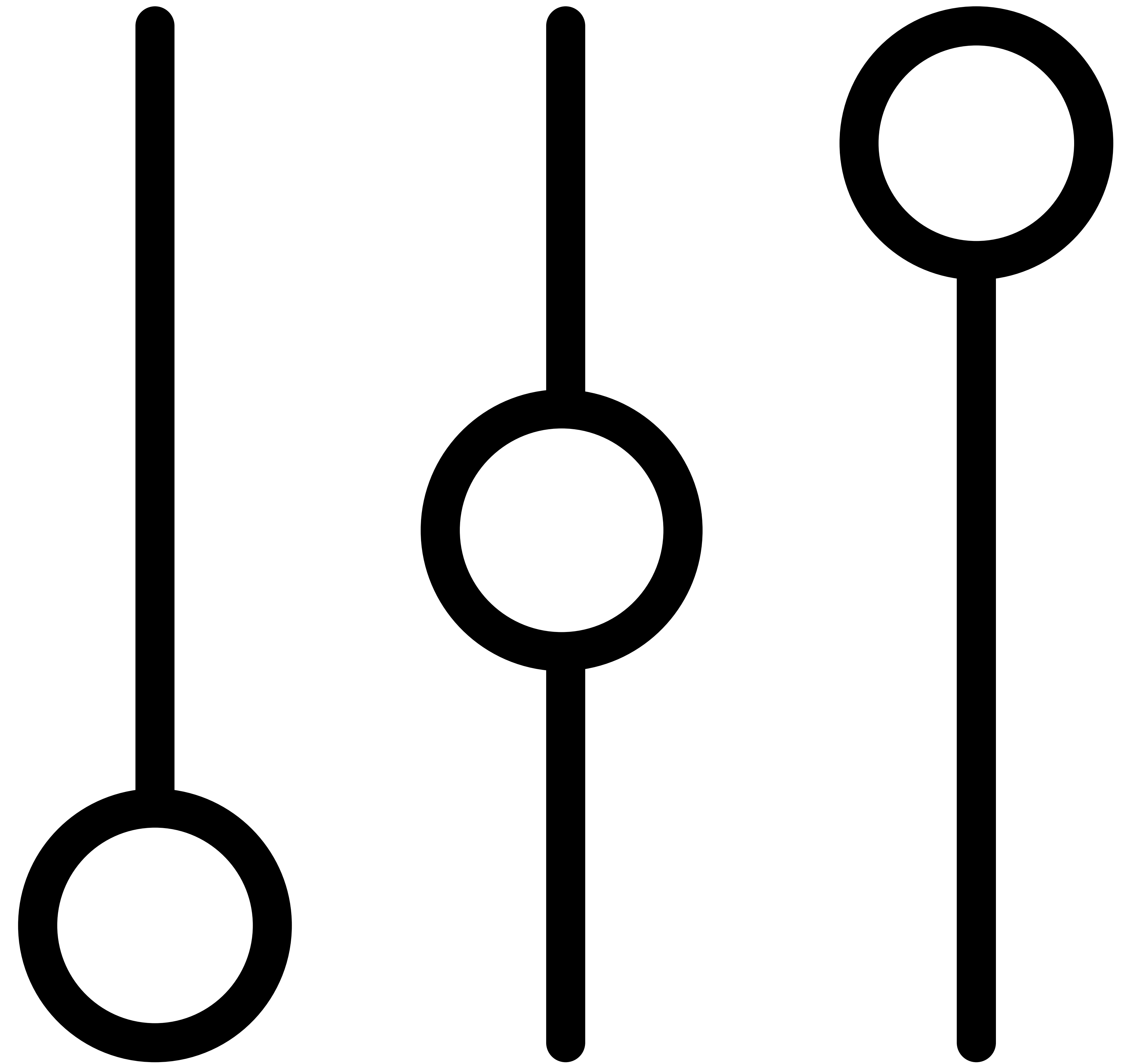
## Pros of Colocation

**Control:** You have full ownership of your equipment.

**Security and Compliance:** As long as you're able to select a provider with full accreditation, you're able to maintain exceptional attention to compliance standards. In addition, even organizations with a relatively small budget can benefit from their provider's attention to physical security.

**Provider Experience:** Depending on your provider, you can often take advantage of their expertise on a consulting basis. In addition, your equipment will be "watched" 24/7 by experienced data center engineers.

**Resilience:** With the help of your provider's redundancy, including redundant fiber-optic internet connectivity, power, and cooling, you gain access to better business continuity.





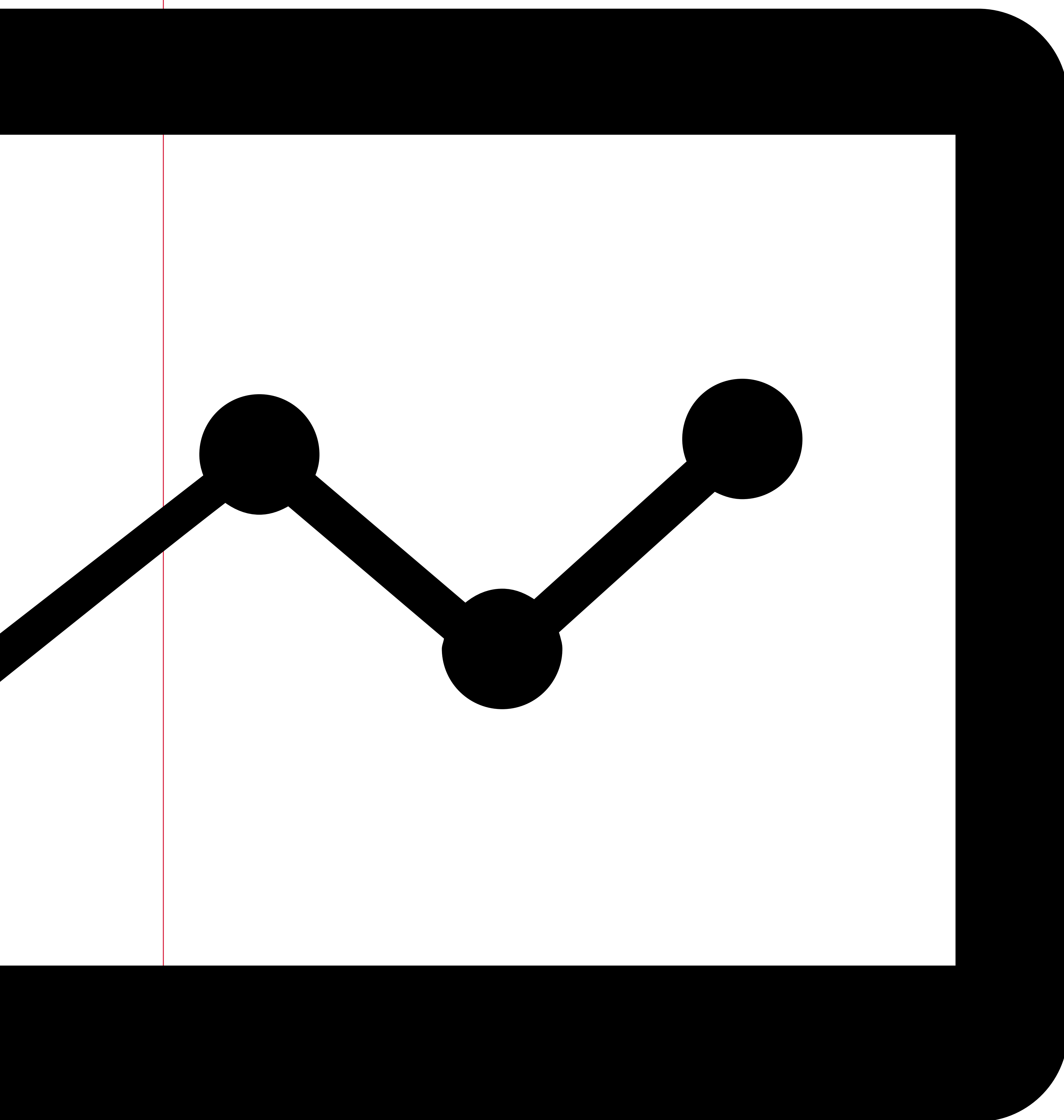
## Cons of Colocation

**Cost of equipment:** You must purchase your own equipment up front, which is known as a capital expenditure (CAPEX), and control factors regarding depreciation, repair, and maintenance. Leasing equipment can help mitigate this expenditure.

**Maintenance and monitoring:** Depending on the provider you select, you may choose to fully maintain your own equipment or outsource some or all of the maintenance services.

**Agility and growth:** Not all data center providers can grow as quickly as your company's needs. This isn't an absolute, so it's simply important to understand whether or not your provider has room to help you expand.

**Convenience and location:** The provider's proximity to your business is an important factor in the quality of experience.





## CHAPTER TWO

# Why Cloud Hosting?

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# Why Cloud Hosting?

Cloud hosting involves entering into an agreement with a provider who will host your data and workload off site. This choice is popular among businesses with an enormous need for scalability, limited IT resources, or other factors that necessitate the support of an experienced provider.



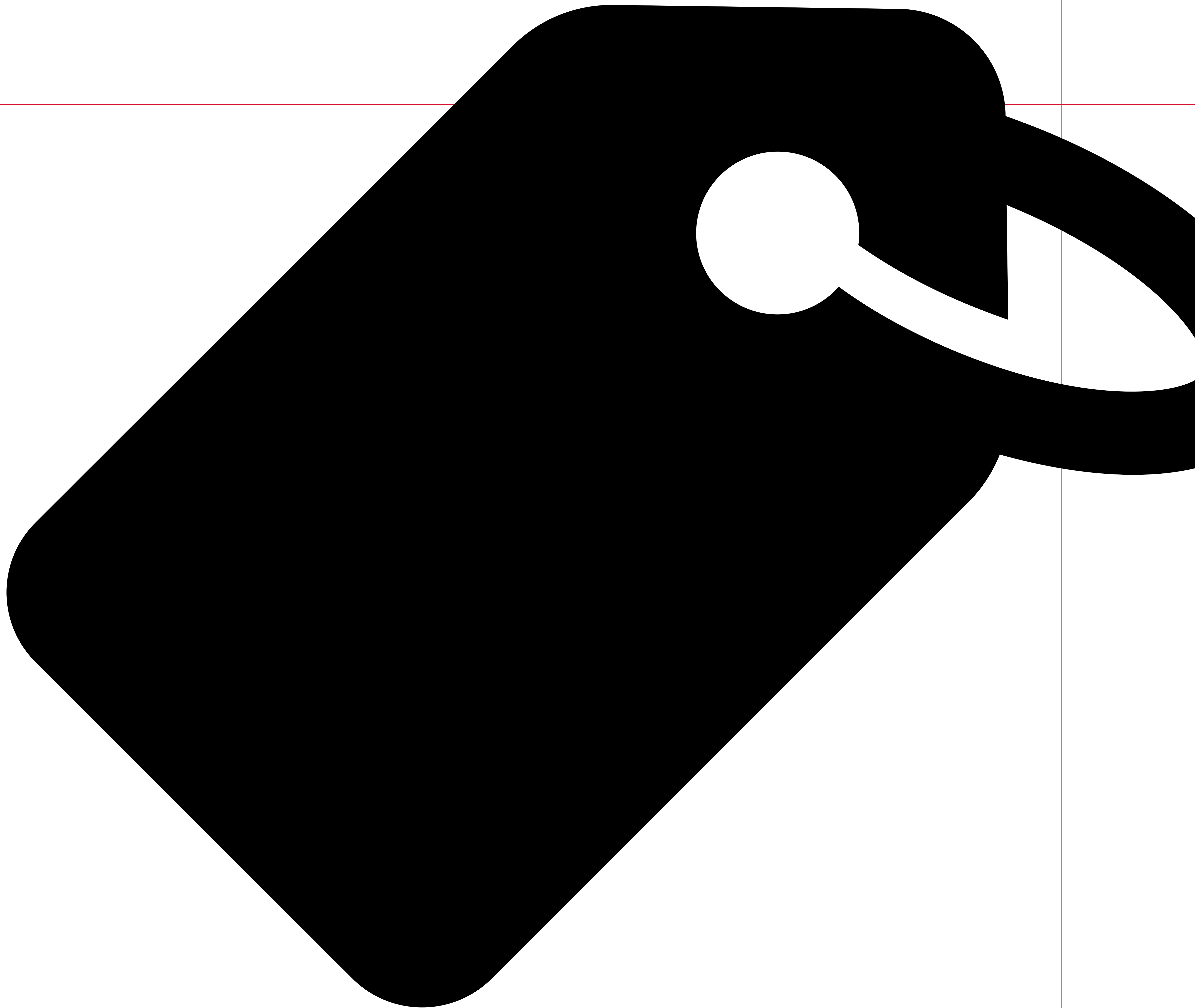


## Pros of Cloud Hosting

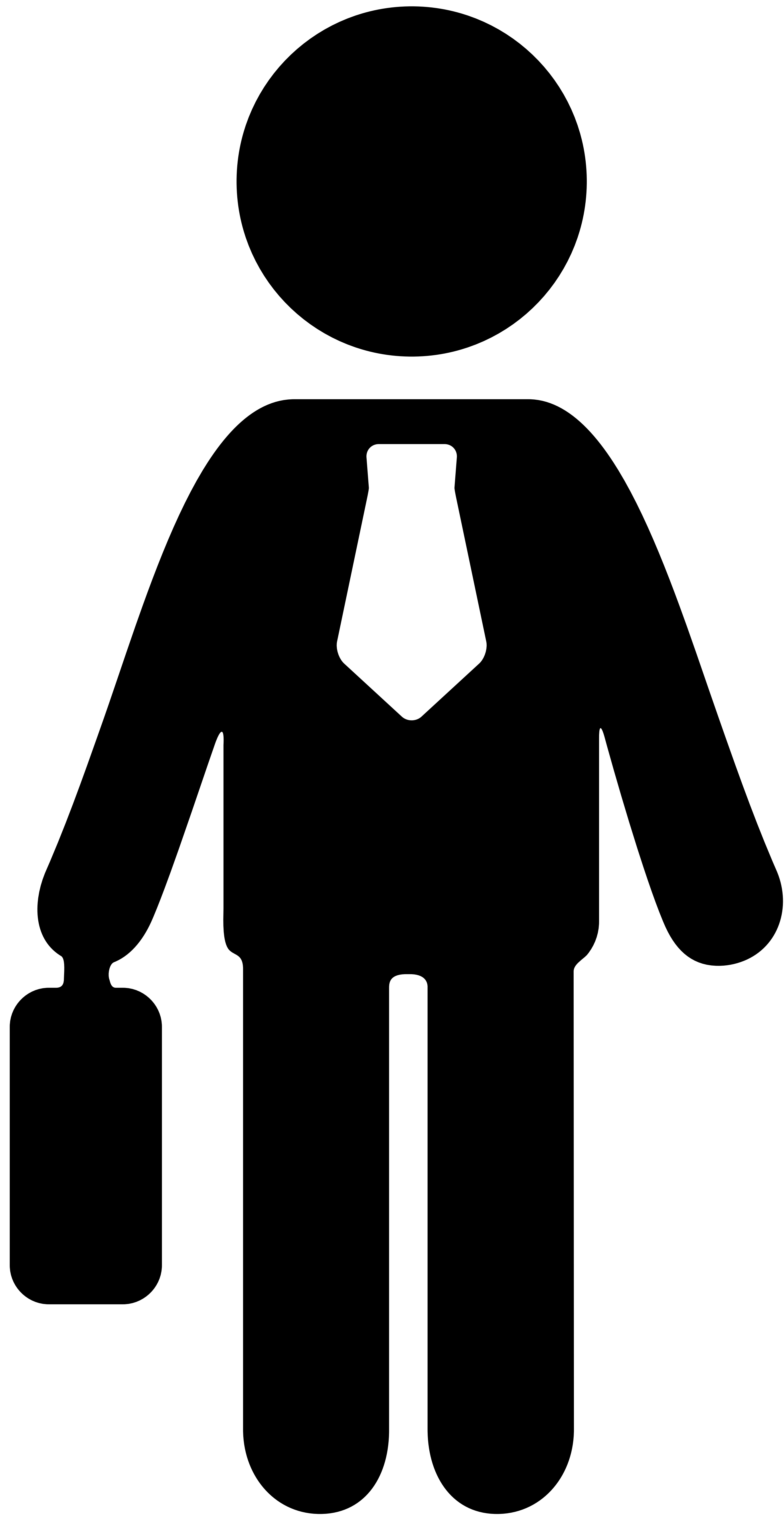
### **Minimal Upfront Expenditure:**

Your organization has minimal CAPEX costs because cloud hosting fees are monthly operational expenditures (OPEX). For certain startups and small businesses, the ability to “save money” up front can allow them to invest in profit-focused growth plans as well as research and development.

**Software Expenditures:** With a cloud provider, you’re not responsible for paying the immediate costs of software needed to maintain cloud architecture, which is rolled into your OPEX costs. The software licensing model is different than if you’re running it on your own servers.







**Cheaper Staffing Costs:** For certain businesses, the costs of hiring qualified and skilled infrastructure engineers to maintain colocation or on-premises hosting can be prohibitive, and filling vacant seats can be extraordinarily time-consuming.

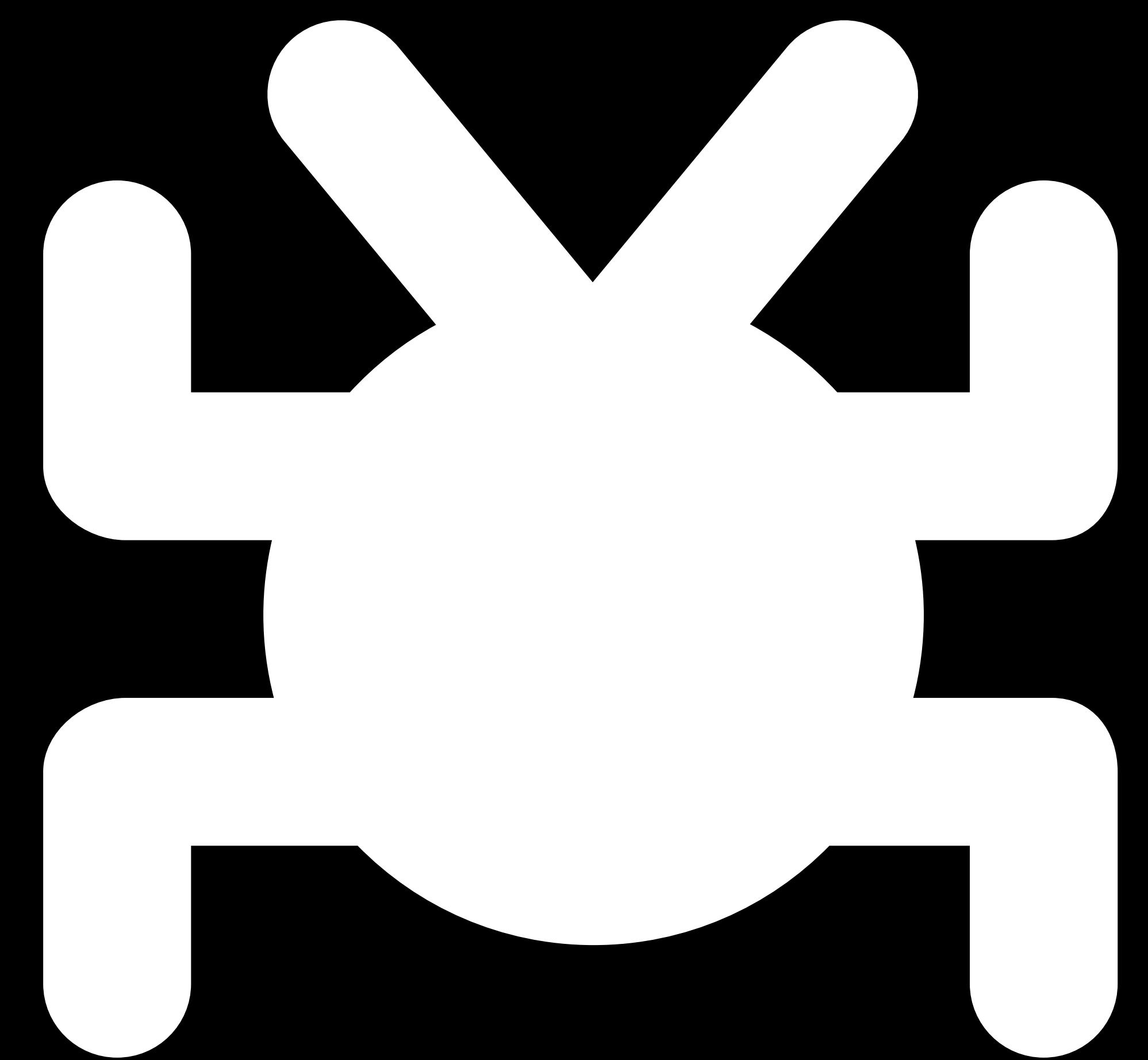
**Flexibility:** Depending on your cloud provider, you may gain the ability to test products, applications, features, and upgrades in a “limited run” with minimal cost output. Having a test bed to operate in is much less expensive than having to stand-up staging servers



## Cons of Cloud Hosting

**Potential Connectivity Issues:** Depending on your internet connectivity and bandwidth allocation, you may struggle to realize the full potential of cloud connectivity, which can affect the quality of experience and data availability.

**Security Issues:** While some providers have the potential to enhance a small firm's data security, others do not pay appropriate attention to security issues. This is best mitigated with effective provider screening.







**Rigid Vendor Agreements:** Some vendors, particularly large cloud services vendors, are strict about client scalability. If your need for bandwidth experiences a sudden spike, you may face financial penalties when adjusting your contract. This issue requires due diligence on your research of what provider to use. Carefully consider the trajectory of your growth plan.

**Loss of Control:** While the right cloud provider will allow extensive oversight, you could have less control over your data assets than with colocation.



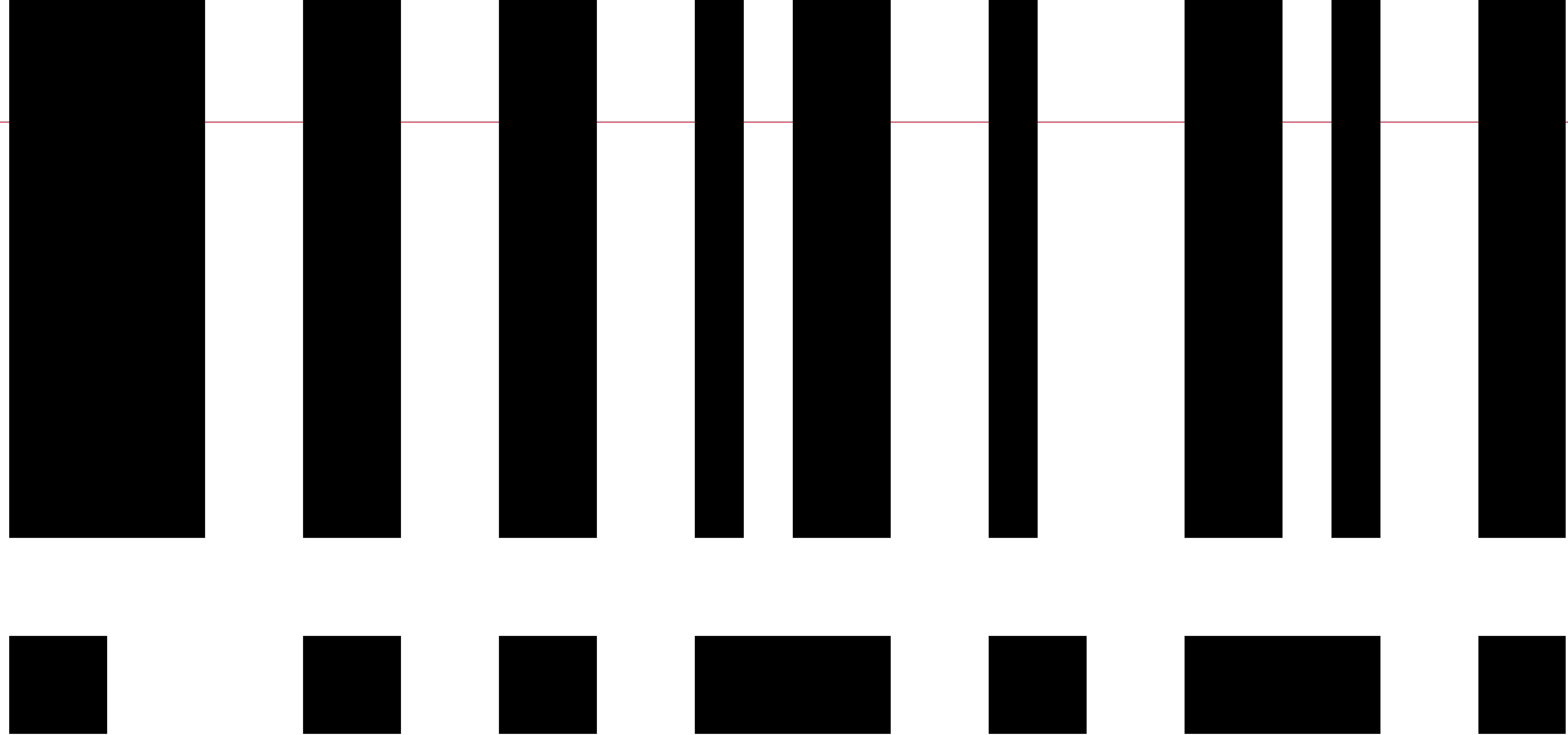
## CHAPTER THREE

# Choosing Between Cloud and Colocation: Factors to Consider

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## 1. Cost Allocation

In many cases, the ultimate costs of colocation versus cloud storage are often closer than believed. However, a comprehensive total cost output (TCO) analysis should encompass each of the following factors when analyzing the costs of colocation versus data center:

- Real estate costs
- Server costs
- Software costs
- Power
- Connectivity
- Support
- IT staff savings

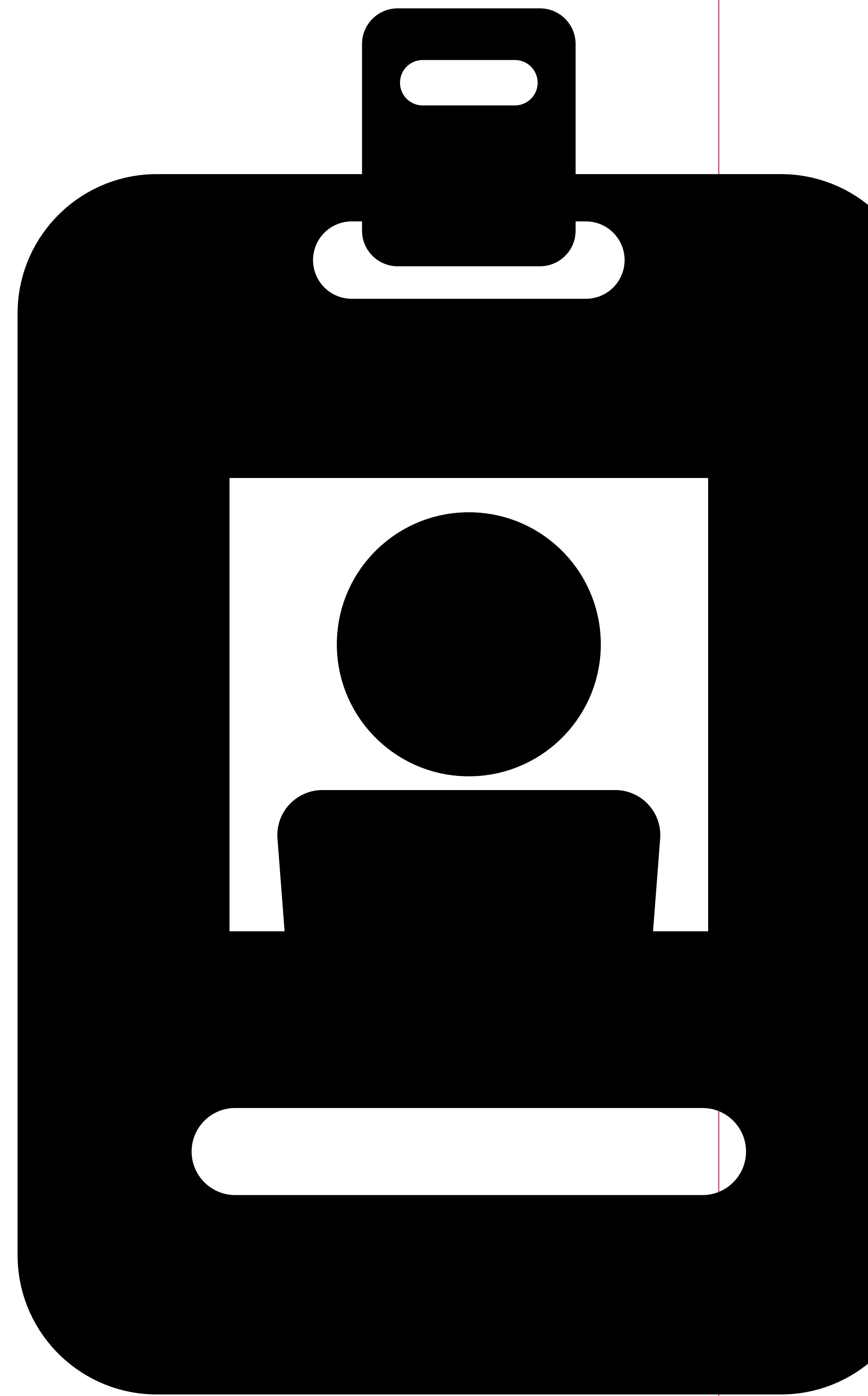


## 2. Staffing

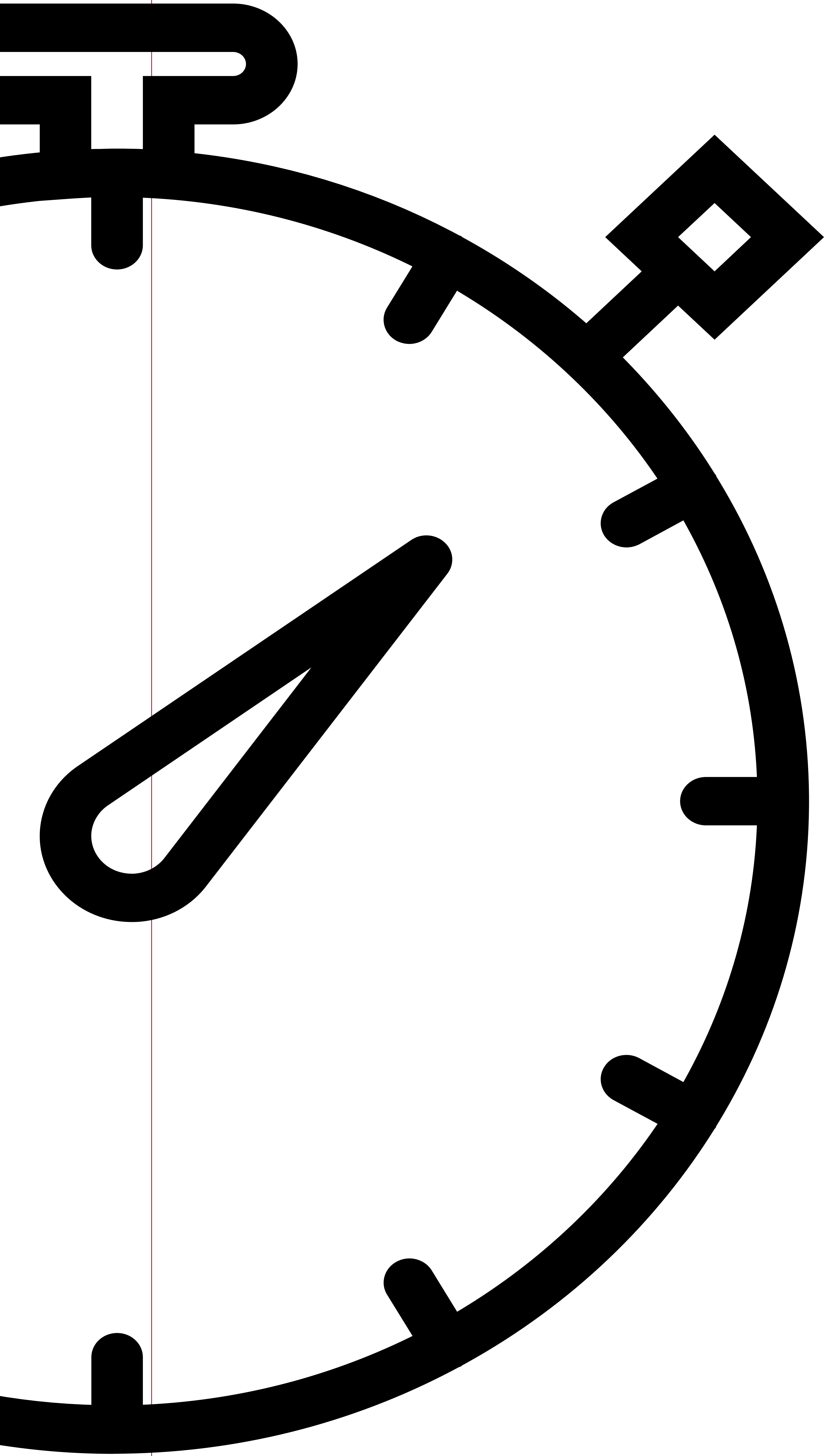
If you opt for colocation, your organization will be responsible for each of the following factors. Depending on your needs and your vendor's available services, you may be able to perform some of the following on a contractor/consultancy basis:

- **Procurement** • **Ownership** • **Deployment**
- **Configuration** • **Integration** • **Testing**
- **Management** • **Upgrades**
- **Troubleshooting**

It's important to consider talent availability when evaluating the relative benefits of colocation against a data center. Shortages of engineers can vary according to your talent budget, regional area, and the complexity of your network/workload. However, your evaluation should account for costs of recruitment, ongoing training, and certifications when evaluating your options.







### 3. Deployment Time

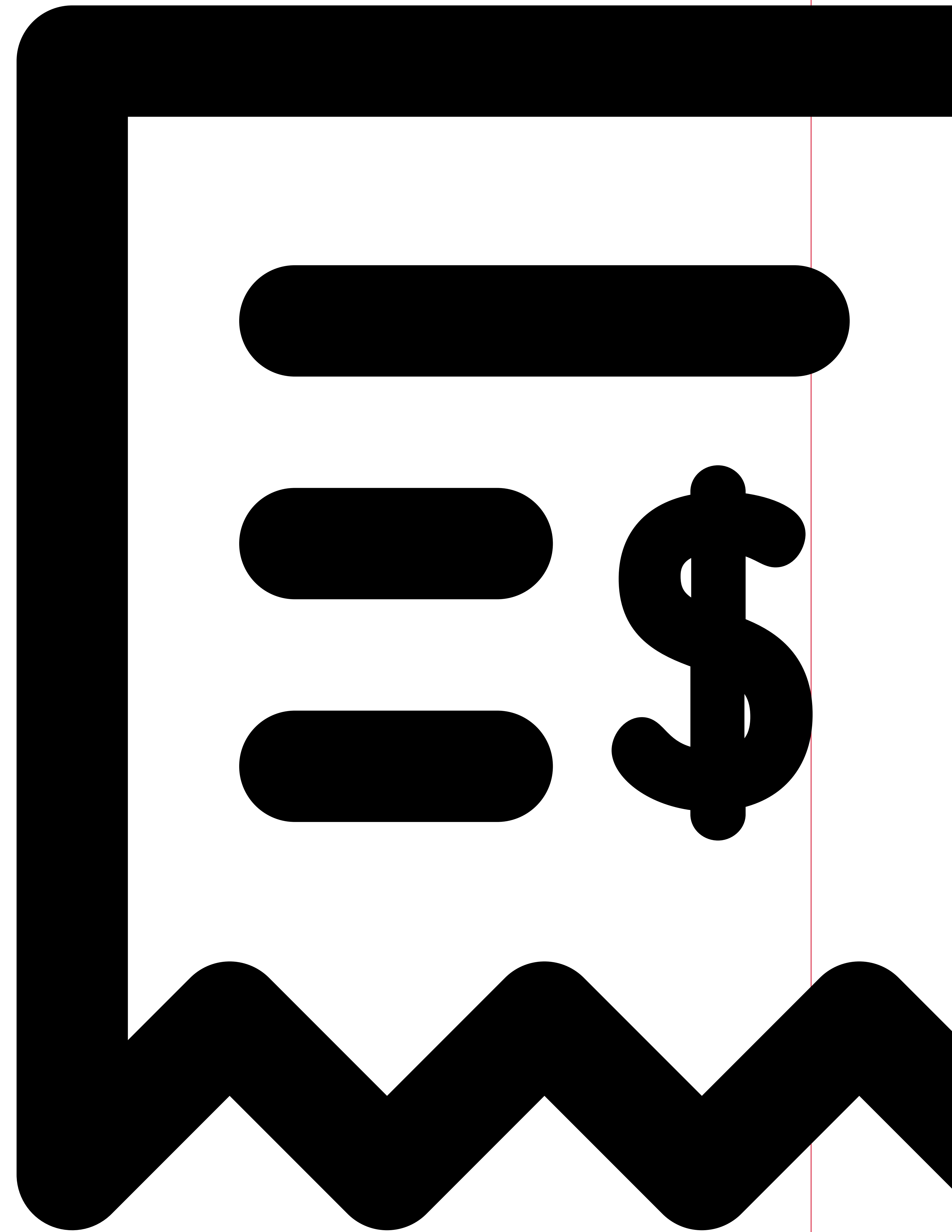
Time to deployment is crucial, especially at agile or fast-growing organizations. Factors can vary between colocation and cloud options, primarily depending on the following:

- **Application procurement**
- **Testing**
- **Implementation team expertise**
- **Support**



## 4. Flexible Cost Allocation Billing

As previously mentioned, the inherent flexibility of cloud billing can offer advantages to some organizations. Depending on your structure, your cloud provider may be able to provide flexible billing allocation, which is beneficial for organizations who need to split costs across clients or departments.







## 5. Scalability

Depending on your vendor, cloud can offer scalability advantages over colocation. This can particularly benefit organizations with aggressive growth goals, seasonal fluctuations, specialized marketing campaigns, or those who may undergo a merger. In contrast, colocation requires you to purchase and allocate sufficient equipment to provide capacity for your maximum needs.

If extreme fluctuations are a natural part of your business, your total lifetime cost output could be much higher with colocation than cloud hosting. However, the savings potential with data center depends on your vendor's ability to scale your agreement on a per-need basis.



## 6. Financial Benefits of OpEx vs. CapEx

Colocation represents more of a capital expenditure (CapEx), where the costs are primarily centralized up front. In contrast, cloud carries recurring operational expenditure (OpEx), where your business can anticipate a recurring bill on a monthly basis.

The evaluation of whether CapEx or OpEx is the right choice for your business is highly individual. Ultimately, if you need immediate funds to invest into marketing or R&D, delayed investment can be advantageous and could even increase your lifetime ROI.





## CHAPTER FOUR

# Is Cloud or Colocation Better for My Business?

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# Is Cloud or Colocation Better for My Business?

Making the decision for managing your business's workload and data isn't as simple as a basic cost analysis. It's a complex decision that involves understanding your unique workload needs. While colocation offers the benefit of total control, minus the need to pay for real estate and redundant power and cooling, organizations must evaluate whether it's the wisest choice for them.

Performing a comprehensive total cost analysis is often the most effective way to determine the best fit for your organization. For more insight into whether cloud or colocation is the right fit for your needs, we recommend [contacting an expert Atlantech representative today.](#)

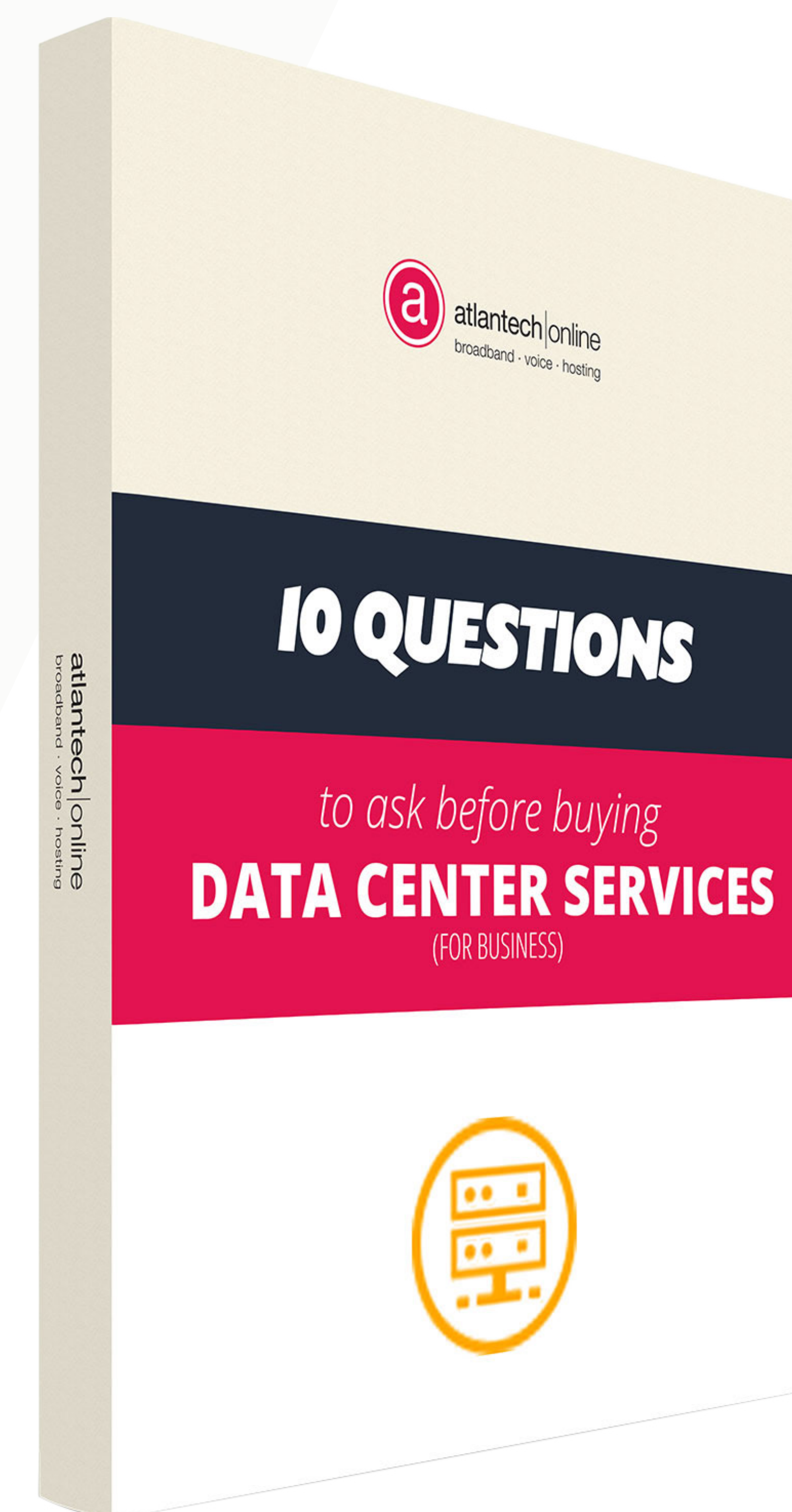






To receive a free, no-obligations verbal assessment, contact an Atlantech Online representative today for detailed pricing information and insight on colocation or cloud services.

**Request a Callback**



## Download our Free Guide

Before you make a decision on a data center services provider, there are a few things you need to know. It's important to ask the right questions so you can be sure you're getting what you pay for.

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