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The Hidden Costs of On Premise Infrastructure vs. IaaS

There are direct and indirect costs associated with on-premise infrastructure. Direct costs are much easier to identify than indirect costs, which are often overlooked. This summary highlights both the direct and indirect costs of on-premise infrastructure and contrasts them with the cost characteristics of Infrastructure as Service (IaaS).

FOR EXAMPLE: Direct costs for a typical server can cost between \$5,000 and \$10,000. A reliable backup of the systems can add around \$2,000. Software licenses, such as Microsoft, may cost about \$1,500 per server, plus additional fees for user and SQL licenses. Initial setup for 2-3 servers might total around \$25,000, varying based on specific needs, before indirect costs are factored in. Indirect costs can potentially double or triple this number. However, these costs are rarely factored in when making the financial decision to build an on premise server infrastructure or on premise infrastructure.

Use this worksheet to detail your current costs so you can better understand where you are spending your budget and to compare and consider how switching from on-premise infrastructure to IaaS may benefit your organization—both now and in the future.

DIRECT COSTS

- \$___ **Hardware:** Physical servers, spare parts, and materials
- \$___ **Software:** Licensing costs for server and user applications
- \$___ **Storage:** Additional storage solutions
- \$___ **Licenses:** Various software and tool licenses
- \$___ **User Support:** Costs associated with IT support for users
- \$___ **Warranties:** Coverage for hardware and software
- \$___ **Off-Site Backups:** Backup solutions for disaster recovery

INDIRECT COSTS

- \$___ **Real Estate:** Space used for servers
- \$___ **Temperature Control:** Tools for cooling the data centers
- \$___ **Setup and Configuration:** Costs for installation and upgrades
- \$___ **Staff Salaries:** For administrators managing the data center
- \$___ **Downtime Costs:** Time and productivity lost during system issues
- \$___ **Power:** Costs for running servers 24/7
- \$___ **Depreciation:** Wear and tear on hardware and software
- \$___ **Disaster Recovery:** Time and resources spent on recovery
- \$___ **Cost of Downtime:** Appropriate backup, DR, and testing methodologies in place
- \$___ **Administrative Costs:** HR, purchasing, and other non-IT expenses.