

# Bound for the cloud... 'The race to zero'

 By [John Harvey](#)

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An interesting new paper by IBM, entitled *Cloud bound*, suggests cloud computing's potential has "rapidly captured the attention of companies using outsourcing providers to manage their IT environments"...

In a world where tech giants like Google, Facebook and Apple dominate the headlines, cloud has to a large extent been overlooked as one of the business realm's biggest game-changers. But a number of recent developments, least of all the IBM report, suggest this may no longer be the case.

[Business Insider](#) reported this week that because competition is so great within the cloud services industry, prices are dropping at a phenomenal rate despite the increase in available storage space.

While this is great news for the everyday consumer, what this has meant is that companies like Google, IBM, Dropbox and others are having to create unique cloud features that people are willing to pay for.

Most of these additional services revolve around apps and extra security, but it won't be long before these become free as well. So concerned are these companies about the phenomenon that it has even been labelled "the race to zero".

What is significant here is that companies that have made their names - and dollar billions - on the advertising carried on free services to users are now themselves under threat from the cloud.

That being said, the "threat" does appear to hold enormous advantages as well.

The *Cloud bound* report states that companies are attracted by the prospects of lower costs, new business opportunities and greater flexibility, scalability and speed.

"In fact, by 2017, cloud-based elements are expected to comprise more than 50% of typical outsourcing contracts, compared to 10% in 2010," the report says.



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However, IBM executives Marsha Trant and Romala Ravi, who compiled report, say there are several challenges when integrating cloud into an outsourced environment, and in order to overcome these, key points should be considered.

## Know your travelling partners well

In order to prove successful in the cloud environment, a company should be prepared to invest time and effort in exploring all the options available, as there are now so many operators in the cloud space. In addition, all internal stakeholders should be made aware of these processes.

## Chart the itinerary together

It is inevitable that the cloud will change the dynamics between a company and its existing outsourcing providers. The authors therefore recommend that "if your strategic vendors don't offer their own cloud recommendations, initiate the conversation - sooner rather than later".

## Protect the passengers

Any mention of the cloud space does raise questions about security, particularly if a company's stakeholders are new to the concept. For this reason, it is imperative that people are kept informed of processes every step of the way, and that

written security audits are made regularly.

#### Plan for arrival

Here, a company should "devote enough time and resources to address potential integration issues, such as data-sharing and process inconsistency among multiple data centres".

What is interesting to note is that despite the obvious popularity of cloud elsewhere, South African companies have to date remained wary.

Earlier this year, Nkosi Kumalo, executive head of product division on cloud computing at Vodacom Business, revealed that 32% of South African businesses expressed concerns about cloud's security, as opposed to the Middle East and Africa average of 26%.

Yet while Microsoft South Africa's Cliff de Witt has admitted that South Africa is about 18 months behind global adoption trends, smaller companies are starting to show they are more comfortable running "business-critical" software on the cloud.

Another indicator of the change in mindset is that South African [tertiary institutions](#) are already offering specific courses like Microsoft's Certified Solutions Associate and Certified Solutions Expert: Private Cloud in an attempt to equip students for the cloud environment.

## **Greater acceptance on the way**

In light of these new developments internationally, one can only assume that it won't be long before the remaining scepticism around cloud begins to wane and South African companies reflect the trends of their overseas counterparts.

Cloud computing has completely changed the tech industry, but it's got a dark side for the companies competing in the market, something those in the industry call "the race to zero."

There's so much competition in the cloud industry that cloud companies keep cutting their prices, even while they increase their storage limits.

There's a couple of reasons for this. For one, computer storage keeps getting cheaper. A gigabyte's worth of storage [on a hard drive in 1993 cost over \\$9,000, but it cost a mere 4 cents in 2013](#).

## **Thank you to Amazon**

But you can really thank Amazon for making sure that cloud computing companies pass those savings along to customers. As its costs drop, Amazon cuts its prices for its cloud. Amazon Web Service had 44 price cuts in about the last six years, [it says](#), thanks to [a culture of "frugality."](#)

Amazon is increasing revenue by gaining more customers and adding ever more services for which they are willing to pay, even though they'll pay less for each as time goes on.

They're treating computer services like their retail store. You're likely to stock up your cart with more stuff if you're getting a bargain on every item you buy.

Microsoft and Google have vowed to keep up matching Amazon's prices while beefing up their own selection of services.

And that means the whole cloud industry has to cut prices as time goes on, not raise them.

Aaron Levie, CEO of cloud storage company Box just told [The Information](#), "We see a future where storage is free and infinite."

## Great news

That's great news for those of us with a growing stash of documents, photos, and smartphone videos.

But it also means that companies like Box, Dropbox, Google, Microsoft, HP, IBM, and others have to come up with unique cloud services that people are willing to pay for.

For instance, Microsoft and Google have put Office apps in the cloud, and they toss in the cloud storage as part of that.

Box, which still hopes to go public one day, is doing a similar sort of thing. It offers extra security around files, something enterprises are willing to pay for to make sure they comply with all laws.

Box is also building other applications, things like a project management app. That's like a GitHub for documents, where all the files for the same project live in one place and people can collaborate, or a sales portal that lets salespeople see which customer has been given which bit of marketing materials.

Meanwhile, every new company in the cloud computing war is looking for ways to offer special services beyond renting apps or storing files.

When Cisco announced it would spend \$1bn on the cloud last summer, the executive leading the project, Nick Earle, was [quick to declare](#), "Our strategy is not to follow AWS on the race to zero."

All the big players have declared much the same thing as they spending billions on their clouds: IBM, HP, Oracle.

But when push comes to shove, the price war is on, and Amazon is determined to keep it on.

[Read more here.](#)

## ABOUT JOHN HARVEY

John Harvey is Media Relations Consultant at Roger Wilco, an established, award-winning digital marketing agency based in Cape Town. He was weaned and came of age on a very unhealthy diet of new sprint and post-midnight deadlines - yet still comes back for more.

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