

# Rising Gas and Energy Prices: 3 Ways IT Can Help Businesses Survive

## Businesses Are Making Changes

The average gas price across the U.S. hit \$4 a gallon according to the Lindberg Survey conducted from May 16 to June 6, 2008. Survey publisher, Trilby Lindberg says “All indicators are that this number is going to grow.” The cost of crude prices has increased 40% just this year, and the affects of rising energy and related raw material costs on business thus far have been notable. Not only does fuel for transporting goods affect prices, but manufacturing costs have been dramatically impacted as well. (1) The cost of Kimberly-Clark plastic diapers (Huggies) have risen 8%, the cost of Good Year synthetic tires have increased 15%, and Dow Chemicals released a statement prior to their 20% price hike on June 1st.

(2) Andrew N. Liveris, Dow chairman and CEO, said “The new level of hydrocarbons and energy costs is putting a strain on the entire value chain and is forcing difficult discussions with customers about resetting the value proposition for our products.” Dow’s energy costs are expected to jump from \$8 billion in 2002 to \$32 billion this year.

The hit to the airline industry has been obvious. Continental Airlines has eliminated 3,000 jobs and grounded 67 mainline aircrafts, and multiple airlines are now charging for once free benefits such as food and luggage. Business travel has been affected by these changes not only in cost increases but in added stress to the traveler as well.

How can IT departments prepare to support their organizations through these cost increases in gas, energy, and related resources? Put quite simply, anticipate resulting business trends and plan a scalable environment to support them. Easier said than done you might say, but we’ve identified several survival strategies that IT can plan for and support right now.

### #1: Cut Energy Costs

No brainer, right? If you have not implemented virtual servers yet, or have not yet expanded your virtual infrastructure across all potential resources, now is the time. The technology is proven, it’s no longer a risk, trust us. If you don’t trust us, trust the Pentagon of the United States. (3) They were able to reduce energy costs by 1,000 servers, reduce square footage by approximately 97%, and do 10 times the amount of computing. Data center consolidation with virtualization easily shows 80-90% reduction in energy costs, gives you the ability to power down servers without affecting applications or users, all while improving your service levels. As of October 2007, (4) Gartner estimated that 1.2 million workloads were running in VMware virtual machines, corresponding to an aggregate power savings of about 8.5 billion kWh—more electricity than is consumed annually in all of New England for heating, ventilation and cooling.

(5) First American Corporation, America’s largest provider of business information in the finance industry, saw a 93% reduction in power consumption. “Using [virtualization] technology to consolidate our servers and shrink our data center footprint has helped us significantly reduce our energy consumption. This practice is the primary driver behind a six-figure rebate check we will be receiving from Southern California Edison this year.” View more details and statistics from this project [here](#).

## **#2: Increased Remote Workers**

As gas prices increase you will see more and more employees looking for opportunities to work from home, and having the right technology in place determines whether that solution will be a success for many businesses. (6) According to an article in the Chicago Tribune, San Diego resident Elizabeth Estes-Cooper was filling up one Friday when the pump registered \$4.02 per gallon. "I was like, this is ridiculous," said the executive vice president at JHG Inc., an interactive marketing and public relations firm. She initiated Virtual Fridays, a pilot work-at-home program through Labor Day. If it works for them, she plans to extend it. "It gets to where you say to yourself, 'This is crazy to lay out this kind of money and be less productive,'" she said. "You can sit at home in your office with wireless [connectivity], your laptop, your BlackBerry, instant messaging, instead of sitting in a car."

(6) IBM started a work from home program in 1993 when gas was \$1.10 per gallon. About 40% of IBM's worldwide employees now work from home. "This situation we're in may end up creating a wonderful opportunity for companies to start looking at [options] that not only save money but improve morale and quality of life," said Dan Pelino, general manager of global health care and life sciences for IBM.

Again virtualization solutions, specifically virtual desktop and application virtualization, will assist in energy savings as well as security and support for remote workers. Enhanced collaboration tools provide personal and shared portals for document sharing, versioning, and access management both for employees and clients. Social computing tools such as video conferencing, team workspaces, blogs, online live meetings, instant messaging, dashboards, email and role based sites provide for rich interaction. This solution is truly a reality that will not only be welcomed by employees but would lower costs and stimulate productivity at the same time. Pilot programs paired with well-planned proof of concepts will determine whether this is a viable option for your business.

## **#3: Decrease in Business Travel**

As the costs for travel continue to climb, more businesses are eliminating or consolidating trips where they can. (7) Chuck Riley of Findlay, Ohio, makes the 80 mile trip to his company's home office only once every six months, instead of monthly. In one instance where he needed his company's technology specialists to fix his laptop, he instead arranged to have it done via a Web conference. Howard Rubinfeld of Austin drives about 700 miles a week selling health care uniforms in five states. He says he's skipping visits to some clients and instead calling, mailing and e-mailing them more often. "I am being more selective in who I see," he says.

Once again, and it's important to note, the same technologies that provide for reduced energy costs and the ability for employees to work from home are the same technologies that reduce the need for business travel. Having desktop and application virtualization tools that allow fast and easy access to remote systems enable IT to maintain support levels to employees no matter where that employee is located. Combined with the improved technologies for enterprise search, collaboration, and content management mentioned above, companies are often able to provide a more valuable experience than face to face meetings due to improved access to people and information. All of these technologies used together allow teams to effectively and securely work together without ever leaving their desk, be it at their home or office, and reduce costs.

## Getting Started

These solutions are not just for enterprise organizations. At New Age Technologies, the supporting technologies are in place and we are only a 130 person company. The solution to all three cost savings strategies above can be produced with minimal investment when compared to the immediate return. By simply upgrading and making adjustments in a company's current infrastructure, it is sometimes possible to achieve these results without impacting your budget. Starting with an assessment that aligns the business vision with your IT objectives is a great way to lay out a roadmap and evaluate the optimal cost saving strategies for your organization. If you would like more information, check out this [TCO calculator](#) for server consolidation and VDI.

Contact us at 1.877.586.8648 or [info@newat.com](mailto:info@newat.com)  
for more information on the above solutions or to discuss an assessment for your  
organization.

### Sources

1. CBSnews.com "Gas Pushes Above \$4, Likely to Go Higher" 6/9/08
2. [http://news.dow.com/dow\\_news/corporate/2008/20080528a.htm](http://news.dow.com/dow_news/corporate/2008/20080528a.htm) 6/10/08
3. [blog.sciencelogic.com](http://blog.sciencelogic.com) "FOSE Session: Implementing Virtualization – Enterprise Benefits and Challenges", 4/2/08
4. Gartner, Inc. "Gartner Says Agility Will Become the Primary Measure of Data Centre Excellence by 2012", 10/24/07
5. [www.vmware.com/files/pdf/customers/08Q2\\_ss\\_vmw\\_first\\_american\\_english.pdf](http://www.vmware.com/files/pdf/customers/08Q2_ss_vmw_first_american_english.pdf) 6/10/08
6. ChicagoTribune.com "Commuters, Employers Rework Practices to Deal With Gas Prices" 6/10/08
7. USA Today "As Gas Prices Rise, Driving For Business Changes" 4/29/08