Go Beyond The Cloud

Pros & Cons of Cloud Computing
FOR REAL ESTATE COMPANIES

An Executive Whitepaper to Identify IT Risk & Maximize Performance

WHITEPAPER BY XVAND TECHNOLOGY CORPORATION

PROS & CONS OF CLOUD COMPUTING FOR REAL ESATE COMPANIES

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When should you consider moving to the cloud?

Which best describes your IT department? A financial sinkhole; a profit center; or a success enabler? Historically, many companies have opted for the least expensive solution to their IT needs. Yet over the past decade, IT has been elevated within many organizations to become a vital, integrated contributor to the business process and a critical element to overall success.

The concept of investing in your own IT equipment and the in-house IT team to manage it seems fairly innocuous for a small business. Yet, over time, key components – such as CPU, disk, RAM, and, to a certain extent, the network – begin to bottleneck, resulting in slower performance and system crashes, or become obsolete. All too often, the typical in-house response to these problems is to throw more money at them. Buy another server. Add more redundancy. Hire another IT support person. It can become an expensive, never-ending cycle.

Cloud computing has recently emerged as a viable alternative to in-house IT investment. This approach encompasses subscription-based or pay-per-use services that, in real time over the Internet, extend IT's existing capabilities. Cloud computing is viewed as an efficient way to increase capacity or add capabilities on the fly – without investing in new infrastructure, hiring or training new personnel, or licensing new software.

According to International Data Corporation, the primary motivation for moving to a cloud computing environment is the perceived cost savings. Other benefits include the ability to pay as resources are utilized, the option to pay as you go, and the potential to shift the management and expense of IT personnel and related expenses to the cloud service provider.

Beyond the obvious cost savings, cloud/utility architecture offers a host of equally compelling benefits and advantages over in-house IT investment:

Better IT Budget Forecasting. Internally-managed IT has quietly assumed a larger portion of the corporate budget and has consequently become more integrated with the overall financial plan. Most pundits agree that the purchase cost of equipment represents only a fraction of the total IT budget.

The volatile nature of IT, such as unexpected crashes, security threats and upgrades, only increases budget uncertainty. Since in most cases, the cloud provider assumes virtually all capital IT and personnel costs, executives only need to forecast for a consistent, monthly per-user fee. Rather than overinvest to meet anticipated demand, real estate companies can deploy IT resources on-demand as the market dictates.

This simplifies the task of budgeting for potential growth (or contraction), particularly with complex expansion or merging projects, when headcount is increased or reduced. The organization pays only for the resources it uses, and as head-count fluctuates, costs are adjusted accordingly.

Adaptability to Evolving Market Conditions. The conventional process of purchasing, installing, managing, protecting and supporting an onsite IT system runs contrary to management's task to reduce recurrent expenditures. In the cloud, real estate companies can leverage the provider's enterprise-level IT resources and deploy them as-needed. This helps break the cycle of recurrent IT expenditures and positions the organization to adapt to evolving market conditions.

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Improved Risk Management. Simply put, the more IT investments, the greater the risk. However, most organizations must overinvest in IT to meet growing demand, thus increasing expenditures and the associated risk of IT maintenance and management. Cloud providers reduce the organization's dependence on onsite systems by assuming the costs and risks of the entire IT lifecycle, including hardware, backups, security and support.

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Reduced Energy Costs. The powering, cooling, and operating of PCs and servers contributes to high electric bills. Since humid conditions can be detrimental to a computer system, office temperatures must be set at cool levels to keep a server running. Gartner Research estimates that the electrical bill alone per server can cost $3,700 over four years.

Shifting to the cloud helps companies reduce their cost of electricity by centralizing equipment and moving in-house IT to a safely monitored, disaster-proof data center.

Greater Employee Morale and Improved Productivity. IT problems – including computer downtime due to server crashes and security issues – elevate work-related stress. Downtime reduces employee productivity and company output.

Cloud solutions enable employees to work from home using the same familiar desktop interface, thus drastically reducing commute time and improving employee morale. Remote users have ubiquitous access to the provider's support team. Most providers have executive-focused management consoles that enable managers to monitor employee activity remotely.

Financial Advantages. Of course, most decision aspects are driven by the bottom line. Here are a few of the financial benefits of cloud computing:

- **Speed to Market.** Starting with a pre-built, enterprise-level IT foundation allows clients to accelerate launch times of projects and businesses.
- **Lower Financial Risk.** Reduce the risks of on-premise solutions that require upfront capital expenses with an uncertain payoff.
- **Greater Financial Visibility.** A cloud-based managed service provider helps executives more accurately forecast the costs of adding new users or locations.
- **Improved Cash Flow.** Avoid assuming debt and keep cash in the company longer.
- **Free-up Internal Resources**. Internal IT talent can focus on software applications and the associated innovations that drive business rather than engage in daily rounds of infrastructure troubleshooting.

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The Disadvantages of Cloud Computing (and how to avoid them!)

Cloud computing has its detractors. Some assert that you can better control your destiny by using in-house IT equipment. Others contend that a move to cloud computing places them at the mercy of third-party vendors or tied into long-term, binding contracts.

If you're looking to outsource your IT function to a cloud computing provider, you should always be cautious when signing a long-term contract. Computer technology evolves so quickly that it's hard to know whether your vendor will have the required resources to keep pace.

Data Security is a major concern raised by cloud computing detractors. To the casual observer, the obvious hurdle with cloud computing is that security is taken out of the client's hands. Anxiety levels and red flags immediately rise when management is asked to entrust their data - the lifeblood of any business - to an external organization that could potentially expose it to hackers, competitors and other threats.

While data security is a legitimate concern, most cloud service providers provide better security than many small and midsize real estate organizations. Since these providers run a centralized system monitored by a team of experts, they can rapidly tighten security and respond to threats. With cyber-criminals becoming increasingly sophisticated, protecting data has become too complex for an in-house IT expert or an IT provider managing multiple, disparate client systems.

When it comes to security, real estate firms must choose their vendors wisely. The cloud provider should have certifications to verify skill levels, as well as references of security-sensitive or publicly-traded clients. The provider must also adhere to industry-specific or government-legislated data security standards.

Availability and Performance. Another chief concern among real estate leaders is the continuous availability and performance of cloud computing solutions, particularly during times of distress and disaster. When Hurricane Ike pounded the Gulf Coast in September 2008, real estate companies were bombarded with calls from clients who suffered building damage in the storm. Those real estate professionals who lost access to clients were not equipped to promptly or efficiently address their clients' needs when they needed it most.

Public perception of cloud computing as an alternative to on-site systems has gained favor in recent years. However, real estate companies should review the service-level agreement (SLA), and the metrics the provider uses to monitor, measure and enforce it. Be wary of providers that don't have such an agreement in place.

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Pricing Model. While clients typically move toward cloud computing for its scalability and reduced capital costs, some executives are still skeptical of the pricing model. Many cloud providers charge as computer storage or other resources are expended. This becomes a concern if or when management underestimates its forecasted usage and uses more resources from the cloud than the budget allows. To prevent this oversight from affecting your bottom line, find a provider that will help you more accurately calculate and monitor your anticipated needs. Or better still; request that the provider charge you on a more predictable per-user basis.

Application Integration: Certainly, there are still circumstances in which in-house systems may be required; the most frequent of which is a testing environment for IT-related projects (if the cloud provider does not offer one). When onsite systems are required, be sure to find a provider that can integrate its cloud-based services with in-house resources. Otherwise, you run the risk of dealing with the same disjointed environment you chose to avoid by moving to the cloud.

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One way to be more certain that the cloud provider meets your standards is by asking for a trial period. A proven vendor should have no problem offering a trial of their service. Be wary of those that do not. Generally, it's important for the clients to compare the performance with their own pre-established objectives. Failure to meet the established service levels should result in a predefined penalty.

Free Security & Disaster Recovery Audit to get you started

It is critical to determine what technology is right for your organization, and which services or products should be outsourced.

As a thanks for downloading this report, we'd like to present your company with a complimentary **Security & Disaster Recovery Audit** to get you on the road to success in the cloud. This audit will help uncover potential IT risks or security vulnerabilities, and includes a comprehensive report on how to best optimize your IT assets and protect your organization. Schedule your free audit by calling 832.204.4909 or emailing sales@xvand.com.