


## BETWEEN CapEx AND OpEx—CREATIVE, NEW WAYS TO FUND IT INVESTMENTS

 **38%** of IT decision makers cited “driving new revenue through innovation” as a top IT investment goal over the next year.<sup>1</sup>

**Source:** IDG Research commissioned by WEI, Jan 2019.

Let’s face it. The “old” way of buying expensive IT systems and infrastructure just doesn’t appeal to as many companies these days. It’s easy to see why. For already flat (or shrinking) IT budgets, large CapEx investments can get very expensive, very quickly. They also often require prolonged, complex internal purchase and approval cycles. And then, if you need to augment the original hardware or systems 6 months later, the whole purchase/approval cycle can start again.

Who has the time and money for this these days when there may be a better way? Many companies would rather invest their resources in things like:

- Potential mergers & acquisitions
- Expanding to new areas
- Reacting quickly to market changes
- Investing in new research and development
- Modernizing their aging business methods and processes

This executive brief discusses the power of the OpEx model for IT investment. It also explores a surprising, “middle ground” for future IT investment that rests somewhere between CapEx and OpEx. If you haven’t heard of this middle ground of creative IT investment, it may warrant

further scrutiny as a serious contender to help your organization achieve its next, big digital transformation.

### OpEx: A POWERFUL ALTERNATIVE (BUT NOT FOR EVERYONE, ALL THE TIME)

There are good reasons why organizations may turn from their legacy, CapEx IT spend. These are also the same reasons why they have also begun to look favorably at what appear to be more flexible, OpEx-based public cloud services.

Many such public services claim to be able to charge you more manageable, monthly IT costs for just the IT resources you consume. Great idea in theory, right? And, for certain workloads and certain companies, it may prove just the right time to make this type of move to OpEx-based cloud services. Many are already reaping these types of OpEx benefits for areas like cloud-based email, CRM or, even, HR workloads.

Many other companies, however, are not quite ready to go “all in” with public cloud. This might be because the IT staff’s current skillset doesn’t yet include the ability to “speak AWS” or “speak Azure” fluently. Other companies have concerns about how they will protect their own IP and that of their customers in areas like cloud security, regulatory compliance. Many are also concerned about what it might take to make their key legacy workloads “cloud-ready” or the hefty egress charges they might incur if they ever wanted to move their data out of one public cloud and into another.



## WHAT IS THIS HAPPY, “MIDDLE GROUND” BETWEEN CapEx AND OpEx?

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

1. What does your ideal IT infrastructure and cost model look like?
2. If you had a choice, how would you like to deliver your IT services (applications, tools and resources) to end users? What service delivery model would you choose?
3. What if we could get many of the benefits of public cloud (flexibility to shrink/grow quickly, contained operating costs, etc.) but deliver those on-premises, instead?
4. What if we could choose specifics of the software/hardware stack we wanted on our floor yet still only pay for what we used?
5. What if we could work on your schedule to transform key, legacy workloads? What if we could also automate the process of moving them to the right, underlying IT platform at the right time—whether that proves to be in the cloud, on-premises or both?
6. What if your IT staff didn't have to get mired in all the “keep the lights on” routine IT management but could focus their resources instead on more compelling, bottom-line projects?

As it turns out, answers to such questions proved that achieving an attractive, middle ground was quite do-able. In many cases, this middle ground wasn't just do-able, but even **preferable** to straight CapEx or OpEx options.

## THE HAPPY MIDDLE IN ACTION

Here's just **one example** of how this happy “middle” could work:

- Your organization needs to modernize its infrastructure but is not ready to go all-in with public cloud services. It is also not ready to invest something to the tune of \$10+ million for a sizable, CapEx investment to overhaul its IT infrastructure.
- You work with a respected solution provider to assess what level of IT resources you need now and what level you might need over the next 2-3 years.
- You agree on a minimum base level of the services you are likely to consume over that period.

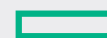
## SOLUTION SPOTLIGHT: HPE GREENLAKE

### Cloud-like agility and economics, with on-premises control

HPE GreenLake Flex Capacity—an innovative consumption-based infrastructure service that offers capacity on-demand. It combines the agility and economics of the public cloud with the security and performance of on-premises IT.

**HPE GreenLake Flex Capacity can help your IT organization:**

- **Scale** — Immediately scale up available capacity when needed, in minutes, not months.
- **Pay-as-you-grow** — Pay only for the capacity you use.
- **Reduce risk** — Key workloads can be kept on-premises, with IT retaining control.
- **Variable payments** — Align cash flows with the business and increase financial flexibility.
- **Eliminate the cost of overprovisioning** — Don't pay for what you don't use.
- **Extend your team** — WEI and HPE can help you simplify your Hybrid IT deployment.



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- You are then billed monthly for that minimum base consumption level. If you consume more than that minimum base level, you are charged just for the level of services you consume.
- If you choose, this monthly OpEx-like payment can even include your solution provider managing many of these basic IT services on your behalf and working with you on plans to modernize your workloads.
- In one customer case, this translated into a more manageable, IT OpEx spend of, say, \$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.

It doesn't always work exactly like the above example, either. Some clients want the terms arranged differently, including longer or shorter terms. Some want more OpEx-flavored than CapEx-flavored terms. Other clients still want some type of depreciation costs that work with their existing accounting methods. Some may not want to be billed monthly, but quarterly.

That's the beauty of this happy middle ground. This type of intermediate IT investment model can accommodate many funding variations, depending on what a company is trying to accomplish and how best to help them get there.

It's really about giving companies control about how they invest in their own IT resources—all without breaking the bank in the process. This includes where and how they choose for their own data and application workloads to evolve and operate.

## ASKING THE RIGHT QUESTIONS, GIVING YOU THE RIGHT ANSWERS

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

We also take pride in our ability to explore new, creative ways to help you fund IT investments. The outcome of these efforts often surprises our clients. If you would like to explore some of these creative ways to fund IT transformation, let us know.



## TALK TO WEI TODAY

**Questions about creative, new ways to fund IT transformation? Explore opportunities with one of our experts today.**

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## 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.