

Data Center Relocation

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Riley:

Welcome to this IBM podcast series focused on how to optimize your technology infrastructure. I am Riley Star from IBM. Through this series we will cover topics that helped lower IT complexity and improve IT efficiency along with tips and advice on using technology and services to help you and your company succeed. Today I am joined by Steve Sams, IBM Vice President and resident expert on data centers to talk about how IBM can help you to rationalize your data center infrastructure to reduce up to 50% operational costs in your data centers. So please join us as we discussed this timely topic.

Steve we heard a lot about the economic downturn on a global basis and the focus on cost savings. How can IBM help clients take significant cost out of their data centers?

Steve:

Thanks Riley. We did a major survey of CIOs about a month ago. We found that 92% of them were planning to take at least one of the major actions that we were proposing to significantly reduce the cost of their data centers. The actions we are recommending are really 3 pretty simple things. The first is to think about extending the life of your existing data center. In most cases those in data centers are huge capital investments but they may not be used very efficiently. So if we can improve the efficiency of the utilization of those data centers we can defer the need for the organization to build a new data center which quite frankly has huge capital costs and operating costs associated with them.

The second thing that we find they resonated around is the thought about looking at their data center infrastructure across their organization, looking at the large number of data centers they have or the sites that they have that hold IT equipment and consolidating those to a smaller number significantly reducing their ongoing operating costs.

The third thing that we recommend to really reduce cost is if they're going to build a new data center that they think about an approach that's modular. An approach that basically kind of provides the data center capability when they need it and when they use that approach you typically reduce the upfront capital cost by up to 40% and reduce or defer your ongoing operations cost by up to 50%.

Riley:

Steve why would clients want to take the time to rationalize their data center infrastructure?

Steve:

That's a really interesting question and it all comes down to asking the CIO where they are actually running their technology today, where they are running their servers and storage and networking equipment. What we generally find is because companies have acquired other companies and acquired the data center assets associated with those companies because companies have led divisions or departments or geographies to their own saying that the majority of about customers have at least three or more data centers. In fact the data would suggest more than 80% of our clients have three or more data centers.

The simple fact of the matter is by reducing that infrastructure they can save significant amounts of money. Money that they could use to adapt to business changes and technology growth. Money they could use to meet application availability targets. Money they could use to improve their operational efficiency. In today's IT environment typically 70% of the money the CIO is spending is to maintain what they have. This is an opportunity for them to free up a bunch of money to start building new applications to make their business more competitive, to make it more responsive to the changes in the market, to make it leaner and meaner in these troubled times.

In fact we did this exercise with the IBM internal organization, our CIO a few years ago. We actually rationalized the data centers within the IBM Company that support the IBM employee base where we had 235 data centers in 1997 and today we are down to 12. We obviously rationalize more than the data centers. We rationalized the applications, networks, and technology within those data centers. The result of those rationalizations was a savings over the last five years of 4.1 billion dollars of operating costs. So these kinds of plays can have huge impact on the IT operations within a company.

Riley:

Wow, that's impressive. So when a client puts a data center strategy in place what are the types of benefits that they will realize?

Steve:

While the benefits clearly depend on the focus of the strategy exercise but typically there are three or four major things that we see as benefits in client engagements. First of all is a major reduction in operating costs. In our typical strategy engagement the reduction in operating costs is kind of in the 40 to 50% range. Second is there is generally a pretty significant reduction in operating complexity. Clearly in the IBM example managing 12 data centers in those environments is a lot simpler than managing 235. Third is because we are managing these smaller numbers of things in a more disciplined way and we tend to reduce or improve the resiliency or reliability environments for the IT organization. So the actual amount of down time that we've had, the failures that we've had in customer environments and our own have been significantly reduced.

Last but not least because we are in our strategy exercise trying to account for the changes either known or unknown for the future we really gave the environment a lot more flexibility for the future. Flexibility in terms of new businesses they may go in, flexibility in terms of new companies and they may acquire, flexibility in terms of technology decisions that they may make two years from now they're completely different from the technology decisions they make today.

So these things are really focused on providing the CIO a set of cost reduction capabilities that don't just free up money but also reduce their complexity, increase their availability and give them flexibility for the future.

Riley:

Steve that is an impressive list. Can you give us an example of how the client has reduced their operating cost?

Steve:

Well I talked about an IBM example but let's talk about client examples because in general that's where our activity is focused on. I will give you an example of a large Chinese bank. In that case the client started with 36 data centers. We evaluated their actual requirements and found that they could actually rationalize all of their technology into two new sites. When they did that by the way they ended up reducing their ongoing annual operating cost by about 180 million dollars. The actual payback for this initiative was less than one year. So the savings paid for the implementation in less than one year and now they have a much lower cost environment and their availability when up by about 15 to 20%. So they saw significant benefits in terms of the reliability of the service they are providing the client's along with \$180 million operational savings a year.

The other example I would use in this doesn't just apply to large clients, it also applies to small clients as well. At Bryant University in the United States they had their IT technology in four different sites spread across the campus. We helped them understand that moving to one real data center, a data center that had a higher definition of resiliency and redundancy would be to their benefit. When they actually consolidated into this new data center that actually reduced their operational costs by about 15% while increasing the availability of their environment by about 15 to 20%. These are all examples whether they are big or small where this strategy kind of environment can really help the CIO think through maybe a set of questions that they haven't thought through in the past.

Riley:

Steve at what does IBM do that's unique in helping clients to find a data center strategy?

Steve:

First of all I think fundamentally a data center strategy exercise is a very structured approach for us. It's a set of initiatives that are in kind of a discovery phase where we understand the customer's environment today and what they see as their future requirements. We go through a set of analysis stages where we look at all of the alternatives. Look at the objectives of the organization and look at the financials and come to a very short list of which of these alternatives would make the best sense for the client.

We then step through those alternatives, evaluate them both financially against those old objectives to pick the very best one. We then help the client with a presentation and communication of that plan. In many cases these decisions are decisions that are going to be taken to their board of directors. Last but not least in this exercise we actually build a full execution roadmap.

These strategy exercises aren't typically something that's going to get executed in a week. They may get executed over two years, three years, five years or more. If these are very large and complex organizations they may be staging this in a series of buckets. So we build a full execution roadmap so the client can determine the best solution for them, determine which alternatives make the best sense, gain agreement from the executive team on that and then have an execution roadmap that steps them through each of these elements along the way. When we do that we do that with tools and capabilities that have been built over a period of time and also include some new analysis.

So recently as an example we engaged our research community with something that we call threshold analysis. Threshold analysis helps us determine with the client when each of the various data center elements will run out of capability or capacity in the plan and when they may need to upgrade the next step and what the cost of that is. This kind of modeling really helps us evaluate both the alternatives and the impact of those different decisions to the client. By the way, by doing that we also leave the client with the toolset of that threshold analysis. So if their assumptions change they can very quickly understand what impact that will have to their current environment and what things they may want to either move ahead or move a little later in their plan so that they are really optimizing both of their availability and their cost.

Riley:

Okay, if our listeners want to find out more about how to get started, where can we have them go?

Steve:

Well there are really two sources, two different kinds of information that we have on the IBM Web. For CIOs who want to keep current on white papers and videos of how CIOs are transforming their data centers in this era of green and efficiency and cost and operational savings then I would suggest that they go to the CIO channel at www.ibm.com/cio.

If on the other hand you are an IT manager or you have a facility spent we have a site with more details optimization information and that can be found at www.ibm.com/itsolutions/optimizeit.

Riley:

Well thank you so much today for joining us. This concludes our podcast.

Steve:

Thanks Riley and thanks everybody who joined.