The True Cost of Co-location

For a company thinking about going down the co-location route, there are many hidden costs to take into consideration and which mean that it is not as cheap as you think. Instead managed dedicated hosting carries many advantages and removes many of the headaches usually associated with hosting.

Co-location Costs

Rackspace Advantage

1. Capital Expenditure Problem

At first impression, the co-location option can seem like a stable long-term solution. However, the costs associated with buying all the necessary equipment, up-front, can quickly compromise a company's budgeted capital expenditure which can impact on their financial stability. In addition, in today's ultra competitive business environment, pressure on Return on Investment can distract the company away from the needs of its day to day operations.

Rather than pay for everything like dedicated lines, router, server, chassis, firewalls, load balancers and software up front, Rackspace eases that financial burden. Rackspace allows our customers to significantly reduce their up front capital expenditure, spreading the cost more evenly, in affordable instalments, thereby achieving a faster Return on Investment.

2. Hardware Depreciation

In addition to having to buy all the equipment upfront, companies who go down the co-location route have the pressure of keeping up with advancements and upgrades. The expediential rate of technological change in the server component market, means that once systems are bought they quickly depreciate. The cost of keeping hardware up to date places a further financial strain on an organisation opting for co-location.

Of course Rackspace cannot slow down the equipment depreciation process, but we do take on the responsibility of owning equipment that will depreciate so you don't have to. We allow customers to upgrade on the fly without incurring the significant capital outlays associated with a co-located solution. We work with our customers to make sure that their revenue generating transactions are backed by the fastest, most efficient technology available, all at a reasonable price.

3. Overall Maintenance Problem

One of the most important items to consider when outsourcing hosting projects is the associated cost of effectively and efficiently maintaining it and the risks associated with not being able to do this properly. In a co-located environment, a company must take steps to ensure they have a disaster recovery solution in place in the event of equipment failure. For a truly robust solution, a company needs, at a minimum, a warm spare for every component in the configuration on hand. You must also plan to have on-call Level-3 technicians ready to diagnose and address the problem. When and if disaster should happen, these additional payroll, hardware and opportunity costs can quickly shatter any planned revenue goals.

With 10 years experience in managed hosting, Rackspace has deep experience in the complete management of our customers hosting environment. We have all the necessary equipment, carry multiple spares of every component and have level 3 technicians on hand 24/7/365 to ensure that our customers receive the best service. We are so confident in our ability that we guarantee 100% uptime and a 1 hour hardware fix for our customers; with meaningful compensation should we fail to comply. This takes the headache and expense of carrying spares and technicians or experiencing downtime, away from our customers.

4. Network

Companies who choose co-location will have to recreate network infrastructure which can also be very expensive. The option for companies who co-locate is usually T1 or T3 at a cost of up to £600 per month, on top of the hardware and maintenance costs. However, perhaps more important than the cost, is that this is a single point of failure. If this connection were to go down then business will be lost, no matter how many staff a company has or hardware that has been purchased.

Rackspace offers a multi-homed network through several providers to ensure that we are not completely reliant on any one provider. This means that our customers' data will always reach its destination in the shortest time possible and with minimal packet loss. Rackspace is also partnered with Cisco and offers a fully switched and fully redundant Cisco powered Network. The network has unique self healing attributes that allow us to deliver on our 100% infrastructure availability guarantee.

5. Risk

Co-location involves a lot of up front costs, and in doing so this inherently means a lot of risk. By tying up funds into hardware, re-creating the network, hardware depreciation and failure, as well as hiring staff to man it all, companies commit significant resources into just one area of their business. This subjects the business to the risk – of not being flexible enough to react to change and deploy resources into other areas, should circumstances demand it.

Rackspace allows customers to have month to month contracts by default so there is very little risk involved. In addition, customers have the ability to be completely flexible, scaling their solution in line with their business, as it is needed. In addition, by taking over the management of our customers hosting environment, Rackspace alleviates the pressure on their internal IT staff, freeing up resources to be redeployed into more profitable areas.