

Ari Abramson
Flash Paper #2

We can net \$9.2 million in benefits over three years if we consolidate 80% of our physical servers to virtual machines (VMWare). This reduces the total number of servers we maintain by consolidating our data center resources.

The key capability of upgrading to VMWare is the ability to consolidate our servers. It will be easier and less expensive to manage a lower number of physical servers. We have the ability to transition 800 of our physical servers to 80 virtual machine servers, which will save us money on hardware acquisition and maintenance costs.

Consolidation ensures an efficient use of resources. In our hardware refresh cycle, implementing virtual machines will save us \$14 million dollars. It will cost us \$4.8 million to implement, and allow us to net \$9.2 million in benefits over 3 years.

| | Year 1 | Year 2 | Year 3 | Total |
|--|--------------|--------------|--------------|----------------------|
| Costs | | | | |
| 200 Traditional Physical Servers | \$ 1,600,000 | \$ - | \$ - | \$ 1,600,000 |
| 80 VMWare Servers (10:1 Consolidation) | \$ 1,280,000 | \$ - | \$ - | \$ 1,280,000 |
| Maintenance: 200 Traditional Physical Servers | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 1,200,000 |
| Maintenance: 80 VMWare Servers | \$ 240,000 | \$ 240,000 | \$ 240,000 | \$ 720,000 |
| Total Costs | | | | \$ 4,800,000 |
| Benefits | | | | |
| Eliminate 1000 new traditional servers | \$ 8,000,000 | \$ - | \$ - | \$ 8,000,000 |
| Eliminate maintenance for 1000 new traditional servers | \$ 2,000,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 6,000,000 |
| Total Benefits | | | | \$ 14,000,000 |
| 3-Year Net Benefits | | | | \$ 9,200,000 |

Resources:

Vanover, R. (2015, October 22). Physical Servers vs Virtual Machines. Retrieved October 11, 2016, from <https://www.veeam.com/blog/why-virtual-machine-backups-different.html>

Davis, D. (2013, March 28). Understanding the Difference Between Physical and Virtual Networking. Retrieved October 11, 2016, from <http://www.windowsnetworking.com/articles-tutorials/netgeneral/understanding-difference-between-physical-virtual-networking.html>

Sebastian, S. (2016, May 24). Physical Vs Virtual server: Which one should you choose? Retrieved October 11, 2016, from <https://bobcares.com/blog/virtualization-or-physical-server/>