


CREATIVE WAYS TO FUND IT INVESTMENTS BETWEEN CAPEX AND OPEX

 **34%** of IT decision makers cited “driving new revenue through innovation” as a top IT investment goal over the twelve months.¹

For decades, IT leaders everywhere purchased expensive IT systems and infrastructure the same way. But antiquated purchasing practices have changed as companies have grown tired of the traditional method of financing an inflexible CapEx model that proves to be expensive and complex. This ultimately results in perpetual refresh cycles and forklift upgrades. In fact, nearly one in five companies, according to a WEI-commissioned study in 2020, stated that “Reducing CapEx” was a top use case for cloud technology over the next 12 months.²

The emerging truth is that innovation isn’t just restricted to technology. Companies are seeking a more innovative approach to financing large scale IT projects to free up resources that can be directed elsewhere. Additional investment items include:

- Potential mergers and acquisitions to attain new technology or market share.
- Expanding to new areas that promise greater ROI.
- Increasing the agility of the organization to adapt to market changes more quickly.
- Investing in new research and development to drive value.
- Modernizing aging business methods and processes.

This executive brief discusses the power of the OpEx model for meaningful IT investment. However, we didn’t write this just for cloud-first enterprises. Many organizations have a combination of cloud and on-prem, and it is here that WEI helps companies reach that coveted middle ground that resides between CapEx and OpEx to ensure future IT investment. If you are unfamiliar with this creative approach to IT investment, we encourage you to read on.

OPEX: A POWERFUL ALTERNATIVE...BUT NOT FOR EVERYONE

There are good reasons why organizations turn away from their CapEx IT spending structure. Chances are, these are the same reasons why many executives look more favorably to the flexible approach of OpEx-based public cloud services.

For example, many cloud service providers claim they can charge your enterprise monthly for the IT resources that are consumed and nothing more. Great idea in theory, right? And for certain workloads and certain companies, it may prove to be the optimal time to make the transition to OpEx-based cloud services. Many enterprises are already reaping the benefits of OpEx modeling for areas such as cloud-based email, CRM, and workloads for human resources.

Many other companies, however, are not quite ready to go “all in” with public cloud. A common example is that the personnel on your IT support team does not have the skillsets required to fluently speak the language of a



mainstream public cloud provider. Other organizations have concerns about how they will protect their own IP and that of their customers in areas like cloud security and regulatory compliance. Others are concerned about what it might take to make their key legacy workloads “cloud-ready.” And of course, there are the hefty egress charges they might incur should they decide to move their data out of one public cloud into another. Fear not, however.

THE HAPPY MIDDLE GROUND BETWEEN CAPEX AND OPEX

The middle ground we talk about between CapEx and OpEx initially emerged from the responses to certain IT questions. These were questions posed by IT clients, their solution providers, and the IT vendors themselves. Questions went something like this:

1. What are the primary IT investment objectives for your organization and how would they change if your IT team wasn't consumed by routine IT management and maintenance tasks?
2. What are the five top technologies that you plan to upgrade or maintain over the next 2 years and what type of cost modeling will you utilize to finance them?
3. If you had a choice in how to deliver your applications, tools, resources, and other IT services to end users, which delivery model would you choose?
4. Have you ever considered the possibility of attaining the benefits of a modern public cloud (greater agility and scalability) for your on-prem sources and infrastructure?
5. What if you could have the best of both worlds in that you could choose the specifics of your on-prem software/hardware stack, but also utilize a pay-as-you budget structure so that you only paid for what you used?
6. How much would it accelerate your digital transformation efforts if you could automate the process of moving legacy workloads to their optimum environment, whether that be cloud, on-prem or both?

As it turns out, answers to such questions proved that achieving an attractive middle ground was more than doable. In fact, for many cases, this middle ground wasn't just feasible, but even seen as preferable to straight CapEx or OpEx options.

SOLUTION SPOTLIGHT: HPE FINANCIAL SERVICES



Hewlett Packard
Enterprise

Today's data-driven, digital-first world means your enterprise must have the investment capacity to facilitate meaningful digital transformation. As an IT leader, you must identify and address the needs that make your IT solutions possible – funding, procurement, ensuring optimal capacity, and responsible retirement.

HPE Subscription

- Choose custom solution including hardware, software, and support services.
- Pay a monthly subscription for 24, 36, or up to 60 months.

HPE Technology Refresh

- Acquire a complete IT solution on a pay as you go basis.
- Choose custom solution including hardware, software, and support services.
- Predictable monthly or quarterly payments over 24 or 36, or up to 60 months.

HPE Transition Services

Two Options:

1. Trade in:
Ship your older equipment with potential for cash back for new IT from HPE.
2. Asset removal and value recovery (for larger projects):
 - Expert and safe equipment removal, value recovery and recycling services.
 - Combine with another financial services solution.



MEETING IN THE MIDDLE

Here's just one example of how this happy "middle" could work:

Your organization needs to modernize its infrastructure but isn't ready to go all-in with public cloud services, nor is it prepared to invest in a multi-million dollar CapEx project to overhaul its IT infrastructure.

You work with a respected solution provider to assess what level of IT resources you need for now as well as your future needs over the next 2-3 years.

You agree on a minimum base level of the services you are likely to consume over that period.

You are billed monthly for that minimum base consumption level. Should you consume more than the minimum default, you are charged just for the level of services you consume.

If you choose a monthly OpEx-like payment you can also include the maintenance and optimization of these basic IT services by your solution provider in order to modernize your workloads.

In one customer case, this translated into a more manageable, IT OpEx spend of around \$180,000 per month for 60 months vs. a sunk, IT CapEx cost of \$15 million.

WEI HAS WORKED WITH MANY CLIENTS TO IMPLEMENT THIS TYPE OF FLEXIBLE, CREATIVE OPEX-LIKE IT MODEL.

Your middle ground scenario doesn't have to work exactly like the example we just provided. Some clients want the terms arranged differently to include longer or shorter terms. You may even prefer a more OpEx-dominated model while others wish to retain some of the current depreciation costs that work with their existing accounting methods. Some companies may have a different preference between being billed monthly or quarterly, too.

These different sets of preferences are the beauty of this favorable middle ground approach. This type of intermediate IT investment model can accommodate many funding variations depending on what a company is trying to accomplish and how fast they need to achieve their business objectives.



In the end it is about giving companies greater control over how they invest in their own IT resources without breaking the bank in the process. This control also extends into how they choose to evolve and operate their own data and application workloads.

ASKING THE RIGHT QUESTIONS, GIVING YOU THE RIGHT ANSWERS

At WEI, we care about helping you make the right choices on your own journey towards digital transformation. We want to ask the right questions to help you identify the right answers for your business.



TALK TO WEI TODAY

We also take pride in our ability to explore new and creative ways to help you fund IT investments. The outcome of these efforts often surprises our present and future clients. If you would like to explore some of the innovative approaches to fund IT transformation, please get in touch.

Sources

1. Foundry (IDG) Research commissioned by WEI, Jan 2019
2. Digital Transformation Strategy study by Foundry, commissioned by WEI 2022

ABOUT WEI



WEI is an innovative, full service, customer centric IT solutions provider.

Why WEI? Because we care. Because we go further.

At WEI, we're passionate about solving your technology problems and helping you drive your desired business outcomes. We believe in challenging the status quo and thinking differently. There are a lot of companies that can take today's technology and create a great IT solution for you. But we do more. We go further. And we have the customer, vendor and industry awards to prove it. WEI is a premier technology partner, who always puts our customers first while providing the most innovative solutions for over 30 years.



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