Is the cloud still too pricey in SA?

For years, cost savings has topped the list of benefits offered by cloud computing. This is one of the factors that has resulted in a massive increase in the use of cloud services across the world, with analysts showing exponential growth among the biggest vendors every year.

Richard Firth, CEO of MIP Holdings

In Africa, cloud spending has also seen a marked increase. The Cloud Africa 2018 report, a research project conducted by World Wide Worx for F5 Networks, came to this conclusion after researching the innovation in three of the continent's major economies – South Africa, Kenya and Nigeria.

The research found that in 2013, fewer than 50% of companies surveyed used cloud computing, but now it's pervasive in the surveyed countries.

Despite this growth in cloud usage and investment, Richard Firth, CEO of MIP Holdings says that far fewer South African – and African – companies are moving to the cloud compared to their international counterparts. This, he believes, is because the cost of the cloud locally is far more expensive than most people realise.

"Most of the statistics we see, and all of the articles we read about cloud take international costs and environments into account. I firmly believe that cloud is just too costly because hardware and infrastructure are still too pricey in South Africa," he says.

Cloud is a more cost effective option

Firth adds that for those companies without legacy environments, the cloud is a more cost-effective option, but all those businesses that have existing investments into their own infrastructure will find that cloud doesn't save them as much money as they thought it would.

> *There's no doubt that cloud is more cost-effective in most instances, but the savings companies expect may not materialise. There is a misconception that a move to the cloud will automatically save you money, but that isn't always the case.*

He says that there are a number of reasons for this.

"Some companies may find that they have to make additional investments in order to achieve their cloud goals, for example, investing in better network infrastructure to assure high availability. Other companies have found that their licence costs have actually increased because they are making certain systems available to more people."

Ultimately, the factor that makes the biggest impact – and the primary reason that local companies do not see the equivalent savings businesses in other countries do – is the exchange rate, Firth says.

"Last year, Azure hiked its service pricing in South Africa by a massive 23.1%. This was as a direct result of a sharp fall in the value of the Rand. All other cloud providers have similarly adjusted their pricing for the same reason. Even local cloud providers are subject to the volatility of the Rand, because they have to buy their hardware and infrastructure from international vendors who use Dollar pricing."

"Maybe, the time has come for business South Africa to take the blinkers off and embrace the new competition that China may just bring to the market place," Firth says. "Since 2000, China has been the source of nearly $200 billion in trade across Africa."

Firth says that while the current exchange rate is an indication that the South African Rand is greatly undervalued, this is no consolation to those companies whose costs are being driven up when they are trying to look for greater efficiencies.

"This also makes it unlikely that the construction of cloud data centres by AWS, Azure and Huawei will change the pricing that local companies pay. Azure's decision to increase prices in South Africa was to 'realign to global price levels', making it doubtful that the situation will change any time soon."