

# Cloud computing catches fancy of companies looking to lower costs

19 May 2010, By Steve Alexander

Cloud computing used to be one of those wispy technical phrases that was hard to define. Was it a new name for outsourcing? A different kind of computer network? Or just marketing nonsense?

But the overcast outlook is beginning to clear: Cloud computing is a new business that lets you rent computers by the hour, the way you might rent a fishing boat.

Just ask Jim Graham, a 3M technical manager, who has launched a new software business from his St. Paul, Minn., research lab without using any 3M computers. Instead it lives "in the cloud," which means 3M's software resides on computers in [Microsoft](#) Corp. data centers around the world.

His reason: Cloud computing is an inexpensive way to launch a new business for which demand is unknown. Rather than commit to buying or leasing computers, telecommunications lines and [data storage](#), Graham rents them.

3M's new business, called Visual Attention Service, lends itself to cloud computing. 3M software analyzes advertising agency photos to help determine, in less than a minute, whether the picture actually directs a customer's eye to the object being sold. This work has typically been done by experts, but 3M's automated process is cheap and quick.

But will it sell? Since 3M can't predict the demand for the service, which was introduced in January, it didn't want to commit to long-term data center use. Graham's new business has become a cloud-computing pilot project that the rest of 3M is watching.

If it works, 3M could be one of the first big corporations to widely adopt cloud computing, which so far has attracted mainly small and medium-sized businesses seeking to lower costs. Big companies, which have voiced more concerns

about privacy and security, haven't embraced it.

But cloud-computing providers are pushing it hard.

Besides Microsoft, St. Paul-based Lawson Software Inc. and Eden Prairie, Minn.-based VISI Inc. are renting out their data centers for cloud computing.

"Most of our customers are small businesses with five to 500 employees," said Johnny Hatch, VISI's product manager for computer hosting operations. "They can sign up online and start using the service. We can set up a server for them in about a minute."

Microsoft is aiming for bigger corporations, and admits it's a hard sell.

"Retailers and manufacturers are the most amenable to cloud computing" because its flexibility accommodates annual variations in their employment rolls, said Donald Leeke, general manager of Microsoft's seven-state North Central District. "Financial services and health care are slower to adopt it" because of privacy concerns.

Some in the computer industry consider cloud computing a megatrend.

"We are in the midst of a transition in how computing services are delivered," industry journal CIO Magazine wrote recently. "We are moving from a custom, manually-intensive, expensive approach to a standardized, automated, inexpensive approach."

Leeke said cloud computing can save customers 20 to 30 percent of their IT costs. Changes can be made quickly.

"I can turn on 10,000 users tomorrow if you want," Leeke said.

One VISI cloud computing customer says the benefits aren't clear-cut because the pricing favors intermittent computing use.

"For short-term applications, such as testing and development work, cloud computing is ideal," said Jim Pedric, product development director at 7 Medical Systems in Golden Valley, Minn., which stores electronic medical images and patient records for clinics and small hospitals. "I don't have to buy a server because I can rent one for 32 cents an hour. But whether cloud computing makes economic sense for full production remains to be seen."

For customers who aren't ready to embrace remote data centers, Microsoft is developing an intermediate solution. Computer centers shared by many corporations are called the "public cloud," but it's possible to create a smaller "private cloud" within a company. That way, company divisions would be able to get on-demand, pay-by-the-hour computing service to better manage their budgets.

Scott County, which already contracts with Lawson for accounting, procurement and human resources software that Lawson runs from a Phoenix data center, had expected to be offered a renewal of that contract when the current one expires in November.

Instead, the county got a new proposal from the St. Paul software vendor: better service at the same price if the county would try its new cloud computing service that uses the Amazon.com [computer network](#). The benefits to the county would include faster data recovery and less potential data loss. If the county liked what it saw, it could sign up for cloud computing in the fall.

"We can rent this software and the computer capacity to test it from Lawson," said Kevin Ellsworth, chief financial officer of Scott County.

A county decision on whether to subscribe to Lawson's cloud computing will be made by fall. What the county will pay for it is not clear.

"I think the opportunity for cost savings is there," Ellsworth said. "It's easy for them to rent out a tiny

sliver of a cloud data center to Scott County."

Lawson recognizes that many customers will have doubts about cloud computing. For now, Lawson doesn't expect cloud computing subscription fees to account for more than 5 percent of company revenue, said Lee Kilmer, Lawson's global director of product management.

"Everybody may not go running to [cloud computing](#) all at once," Kilmer said. "But as we demonstrate the reliability and cost, it will be a natural progression for more and more companies."

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