

No Free Lunch: Why the Data Center Must Transform - IO



Copyright © 2013 IO Data Centers

IO Blog



No Free Lunch: Why the Data Center Must Transform

July 22nd, 2013 / Troy Rutman / 0 comments

SHARE

Imagine the pitch: early 1960s, skinny suits, scotch in the morning, Don Draper at the easel before a room full of Ford Motor Company executives:



"We want you to raise millions of dollars however you can —borrow it, raise it in the public markets, or take it out of your own pockets ... we don't care. We want

you to plow that money relentlessly into research and development, and we want you to say goodbye to the days of releasing one stinking new model each year. You will see to it that your assembly line improves so often and so quickly that any car coming off the end might be the last of its kind. And you will promote your cars via casual, grassroots conversations that you can't control and may never know about. You'll make cars available for purchase 24 hours a day, 7 days a week, and you'll have to close every sale with no human interaction or negotiation. And one more thing. You will sell every Ford automobile for no money down... in fact, no money at all... zilch ... sticker price of zero dollars and zero cents... all of it for FREE.

But don't worry... it will all be worth it, because you'll know exactly where and how every customer chooses to drive."

Clearly, "Mad Men" would've been among the nicer epithets hurled at the ad team above. Yet some fifty years later, in the throng of the digital age, the

idea of paying for an application that *infinitely extends* the services of our bank or health insurer or electric company is somewhere between laughable and offensive. Not only do today's consumers expect free, sofa-side access to the most sophisticated interactive technologies in human history, but they expect those conduits to be completely private and unfalteringly available. If not, they can migrate to the competition with almost no friction. All of this is having a profound impact on business, regardless of sector... because in 2013, everyone is in the data business.

How did we get here, and where resides the cost of all this "free"? It's got to be borne somewhere.

When tracing anomalies to traditional business logic, it's a smart bet these days to start with Google. To the average consumer, Google is just the free, easy place to find stuff. But Google is far from free, a fact hidden in an information gap. As of July 22, 2013, Google was selling for \$908.30 per share. A cottage industry has developed around debating whether the company will hit the \$1000 mark or eat humble (Apple) pie, but there's no denying that investors have given an emphatic thumbs up to the company's business model. Google's annual report makes it plain as day: "We generate revenue ...by delivering relevant, cost-effective online advertising."

This may come as no surprise to industry, but every other (free) service Google offers – every one! – exists to enhance their advertising business. Google Maps and Earth and Gmail, though groundbreaking and elegant tools, are merely Trojan horses designed to float Google's advertising revenues ever upward. All this software costs a bundle to design and support, but because it keeps us courtside for the next ad, Google is willing to give it away for free. All over the Internet and regardless of device, Google makes money when an ad is seen or clicked; and because every free application is an ad delivery device, the market rewards Google for giving software away. The money, of course, comes from the \$115 million that advertisers pour into Google AdWords and AdSense each day.

In the similarly-funded world of smart phone applications, it's even clearer that industry—all industry— is subsidizing "free," and doing so heavily. When Bank of America Merrill Lynch gives its customers the ability to bank securely, comprehensively, 24x7xAnywhere, it gets to keep those customers. But make no mistake—this retention strategy demands an investment that is equally high, wide and deep. Free is no throwaway.

Aside from the millions in advertising that get an application seen and downloaded by end-users, there are many more millions required to produce that application and keep it alive. We're talking about financial allocation to the building or renting of IT infrastructure, so that "free" software not only performs, but earns its keep via the collection, curation and secure storage of much-lauded customer "big data." We're also talking about paying through the nose to monitor, regulate and improve that software dynamically, *until the end of time*. The end result is a mind-bender: Information technology, which by definition creates efficiencies and reduces costs, is actually gobbling up a larger percentage of revenue each year as banks and utilities and hospitals plug in.

If you're thinking that CIOs are losing sleep over this, you're right. But it's not just the escalating expenses that weigh heavily; it's also that these experts know there's an Achilles heel at the foot of the IT stack. The data center—a foundational element that holds up the network, compute virtualization, storage and application layers —is BROKEN. Despite the "cloudification" of

every other part of the stack, today's typical data center is still fat, slow, overbuilt and underutilized...in short, an energy-squandering cold house that does not hold up its end of the math. If businesses continue to acquire billions of bytes (they will) and continue to supe up the IT stack (they must), then continuing to treat the data center as anything but a strategic asset is market suicide.

The data center must be transformed if this "free" is to be bearable. IO is deeply vested in making sure this happens.

Troy Rutman is Director of Corporate Communications at IO.

Tags: cloud computing, data center, data center 2.0, Google, Mad Men, Troy Rutman, virtualization

Leave a Reply

Your email address will not be published. Required fields are marked *

Name *

Email *

Website

Comment

You may use these [HTML tags](#) and attributes: <abbr title=""> <acronym title=""> <blockquote cite=""> <cite> <code> <del datetime=""> <i> <q cite=""> <strike>

POST C



www.io.com