The Hidden Costs of Hardware

Used to be, purchasing expensive hardware made financial sense. So did stretching that investment as far as you could before ultimately making the decision to replace it. But as technology infrastructure demand evolves faster and faster, that calculation may not exactly add up anymore. Aging hardware that needs to be replaced brings with it a lot of hidden costs. What's worse is they never seem to go away – maybe you patch the problem today or maybe you replace the hardware altogether. But what happens in another year or five years? You once again find yourself stuck with the same problem.

Instead of renewing your hardware piece by piece, or even all at once, it might be time to consider outsourcing. If you make the move to outsource your core, you won't have to maintain all of this hardware anymore – while paying for the oftentimes unexpected issues that come along with it, like performance declines, system maintenance, and holes in security and compliance.

PERFORMANCE DECLINES

The average lifespan of a typical server is between three and five years. As the server's software ages, it becomes difficult to properly support and service the equipment. Because applications are based on the current hardware's specifications, as the equipment ages, it becomes more susceptible to applications slowing down, unplanned downtime, and even data loss.

> Server performance erodes on average by 14% annually.

International Data Corporation (IDC) explains that managing a hardware environment in an "ad hoc" manner can generate exorbitant operational costs. "IDC research shows how costs and performance change dramatically over the life cycle of a server. Server performance erodes on average by 14% annually so that by the fifth year in, it has 40% of the performance as when it was new. The combination of lower performance and higher failure rates grows unplanned downtime by 20% annually. The rate of these changes do not occur at a steady state; rather, it doubles in the fourth to fifth year."[1]

To look at it from another angle: IDC says the relative performance of an IT asset declines by 22% in year three, by 33% in year four, and 59% in year seven.

SYSTEM MAINTENANCE

For the first few years, the cost of supporting and administering a server remains relatively constant. But as aging hardware reaches its replacement date, to avoid complicated breaks and lagging, it becomes more necessary to upgrade or refresh them on a continual basis.

According to the research published by IDC, by its fifth year, the expenses of supporting and maintaining a typical server have already increased by 148%; and in year seven, the costs have climbed to an astonishing 300%.

HOLES IN SECURITY & COMPLIANCE

Even without aging hardware, maintaining security and compliance is already expensive: 87% of organizations don't have sufficient budget resources to deliver the levels of cybersecurity and resilience they want.[2] Trouble is, hackers are more sophisticated than ever; and as hardware ages, they have more time to study loopholes and figure out how to infiltrate the IT's architecture. To illustrate this point, Cisco recently analyzed 115,000 Cisco devices online and found that 92% were not running the latest versions of software, exposing them to vulnerabilities.[3]

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The study also found that some of their clients were running software versions that were more than six years old; and many of the infrastructure devices they analyzed had reached their last day of support (LDoS), which means the devices aren't even receiving patches for vulnerabilities.

WHAT'S THE ALTERNATIVE?

Get out of the hardware business. Maintaining an on-site network infrastructure opens you up to vulnerabilities and your underlying infrastructure might not support your credit union's business development objectives. But outsourcing your core can mean reduced costs, greater scalability, bolstered security, and boosting efficiencies. It also means no longer having to budget for one-off expenses like replacing or patching equipment. When you outsource your core, you can allocate resources elsewhere like strategizing new revenue opportunities and how to better serve your members.

Want more information about the benefits of outsourcing, visit our website **or call 888-796-4827.**

SOURCES
1) Brothers, Rob; Perry, Randy; Scaramella, Jed. IDC: Why Upgrade Your Server Infrastructure Now? July 2016. Pp.8.
2) BizTech: 3 Considerations When Choosing a Cloud Security Provider. December 2018.
3) Grieco, Anthony. Cisco: Security: Why Aging Infrastructure Is a Growing Problem. 2016.

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