Undertake a Total Cost of Ownership for Transition to the Cloud

Cloud Policy Fact Sheet 5.2

A Total Cost of Ownership (TCO) comparison is a tool to help buyers of cloud services determine the direct and indirect costs of a product or system against their current operating model. A TCO not only considers the costs of software acquisition, staff and maintenance but many hidden costs which are not normally considered, for example electricity, cooling, staff training and ICT footprint. It produces a financially accurate starting point to then compare the costs of cloud services.

Objective

Undertake a total cost of ownership comparison of your existing arrangements against transition and operational costs of cloud services.

Process

An agency must determine their business needs and objectives prior to approaching the market. Comparing the products being offered by various cloud service providers can be complex as each provider will determine and customise products based on an agency's business needs. These products may be packaged differently by each provider and therefore cannot be directly compared against each other as they would under traditional procurement arrangements.

Determine TCO of the current state of operations -   This will define the scope for transition as well as clearly identify the components that need to be transitioned.

Determine the TCO of each cloud option. Depending on your agency's processes, this could involve getting estimates from vendors or using estimated pricing.

Many factors influence products and price, including:

- Size and type of virtual machine;
- Platform type - IaaS, PaaS, SaaS or a hybrid