Describe the consumption-based model

When comparing IT infrastructure models, there are two types of expenses to consider. Capital expenditure (CapEx) and operational expenditure (OpEx).

CapEx is typically a one-time, up-front expenditure to purchase or secure tangible resources. A new building, repaving the parking lot, building a datacenter, or buying a company vehicle are examples of CapEx.

In contrast, OpEx is spending money on services or products over time. Renting a convention center, leasing a company vehicle, or signing up for cloud services are all examples of OpEx.

Cloud computing falls under OpEx because cloud computing operates on a consumption-based model. With cloud computing, you don't pay for the physical infrastructure, the electricity, the security, or anything else associated with maintaining a datacenter. Instead, you pay for the IT resources you use. If you don't use any IT resources this month, you don't pay for any IT resources.

This consumption-based model has many benefits, including:

- No upfront costs.
- No need to purchase and manage costly infrastructure that users might not use to its fullest potential.
- The ability to pay for more resources when they're needed.
- The ability to stop paying for resources that are no longer needed.

With a traditional datacenter, you try to estimate the future resource needs. If you overestimate, you spend more on your datacenter than you need to and potentially waste money. If you underestimate, your datacenter will quickly reach capacity and your applications and services may suffer from decreased performance. Fixing an under-provisioned datacenter can take a long time. You may need to order, receive, and install more hardware. You'll also need to add power, cooling, and networking for the extra hardware.

In a cloud-based model, you don't have to worry about getting the resource needs just right. If you find that you need more virtual machines, you add more. If the demand drops and you don't need as many virtual machines, you remove machines as needed. Either way, you're only paying for the virtual machines that you use, not the "extra capacity" that the cloud provider has on hand.

Compare cloud pricing models

Cloud computing is the delivery of computing services over the internet by using a pay-as-you-go pricing model. You typically pay only for the cloud services you use, which helps you:

- Plan and manage your operating costs.
- Run your infrastructure more efficiently.
- Scale as your business needs change.

To put it another way, cloud computing is a way to rent compute power and storage from someone else's datacenter. You can treat cloud resources like you would resources in your own datacenter. However, unlike in your own datacenter, when you're done using cloud resources, you give them back. You're billed only for what you use.

Instead of maintaining CPUs and storage in your datacenter, you rent them for the time that you need them. The cloud provider takes care of maintaining the underlying infrastructure for you. The cloud enables you to quickly solve your toughest business challenges and bring cutting-edge solutions to your users.