Cloud technology + mobile = { a net positive impact on all businesses

Kevin Mann, CEO of Silicon Avenue

explains the story so far

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The key driver behind the development of public cloud computing is economics. One of the impacts of cloud computing on business is the massive reduction in IT capital expenditure and the cost of technical staff involvement in on-premise system installation and maintenance. This, coupled with the efficiency gains to users because cloud systems 'travel' with them from whatever physical device they use, whether it is a mobile device or from desktop-to-desktop, makes for a compelling productivity mix.

Public cloud software is normally provided in one of two modes. It is either provided 'free' or on a subscription basis. It is for the business consuming the service to be aware of the differences and choose accordingly. Indeed, a mix could be used. Generally nothing in business is supplied free. Cloud computing is no different. The way those firms providing 'free' operate is that they obtain revenue to cover their costs by selling certain services around the use of their particular cloud offering. Most often they will be collaborating directly or indirectly with advertisers; in other words your information in some form is 'on sold' and that revenue pays for the service you receive. This is in contrast to those offering the service for a subscription fee. In that mode the firm is generally operating with users on a dedicated basis and the full cost of providing the service to you is built in to that subscription fee. In these situations, and subject to the terms of the service, it is very unlikely that your data is on-sold and your data is possibly safer and more resilient than your current on-premise data.

With either mode, instead of having to buy complex, expensive servers and back-up systems; instead of constantly buying, testing and installing the latest versions of software; companies just subscribe and consume the service. Those firms who fully or partially adopt cloud-based systems no longer need to have skilled IT people on hand to install and maintain hardware and software for those particular services, and no longer have to be concerned about depreciation or keeping the hardware or software up to date. Capital expenditure (capex) is replaced with operational expenditure (opex). In the case of startup firms this is likely to be a significant benefit. For established organisations the ability to determine the project returns are simplified. Added to those benefits is the ability to swiftly scale the service up or down. This scaling is normally based on the number of users, however the options can be based on processing or storage demands.

It is the cloud software provider who takes care of the cost of the key IT skills required to offer the service. This includes specifying and architecting the system, providing system updates, attending to maintenance and fixes, managing the data storage technology, dealing with the disaster recovery (DR) capability, the replacement of older technology for new, the capacity utilisation of the system, system security, and so on. Other, less obvious benefits are removing the client firms need to be concerned about software compatibility or whether the system will operate on multiple device types. With on premise software, each firm needs to build in testing before installing new applications or upgrading existing applications to minimise the risk of failure through compatibility issues in production. With cloud-technology that process is all managed by the cloud platform and software service vendor. The trend is that almost all cloud applications are delivered via internet browsers and therefore no client side software installation is required. This benefit is leveraged when this software is viewed by clients on a host of different mobile devices as the software is then not limited by the type of device. The users get pretty much the same experience whether they use Apple iPads/iPods, Windows mobile phones or Windows 8 tablets, Android devices or a mix.

Cloud technology providers have a business model that is all about the delivery to many clients at a very low monthly or annual subscription by way of a centralised, highly secure (in many cases military grade), high quality, highly resilient, energy efficient software service. Every aspect of the service has been built specifically for that efficient delivery model which is operated and maintained by the very best of staff. The infrastructure takes a great deal of investment however the return on that investment is amortised over a long period of delivering the service. This is largely the same model as mobile phone (telco) providers who spend enormous amounts on providing the infrastructure for a centralised service that is used by masses and all for a monthly fee. In fact the origin of the name cloud came from the telecommunications industry. Hundreds to thousands, sometimes millions, of users' monthly fees enable the cloud platform and software companies to cover their investment costs. Initially they are unlikely to be profit makers for that reason. It will take a varying period for those firms to become profitable depending on a variety of factors. This method of providing software also has a 'disruptive' effect on conventional on-premise software providers. The problem that on-premise software providers now face is serving their existing customer base investments while in parallel developing replacement cloud solutions to meet demand.

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Another impact of cloud technology services is on client-based IT engineers looking after on-premise systems. As cloud services grow, the need for on-premise engineers diminishes. The distributed computing 'era' is moving over to the cloud computing era. With that transition, overall IT budget requirements are likely to be significantly less relative to an organisations data processing and storage needs.

Lower costs only part of the story

Lower costs however, is only part of the impact of cloud technology. Another key benefit provided by the best cloud computing systems is keeping CEOs, managers and staff constantly aware, by frequently updated and instantly available analysed management data, of threats to profitability, cash flow, delivery deadlines or budgets. This is as true in banking and finance as it is in project-based professions such as architecture, civil engineering or television production.

Cloud technology is bringing down the cost of business intelligence, enabling the delivery of that information to near real time. This, combined with the consumption of that information via mobile devices is allowing users to be informed at any time or from anywhere provided they are connected to the cloud services via the internet.

Amazon has helped lead the way, Microsoft are too

Amazon realised years ago that their IT costs were a becoming an increasing burden to their margins, of what was then largely an online internet, book-selling business. As they looked at the problem and went about finding a solution they ended up creating what is now known as the Amazon Web Services (AWS) over a decade ago. AWS was created to solve an internal largely economic need at Amazon however AWS has since became a business in its own right with Amazon supplying their cloud-based subscription service to other firms faced with the same need. Revenues from AWS could surpass those of the core Amazon online retailing business as a result of the explosion in the evolution of cloud and its fast growing adoption by businesses globally.

Starting slightly later than Amazon, Microsoft had tackled the issues of developing and marketing a cloud-based subscription service rather differently. Microsoft's cloud technology solution is called Azure and was first announced in 2008 followed by commercial release in 2010. Azure data centres have been specifically designed to take account of every aspect that could affect service efficiency including geographical location and environmental/'green' effects through to all infrastructure needs including 'technological leverage' based upon their own Windows Azure operating system. Multiple Azure cloud data centres provide a massive resilience to data storage, processing and availability risks for firms consuming cloud services directly or indirectly from Microsoft. Our firm for instance provides a cloud-based accountability software service called Procision+ (www.procisionplus.com) for firms with a need to manage projects and jobs across their entire firm without imposing any device, location or scale restrictions on user organisations.

A few years ago Steve Bulmer, CEO of Microsoft, more publically announced that the company was transforming to becoming a cloud-based company. Now, we see Windows 8, which is a cloud-based operating system as well as their Office365 service playing a significant part in the cloud technology era. This era is one that will not disappear. It will only grow in momentum and is likely to dwarf on premise client side systems in time. Economics, and the need for mobile services for mobile devices, are possibly the two most significant drivers of this change.

For client businesses large and small, cloud computing combined with an increasing use of mobile devices is becoming possibly the only approach over on-premise computing that makes economic sense for retaining margins and maximising profits into the future.

Kevin Mann is the CEO of Silicon Avenue Limited whose cloud-based job tracking and project planning software, Procision+, is used by firms within in New Zealand, Australia, the UK, USA and Canada. The views and opinions expressed by Kevin are his own and not necessarily those of Silicon Avenue.

Kevin is an Engineering graduate of Canterbury University and of London Business School, and has more than 20 years' experience within the finance, banking, and energy sectors, including extensive global IT and management experience in London.

Kevin refocused Silicon Avenue in 2009 as a cloud technology product company. Its flagship product, Procision+, targets real time business workflow and intelligence needs for SME firms of a project-centric nature to deliver the greatest value, quality, ease of use and mobility. Procision+ adds value to other cloud based applications including Xero – the largest and fastest growing New Zealand cloud accounting software system.

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