

Costs in the Cloud

Understanding total cost of ownership for cloud databases



Does the Cloud Save You Money?

As government agencies have migrated more of their databases and applications to the cloud, they have seen numerous benefits:

- Cloud platforms are more flexible and scalable than legacy on-premises infrastructure.
- Cloud applications make it easier to access government services from anywhere, on any device.
- Cloud services offer greater security than most government agencies can provide in-house.

But the central question remains: Will migrating to the cloud save your organization money?

To answer this question, you must have a clear understanding of the total cost of ownership (TCO) of your agency's technology expenses. Some agencies — especially those relying on antiquated IT that's long overdue for replacement — may find migrating to the cloud reduces their TCO and makes better use of taxpayer money. For others, a hybrid infrastructure that runs cloud technology on on-premises hardware may be a more appropriate option.

Understanding Total Cost of Ownership

TCO quantifies the planning, procurement, implementation and support of a technology investment. With on-premises technology, TCO comprises hardware procurement (typically one-time capital expenditures, or CapEx) plus support and software licensing (which are usually budgeted as ongoing operating expenditures, or OpEx). The cloud approach shifts everything to an OpEx model.

Traditionally, database customers purchased software licenses from experts like Oracle, whose

applications manage massive volumes of data and transactions in on-premises data centers. Today, as Oracle and other providers have moved into the managed cloud services market, government agencies have a prime opportunity to reduce TCO.

This is especially true for agencies whose legacy database vendor relationships go back several years. "Every year, they're paying annual support uplifts on their database licensing," says Kevin Ort, a sales director with Mythics, a public sector system integrator specializing in moving Oracle systems to the cloud. "After 20 years, they're paying maybe two or three times what the original licenses cost."

In other words, those licensing costs may have grown so high that a cloud database migration could yield a significantly lower TCO.

More Options, Increased Savings

The deployment options offered by a cloud vendor can further reduce TCO. Oracle, for instance, offers a subscription-based hybrid cloud model that allows agencies to keep hardware on premises. All data stays behind the agency's firewall, and all operations go through a cloud control plane that uses standard Oracle Cloud Infrastructure technologies.

Oracle gives customers multiple licensing options for this cloud architecture. Mythics' TCO analysis for one public sector client discovered that one of these options cost up to 45% less than a competing choice, Ort says. As cloud providers like Oracle seek to expand their presence in the state and local government market, agencies can often strike favorable deals to bring down TCO.

"Oracle very much encourages these types of deals, because anything that results in faster cloud adoption is a win," Ort says.

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Real Results

Mythics' in-depth TCO analysis helped one agency save millions of dollars in licensing fees. The agency, a utility district in a Western U.S. city, had been running critical databases on a legacy on-premises Oracle SuperCluster. The organization needed not only a refresh but a complete modernization of its database environments.

"Initially, the utility district was hesitant to move into cloud technologies until Mythics' TCO research turned them around," Ort says. The Mythics team realized that by moving to an Oracle cloud database solution — one with the licensing fees already included — the district could retire a number of its customer support licenses.

The estimated savings over a four-year lifecycle was nearly \$2 million. Thanks to Mythics' research, the utility district decided to migrate to the cloud.

Do Your Due Diligence

"These projects can fail if the proper due diligence isn't done early enough in the process," Ort says. "We want to get everything reviewed in advance, to avoid jumping into a lengthy process that ends up hitting a brick wall."

Here are some best practices to keep in mind:

- **Comprehensive planning is critical.** Success requires a deep knowledge of compliance and security. You'll need a robust strategy with an experienced project manager to keep migrations on track and control costs.

- **Consider all your options.** Every cloud provider does things differently. As the Oracle example illustrates, a provider may have multiple options that require thorough research to find your optimum licensing structure. "Look at all the other clouds out there," Ort says. "Make sure you understand how they all work."
- **Work with an integration partner** to prepare for the inevitable ups and downs of a migration. Involve your legal and compliance experts from the beginning.

An Integration Partner Lowers TCO

There's no substitute for finding a trusted integration partner with extensive public sector experience with cloud database migrations. The right partner drives value by:

- Conducting a thorough evaluation of your unique database requirements
- Explaining the nuances of software licensing's impact on TCO and recommending the best values for taxpayer dollars
- Leaning on experience with multiple agencies and deployments to avoid common pitfalls and get the right outcome for your agency

As the intermediary between an enterprise database software vendor and a public sector migration customer, Mythics' role is to help public sector organizations modernize and save money, Ort says. "It is a bit of a minefield, but early communication, lots of communication, is generally the key to making these things work."

Because of the variety of different cloud providers — and because each agency is at a different point in its modernization journey — saving money with cloud databases demands research.

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