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5 reasons to move to the cloud

83% of enterprise workloads will be in the cloud by the end of 2020. Here's why yours should be one of them.

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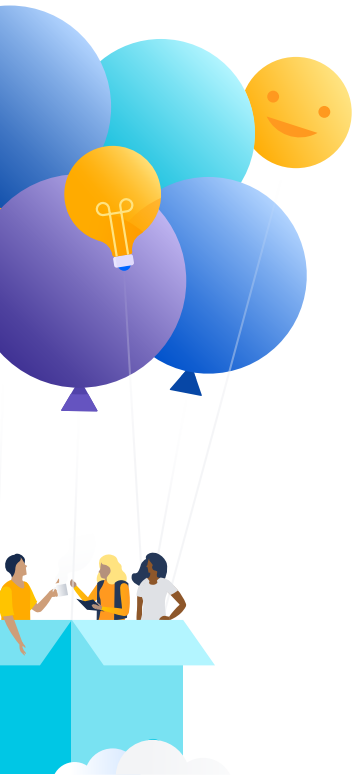
5 reasons to move to the cloud

By the end of 2020, experts predict that 83% of enterprise workloads will be in the cloud.

If you've been paying attention, you're probably not surprised. Cloud services are more secure, sustainable, agile, and cost-effective than ever before and companies are finding fewer reasons to stay on-premises (also known as 'on-prem'). In fact, 9 out of 10 new Atlassian customers choose cloud over on-prem–and even die-hard traditionalists are starting to make the move.

So, what's driving this mass move to the cloud–and why do experts think companies that haven't made the switch are already falling behind?

The answers lie with the top five reasons people make the switch. Cloud empowers businesses to:



1. **Scale faster and more affordably**
2. **Increase profits and lower costs**
3. **Improve speed and performance**
4. **Increase team productivity**
5. **Future-proof against competitive forces**

REASON #1

Scale (faster and more affordably) in the cloud

Search the term “scale your business” in Google and you’ll come up with almost two billion results.

The most surprising thing about that number is that it probably doesn’t actually surprise many of us. The topic is a popular one because no matter what size our businesses are today, most of us are planning to grow. We’d love nothing more than to serve more customers, solve more customer problems, and increase our profits along the way. We’d consider it a major win if our product use doubled overnight. And we all get a little starry-eyed when we hear a success story where companies exceed their goals by 200% or quadruple their team in a matter of months. Scaling is, for many of us, constantly top of mind.

But what most of us aren’t thinking about when we imagine that rapid growth – those overnight successes – is the one thing most likely to sink us if we grow too fast without it: **scalable technology**. Doubling product use sounds amazing, but if you don’t have the technology to support it, it’s a recipe for major incidents, unhappy customers, and stressed-out teams.

In other words, fast, smart, affordable scaling takes more than a spike in customer interest, more than great products and a culture primed for growth. It also requires systems that scale – in, out, up, and down – to meet the needs of your customers and teams, as soon as those needs arise.

If you want to grow without some major tech hiccups along the way, cloud technology makes scaling faster, smarter, and more affordable than on-prem servers – by a long shot.

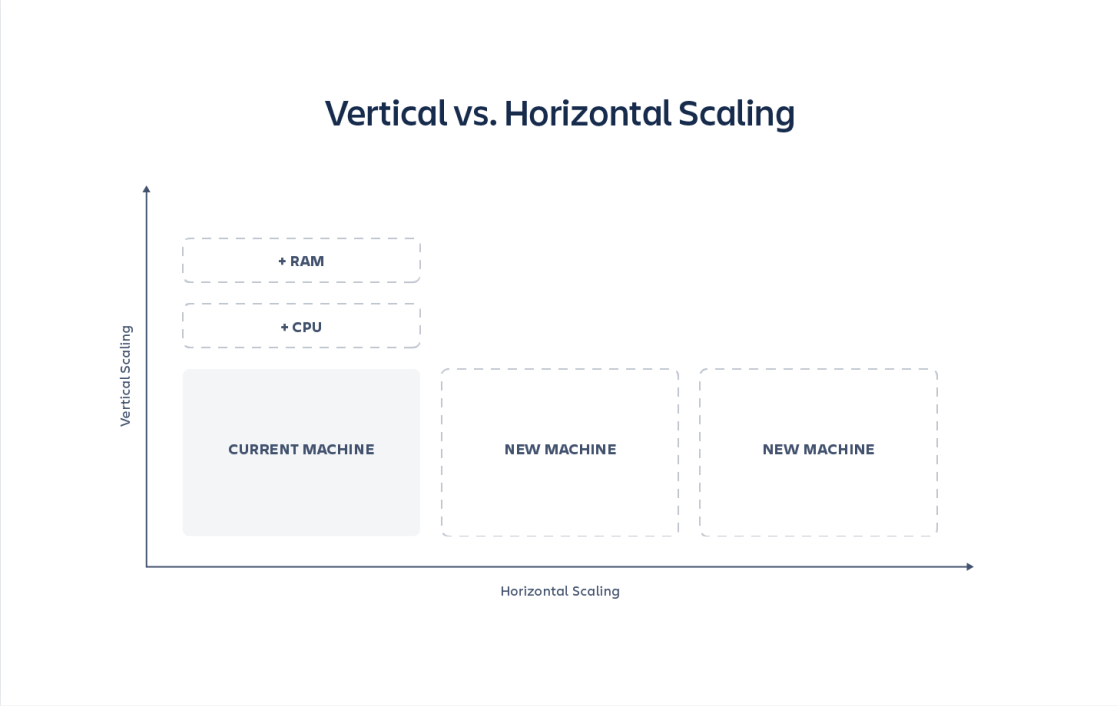
It all boils down to always having a flexible, responsive technology stack at your fingertips – no lengthy, expensive, manual upgrades required.

What is scalability?

Scalability is the availability of computing power, server space, and resources to grow (or shrink) with your business needs. If your computing power needs to increase, for instance, you want your server capacity to scale up to meet those needs. If your computing power needs to drop from 2 a.m. to 4 a.m. local time, you want your servers to scale down to use less resources (and cost you less money) during those slower hours.

Scaling in the cloud vs. scaling on-prem

Cloud is better for scalability because, **with on-premise installations, resources for scaling are finite**. If you need to keep systems running smoothly as your user base grows, your teams have to either add more computing power (CPU, RAM) to your existing machines (known as vertical scaling) or add more servers/machines (horizontal scaling).



The limitations of these physical resources mean that, for on-prem, both vertical and horizontal scaling are manual. Your IT department (with approval from management and procurement) needs to order servers and take machines offline to upgrade. They have to purchase and set up load balancers – tasked with balancing traffic across your servers to prevent overloads, slow-downs, and outages on a single server. The process can be slow and expensive, and it won't happen in an instant. You'll have to plan ahead.

On the other hand, **moving to the cloud lets you skip all of the manual steps of scaling on-prem**. Cloud systems can scale both vertically and horizontally, just like on-prem, but because the resources (additional computing power, servers, and machines) already exist, there's no lengthy, expensive approval and scaling process.

There's also no guesswork on cloud. With on-premise installations, your tech team is making its best guess as to how much computing power and how many servers you'll need. If they overestimate, you're paying for resources you don't use. If they underestimate, another long and costly manual upgrade with layers upon layers of internal approvals is in your future – potentially more than once. Not to mention that spikes in traffic will mean slow-downs, lost customers, or even major tech incidents, like the one that cost Facebook an estimated $90 million.

In many cloud solutions, scaling is automatic. If you're featured in WIRED Magazine and suddenly your product use doubles or triples overnight, your systems scale up to meet the demand. If, like Zoom, a global phenomenon turns you – in a matter of days – from a well-regarded business service into a household name, giving people access to everything from writing groups to weddings to grandma's bingo night, the cloud is already set up to handle that staggering 3,000% growth.

On the other side of the coin, if an unexpected event leaves you needing less computing power, the systems scale down, and you pay only for the power you need.

Don't want to scale automatically? Cloud offers other options.

Most enterprise companies choose to auto-scale in the cloud, letting systems scale up, down, in, or out based on real-time needs. But, of course, you can also choose a cloud system that gives you more manual control.

On-premise vs. cloud scaling options

Scaling on-prem

1. Need identified
2. Request additional resources
3. Decide whether horizontal or vertical scaling meets your needs
4. Calculate how many additional resources are needed
5. Approval process (may involve multiple teams, management + financial decision)
6. Approval
7. Purchase new resources
8. Install new resources

Possible downtime, cost avg. $5,600/minute

Automatic cloud scaling

1. Automatic (systems respond dynamically)

Manual cloud scaling*

1. Need identified
2. Request resources
3. Approval process
4. Contact vendor

Scheduled cloud scaling*

1. Plan ahead
2. Review historial/planned usage
3. Identify peak/low times
4. Establish plan with vendor

*Doesn't account for unplanned spikes or downturns in demand.

Manual scaling in the cloud is still simpler than manual scaling in an on-prem setup (the push of a button versus a lengthy process of requesting additional resources, scoping them, approving them, purchasing them, and installing them).

The downside to manual scaling (and the reason automatic options are sweeping the board) is that because it requires a human touch, it will cause delays when you unexpectedly need to scale quickly. It's also easy for the person responsible for scaling to forget to scale back down after increased demand, which means, once again, paying for resources you don't need.

Another cloud scaling option is **scheduled scaling**, which doesn't automatically grow or shrink with your needs, but can be set to increase during expected peak times and decrease during expected low points. This can work well if your needs are ruthlessly consistent, but still doesn't leave room for unexpected spikes and downturns.

To scale effectively in the cloud, you need the right technology. But you also need the right processes, teams, and company culture, which is why we devoted a whole guide to the challenges and best practices for rapid growth in the cloud.

Staying secure as you scale in the cloud

Ask on-prem businesses why they're hesitant to move to cloud, and the first answer you'll likely get is security. But here's the good news: **94% of businesses surveyed** said security got better for them **after moving to the cloud**. The fear around security risks is, survey says, solidly out of date.

How does the cloud keep you secure as you scale? The answer lies with rigorous security testing, disaster recovery plans, and encryption in transit and at rest, among other best practices. Not to mention that cloud secures systems at the individual user level, not just upon first entry into your system. This reduces the security risk of a fast-growing team by securing how people login, who has access to what, and when that access expires.

Good cloud systems also take a zero trust approach to security, which means security checks at every endpoint and for every user in the company.

The reason for a zero trust approach is simple: On-prem servers are typically protected by a company-wide VPN. If an attacker can get into the VPN, it's panic time, because now they have access to everything. Every system. Every tool. All your stored data. Similarly, if every user has access to the same level of security, an attacker only needs to hack one login to wreak havoc.

With cloud systems, instead of a single moat around your system, security takes the form of unique logins and frequent checkpoints where systems check identity and device credentials and act as security gates between each tool. Each tool is its own secure island and access to a single one doesn't automatically give access to the others. Each user login has its own permissions and doesn't grant access to every part of your systems.

This is how we make sure a vulnerability in one system or one login doesn't automatically endanger any other, which is probably why the vast majority of businesses experience improved security and peace of mind when they migrate to cloud.

Case study: VSCO

Does the fast, affordable scalability of cloud really make a difference? Ask VSCO's photography community and you'll get a resounding yes.

The company went from photography app to thriving subscription business with over two million users, seemingly in a single bound. And because they were dedicated to scaling fast and without service interruptions, they chose Atlassian Cloud to help them make their superman-style leap.

> **Ease of maintenance was the primary reason we migrated. We're a lean organization and we want to stay focused on delivering value to our two million members. It's hard to justify the time spent on internal tool upgrades when they don't directly contribute to our mission to help people fall in love with their creativity.**

As the power-user who led the charge to cloud, Sky Frostenson, Director of Technical Product Management, explains:

In other words, why use up your IT team's valuable time on server upgrades, load balancer purchases, and drawn-out approval processes that could be handled – and improved – by taking them off the IT team's plate altogether?

With Atlassian Cloud, Sky says, performance and uptime are solid. Scheduled service upgrades and downtime have all but disappeared. IT can focus its energy on strategic tasks instead of server upgrades. And Sky's team says the cloud UI feels cleaner and more flexible.

VSCO

Industry
Technology

Location
Oakland, CA

Company Size
Fewer than 500 employees

Products
Jira Software Cloud
Confluence Cloud
Jira Service Desk Cloud
Trello

Marketplace Apps
Easy Agile Roadmaps for Jira
Zendesk Support for Jira

REASON #2

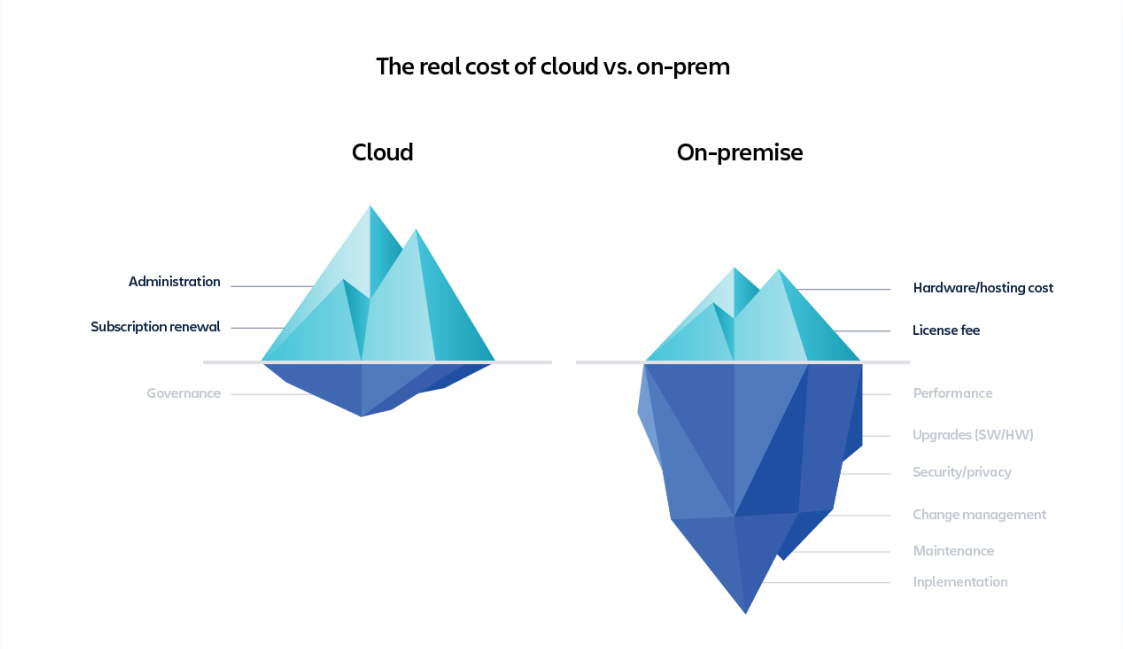
Increase profits (and reduce admin costs) in the cloud

Which is more expensive: hosting your tools on-premises (on-prem) or in the cloud? Ask a dozen people, and you'll get a dozen different answers. While businesses tend to treat it as a simple question, it's actually a rather complicated one.

If we're talking about the monthly subscription cost of cloud vs. software licensing, cloud typically looks more expensive. If we factor in the additional costs of migration from on-prem, cloud will almost always be a more expensive short-term investment. But when we look at long-term value, that's where on-prem starts to look less like the conservative choice and more like a consistent drain on your profits.

Why? Because, iceberg-like, the price tag of on-prem is mostly hidden, and bigger than you might think.

Systems downtime can cost three times as much as a year-long cloud subscription in a matter of minutes or hours. IT time and resources can be cut in half by a move off-prem. And that's not even factoring in operational expenditures and the cost of overprovisioning resources (which impacts the majority of on-prem companies).



In fact, right-sizing your servers by moving to the cloud brings in an average annual cost savings around 30%, according to a recent study of 35,000 servers. The cost of unused licensed software in the US and UK is a whopping $34 billion per year. And IT pros report an average of 20% overall cost savings after ditching on-prem, according to a study by Office 365.

So, **the real question here isn't what's cheaper – it's whether you're taking the long or the short view**. Are you comparing only the visible, up-front costs? Or looking at the big picture, factoring in the total cost of ownership – everything from IT time to server replacements? When you look past the tip of that iceberg, you'll find a long list of ways that cloud saves money in the long run. Here are five of the ways cloud can cut off that hidden iceberg of cost:

Reduce – or even eliminate – the cost of major incidents

The average amount a company spends on downtime is $5,600 per minute, according to 2014 research by Gartner. And since 2014, that estimate has only gone up, with more recent reports putting the figure somewhere around $9,000.

Of course, that's just an average – and some companies have a lot more to lose – like Facebook, whose 14-hour outage in 2019 lost them an estimated $90 million.

With on-prem, downtime falls squarely on the shoulders of your IT team, and it can you big in the form of line items ranging from revenue to internal productivity, SLA penalties, overtime, or on-call emergency pay.

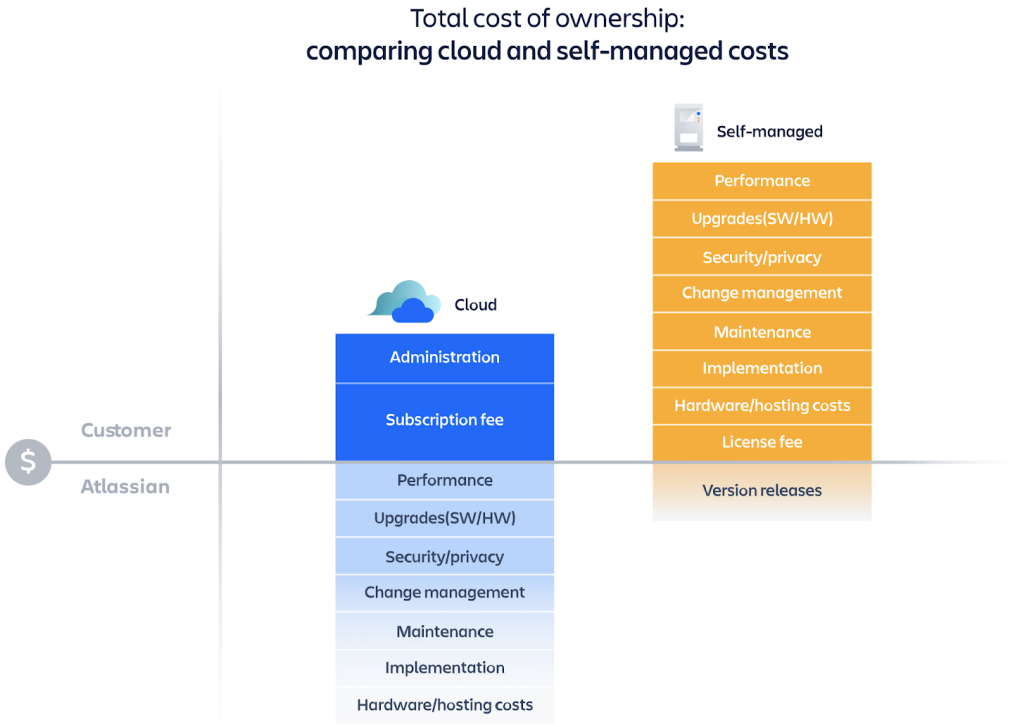
This is one of the biggest opportunities for cost savings in the cloud. Instead of putting uptime on your team's plate and hoping your servers and systems can handle a major incident, you outsource those responsibilities to your cloud vendor. Atlassian, for example, guarantees 99.95% uptime, and if an incident does happen, we've got the resources in place to resolve it, quickly and without additional cost to you.

Contact your Atlassian Solution Partner today to learn more about responding, resolving and learning from major incidents.

Free up your IT team (because we all know time is money)

Make a list of all the things IT has to do to manage your on-prem servers and that list will get long fast. Performance upgrades. Scheduled upgrades. Security patches. Server replacements. VPN installations for remote access. Incident management. Change management. Manual integrations.

When you shift to the cloud, all those tasks fall squarely on the shoulders of your vendor. They're responsible for upgrading security and maintaining servers, replacing old technology with new, and regularly upgrading software to address feature requests and bugs.



This means your IT teams – who tend to be situated on the high end of the pay scale, by the way – are free to focus on strategic or urgent tasks instead of tedious ones. It's also why 74% of organizations say cloud gives their team a competitive advantage.

Reduce operational and physical costs

On-prem also comes with a lot of hidden operational and physical costs that simply aren't a factor with cloud. This includes:

Servers
With an average lifespan of 3-5 years, servers need to be regularly repaired and physically replaced.

Server support
Load balancers, climate control, server racks, replacement parts...in addition to the servers themselves, on-prem comes with some supporting hardware, parts, and physical assets that need to be purchased, maintained, and replaced at regular intervals.

Software renewal/licensing (and over-licensing)
Over-licensing costs US and UK companies as much as $34 billion per year, according to one study. To avoid this common pitfall, companies either need to keep rigorous track of who needs which software, or they need to move to the cloud, where the number of users can often be automatically tracked, updated, and viewed by admins.

Electric bills
If 80% of servers are overprovisioned, that means 80% of on-prem companies are using more energy than they need and paying higher energy bills than they otherwise would.

Real estate/space
Physical servers call for physical space, which means a move to the cloud can open up existing space for other uses or remove data center real estate from your budget entirely.

Maintenance
Server maintenance often calls for temporary staff or contractors, which is a line item you can ditch when you delegate that responsibility to your cloud vendor.

Asset management time/audits
The more assets your IT team has (including physical servers, load balancers, and parts as well as non-physical assets such as software licenses and databases), the more your asset management practice has to track. This means more time, resources, and mental overhead.

Reduce environmental costs

Most of us would love to be more environmentally friendly for no other reason than it's the right thing to do. But the additional good news is that when it comes to on-prem vs. cloud, the environmentally friendly option (cloud) is also the more affordable one.

The reason for this is, of course, that energy costs money. And using more of it than you need necessarily costs more. So when we say cloud is up to 98% more eco-friendly than on-prem, we're also saying it's cheaper.

Offload the cost of scaling

The vast majority of on-prem resources (80%) are overprovisioned, meaning companies are paying for far more computing power than they need. In those cases, a move to a cloud service that automatically scales resources up, down, in, and out saves these companies as much as 30% annually, according to research by TSO Logic.

The problem here is that, with on-prem hosting, your IT team makes an educated guess about how much computing power you'll need. If they guess too high, you're paying for resources – servers, load balancers, power – you don't need.

On the other hand, if the team guesses too low, a lengthy, costly manual scaling process is in your future. You'll need to add more servers or more computing power to meet demand – and that addition will require both money and manpower. Not to mention the weeks, if not months, of slow or unavailable services in the meantime, and the impact they could have on profits and customer loyalty. An incorrect guess in either direction, then, can have a major impact on your bottom line.

The solution here is to choose a cloud service with automatic scaling options. When usage spikes, your computing power grows to meet that demand. When usage slows, it scales down to save you money.

Calculating the cost of a cloud migration

The simplest way to calculate the return on any investment (including a move to the cloud) is this:

(Profit/gain from investment - investment) ÷ (investment) = ROI

So, for example, if you invest $50,000 in a migration from on-prem to cloud and you save or gain $50,000 per year after the migration, your equation would look like this over three years:

($150,000 - $50,000 = $100,000) ÷ ($50,000) = 2

In this example, your ROI over three years would be 2x (or 200%). In the first year, with that equation, you'd simply break even. In years two and three, though, you'd start to see real gains.

Now, sometimes it makes sense to do this calculation based on a year or two, but **most cloud savings grow over time**, since the up-front cost of a migration is a one-time expense and the savings on servers, software, IT, contractors, etc. are generally yearly savings. This means the ROI over time tends to chart up and to the right and understanding your true savings often means a calculation that spans multiple years.

In another example, if you invest $60,000 in a migration from on-prem to cloud and you save $45,000 per year in operating costs, your ROI in the first year will be negative (i.e. the one-time, upfront investment of migration cost more than you saved in year one). However, when expanded to a 3-year or 5-year model, the savings increase drastically.

In three years, you've more than broken even—and in year 5 you've almost tripled your investment.

Example

Calculating 1-year ROI

- Gain from migrating to cloud: $45,000 annual savings
- One-time migration investment: $60,000
- 1-year ROI: ($45,000 - $60,000 = -$15,000) / 60,000 = **-25% ROI**

Calculating 3-year ROI

- Gain from migrating to cloud: $45,000 annual savings x 3 years = $135,000
- One-time migration investment: $60,000
- 3-year ROI: ($135,000 - $60,000 = $75,000) / 60,000 = **125% ROI**

Calculating 5-year ROI

- Gain from migrating to cloud: $45,000 annual savings x 5 years = $225,000
- One-time migration investment: $60,000
- 5-year ROI: ($225,000 - $60,000 = $165,000) / 60,000 = **275% ROI**

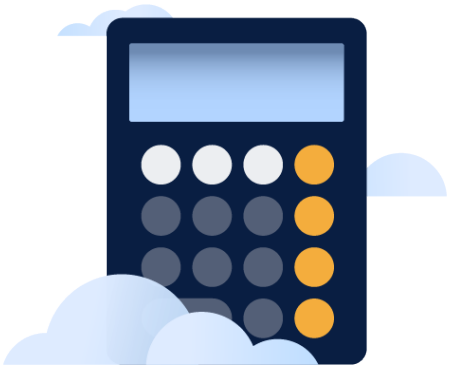
Organizations with a multi-year view of their technology investments tend to remain more competitive in the long-term and often see greater returns.

Calculating investment and gains

The tricky part of this equation is calculating the two numbers you need for your ROI. To understand your **initial investment** in migrating from on-prem to cloud, you'll need to add up the cost of professional services, internal resources, software licenses, data migration, cloud subscription, and any required re-training on cloud tools (if they differ from your on-prem tools).

Then, to calculate your **gains**, you'll need to add up savings on hardware, software licenses, energy, real estate/server rooms/data centers, maintenance (including both employee time and external contractors), asset management time, incident management time, change management time, security upgrades, feature upgrades, and IT team or reduced headcount.

More difficult to calculate before you make the switch – but still important – are the cost of downtime (even a reduction of one hour per year can save companies hundreds of thousands), performance gains, and time saved by non-technical teams who have faster access to new features that increase productivity, collaboration, and security.



Case study: Igloo Software

After a major outage that cost them three times as much as a Jira cloud subscription, Igloo Software decided to make the shift from on-prem to cloud. And that shift saved them big – not only on the cost of future major incidents, but also on admin time and scheduled downtime.

As their Senior Tools Admin James Seddon explains,

> **When we managed our own Jira server, every upgrade required at least two hours of downtime, and we had to schedule it after 8 PM, which meant a late night for me, the admin. Upgrades to Bamboo and Bitbucket, which we did separately, would also each take at least two hours.**

Another time-saver (and, therefore, cost saver) Seddon highlights is that users can configure features on their own–no admin assistance required. Since the switch, support tickets are down by a whopping 50% because users are empowered to do so much more of their own admin work.

IGLOO

Industry
Technology

Location
Ontario, Canada

Company Size
Fewer than 500 employees

Products
Jira Software Cloud
Confluence Cloud
Jira Service Desk Cloud
Atlassian Access

REASON #3

Improve speed and performance in the cloud

42% of professionals say improving network performance is one of the top reasons to move to the cloud. And **the bigger your company, the more performance matters**. In fact, in companies with over 1,000 employees, 76% of leaders surveyed say they're adopting the cloud to improve the speed of IT service delivery.

How exactly does cloud make your business faster? There are six core reasons:

Better network performance

In 2019, network performance became the number one reason companies cited for moving to the cloud (up from #3 in 2018), according to a survey by INAP.

The reason for this shift might surprise you: customer retention. That's right, performance doesn't just impact your IT teams. If your systems don't perform, you're also likely to lose customers. And since retaining an existing customer is 5 – 25 times less expensive than getting a new one, network performance has a direct impact on the company's bottom line.

Uptime guarantees

Any cloud provider worth its salt will offer you an uptime guarantee (and the peace of mind that comes with knowing your systems will be available nearly 24-7).

Atlassian's Premium Cloud offering guarantees 99.9% uptime SLA and offers service credits if it has failed to be met. In our Cloud Enterprise plan, Atlassian increases that financial guarantee to 99.95%. Both plans include 24/7 support with response times in an hour or less.

> With Atlassian Cloud, I'm not waking up in the middle of the night because a node in the data center was down. That's a hugely positive aspect for me and my customers because I can ensure the best SLA possible.
>
> **LAURENT BORDIER**
> **Atlassian Admin, Lucid Motors**

Automatic performance upgrades

Automatic upgrades improve performance while also ensuring there's no lag time in getting to that better performance (since there's no manual upgrade process involved). This means you always have access to the best performing tools and never fall behind your competitors.

Faster product development and deployment

Another place cloud pulls ahead of on-prem hosting in the speed department is **continuous integration** (the practice of syncing developers' work throughout the day) and **continuous delivery** (deploying small software changes quickly and regularly).

CI and CD are best practices for both DevOps and Agile and have experienced widespread adoption among development teams. The primary benefit of CI is that it increases speed (and consistency) as your team prepares for deployment. The primary benefit of CD is that it gets changes to your users faster and in smaller batches that can be easily dialed back in case of an incident.

So, what does this have to do with moving to the cloud? Well, much like enabling remote work and distributed teams, while you can do CI or CD on-prem, cloud is generally faster and less complicated. After all, with cloud you have instant access to more computing power and more machines–which means you can run CI/CD tasks simultaneously. This can make these keystone practices significantly faster. Not to mention that most CI/CD software is cloud-based and integrates seamlessly with other cloud tools.

Automatic scaling and load-balancing

With on-prem hosting, computing power is always finite. You have a set number of servers, a set number of load balancers, and a set amount of power. This means that if your user base grows quickly or unexpectedly, your systems could slow to a crawl or–worse–go down altogether.

With automatic scaling in the cloud, computing power can scale up as high as it needs to in order to handle unexpected spikes in use. So, if your external user base quadruples overnight or you have to double your internal team size within a week to meet new demand, speed doesn't suffer.

Standardization

Some teams use a move to the cloud as a chance to streamline internal processes, embracing migration as an opportunity to improve speed and productivity both inside their tools and outside them–in process and culture.

Much like moving to a new house is often an opportunity to go through everything and get rid of things you don't need–like those shoes in the back of the closet that pinch your feet and that set of golf clubs you bought with every good intention and never used–a move to the cloud is a good excuse to take a good, long look at instances, workflows, documentation, team best practices, etc. and ask what is and isn't moving you toward your overall business goals.

Making the switch from on-prem to cloud

Overall, a move to the cloud is likely to improve performance, product development, and process speed. That said, **the one part of this process that isn't always fast is the migration process from on-prem to cloud**.

Don't know where to start with migration planning?

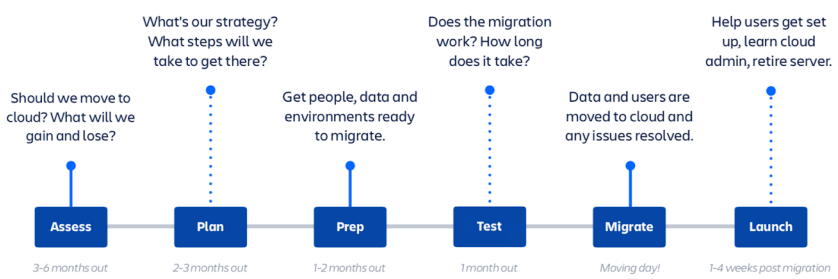
Whether you are looking to consult experts on the best path to migrate or figuring out how to consolidate instances or need custom APIs built - contact your Atlassian Solution Partner for help with migrating to the cloud.

There's a pervasive myth that the move itself is just like flipping a switch, but that's an oversimplification. The truth is that migrations take time and to do them well, you need a migration plan.

Migrating your assets to the cloud involves testing applications, accounting for bandwidth limitations, and allocating the appropriate resources–both internal and external–for the move. And these actions have timelines that vary wildly depending on your organization's size and setup.

A small company with a single server and no integrated services can easily make the switch in less than a week. But that's the fastest scenario. Most companies are dealing with a more complex set-up that involves integrated email, document repositories, and communication systems. And the larger and more integrated your systems, the longer you can expect your migration to take. The industry average is somewhere around one to two months, with larger companies with complex set-ups sometimes needing up to 12 months from inception to production and training.

Estimated Time Frame for a Large-Scale Cloud Migration



And that's just the technical side of the process. Once your systems have been migrated, it's important to factor in the time it'll take for you to train employees, secure cultural and team alignment across your new systems, and update any internal documentation to reflect changes in workflow, process, and how to complete tasks within your updated systems.

The key takeaway here should be that **when we talk about cloud increasing speed and saving money, that's the long view**. There is an up-front cost in both time and budget to get to that more nimble, agile, cost effective place. And the larger your company, the longer that timeline tends to be.

The important thing is to understand the long-term value you can expect from the migration. There's a reason **76% of leaders say they're adopting the cloud** to improve the speed of IT service delivery. Because those long-term gains are more important than the short-term work.