

OpEx Cloud and CapEx Cloud: Understanding the Difference

TechRounder PDF Edition

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In brief

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Anyone running a business might hear "OpEx" and "CapEx." OpEx means operating expenses. That's what you must pay to keep running your business smoothly. CapEx means capital expenses. Those include funds you use so you can keep your assets usable.

You also have OpEx cloud financial models and CapEx cloud financial models. Businesses can use both, and you'll likely find them helpful. So what do these terms mean in this context, and how do they differ?

We'll talk about that in detail right now.

What is the Cloud?

Before we get into CapEx vs. OpEx cloud, you should know what "the cloud" means. If you have an IT background, you might know it, but if you know very little about IT, you're probably mystified.

The cloud means cloud computing. When someone says "the cloud" in business, they mean computer system on-demand resources. They usually mean either computing power, data storage, or both.

If you have a large business, you probably need an equally-large cloud. When you get one, you have functionality that the cloud's operator distributes over multiple locations. Each of these has data center capabilities.

If you use the cloud in business, that can help you in several ways. You have more capacity, reduced operating costs, less maintenance, more productivity, and easy scalability and functionality. Anywhere you can set up an internet connection, you can use the cloud and the computing solutions this model offers.

Now, back to CapEx and OpEx.

What is Cloud CapEx?

Cloud CapEx means you have significant investments in mission-critical fixed assets. In other words, you're spending money, not just once, but continually, to keep your mission-critical assets going.

Mission critical means your company can't function very well, or at all, without those particular resources. If you think briefly, you can probably identify your mission-critical assets. Without them, your whole business model falls apart.

What About Cloud OpEx?

Cloud OpEx means that you have day-to-day costs. You probably can easily identify those when you consider them as well.

Comparing Cloud OpEx and Cloud CapEx, you should immediately see the difference. Cloud OpEx has a smaller dollar amount, while Cloud CapEx has a much larger one. Why should that be? You can think about it this way.

Say you have a cloud computing system that you need in place because it allows all computer-related company functionality. However, you also have daily expenses.

You'll pay small expenses daily or perhaps weekly in some instances. You might even pay certain fees monthly. But, then, you have Cloud CapEx. You will likely pay that quarterly or yearly. That's usually how you compensate a company from which you get your cloud computing.

What Similarities Can You See?

You can now see how Cloud CapEx and Cloud OpEx differ. Do they share any similarities, though? Of course, they do, and they're worth mentioning as well.

You can see that you spend more money to keep your business operational each quarter or year than you spend daily or weekly. That's just simple math. These days, though, companies can examine both their Cloud CapEx and their Cloud OpEx and see where they can save money with both.

They're similar in that you can audit both to see whether you can trim your budget. So whether looking at larger, quarter-to-quarter, year-to-year expenses or smaller, day-to-day, or week-to-week expenses, you should save money in either area if you can.

By auditing both areas and seeing whether you can save money, you can allocate the cash you save elsewhere. For example, you might put it into hiring more workers, doing more product research and development, expanding your ad campaigns, etc.

How Can You Save Money on Your CapEx and OpEx?

You can potentially save money in either area by eliminating redundancies. However, you probably can't do this yourself if you don't know the IT world well.

That's why you need a very knowledgeable IT department. Your IT department knows the cloud computing service that your company uses. They know the other technology you use and whether you need it.

You might ask them whether they can audit your CapEx and OpEx and identify any waste points. Then, you might ask whether they have recommendations that will trim your budget if they can.

Though Cloud OpEx and CapEx aren't the same, they are similar. As a result, you can save money in either area, which helps your business when you do.

References

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