AlixPartners

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Cloud repatriation – It's not about cloud versus data centers. It's about maximizing value.

Cloud repatriation is back on the executive agenda—but not as a wholesale retreat from public cloud. For executives, the real question is how to balance value creation through cloud-native innovation with value protection for workloads where economics and control matter most.

1. Why is repatriation back on the agenda?

Organizations are under pressure to optimize costs, maintain resilience, and protect margins—while still enabling growth. Public cloud remains dominant, but rising costs, lock-in concerns, and regulatory scrutiny have put selective repatriation back on the table for some boards and CIOs.

- **Escalating cloud costs:** Predictable, steady workloads often incur structural premiums in public cloud, making on-premise or colocation attractive for margin protection.
- **Exit complexity:** CMA[1] findings highlight how egress fees and proprietary services create friction, raising governance concerns.
- **AI economics:** Inference workloads for AI models can run significantly cheaper on dedicated hardware than in hyperscale environments.
- **Data sovereignty:** Firms are ring-fencing sensitive datasets into on-premise, co-location, or sovereign cloud.
- **Regulatory resilience:** Supervisory regimes (e.g., DORA[2]) require credible exit strategies and operational control for material outsourcing.

2. Is it a trend—or just another lever?

It's a lever. The 37signals[3] case has become the canonical example of value protection: DHH's original post, "Why we're leaving the cloud," argues that renting compute is a bad deal for stable, medium-sized workloads, and that the promised labor simplicity didn't materialize.

Importantly, CIO.com[4] and other analyses emphasize that cloud spend is still rising and hybrid strategies are prevailing: organizations are rebalancing workloads, not "ditching the cloud."

Executive takeaway:

Use repatriation to protect margins when unit economics, latency, or egress overwhelm the value of cloud elasticity—but only where functionality needs are modest and growth is steady. Where high-value public cloud services enable material growth, the business case flips decisively toward value creation in cloud; you don't trade growth for lower infrastructure costs.

[1] Competition and Markets Authority Cloud services market investigation; [2] Digital Operational Resilience Act; [3] 37 Signals Leaving the Cloud
[4] CIO.com Why cloud repatriation is back on the CIO agenda

3. Where does repatriation make sense?

Steady-state, low variability

If demand is predictable and the workload does not leverage cloud's differentiated services, on-premise hosting can deliver a lower TCO—especially for data-intensive systems where egress and cross-zone traffic drive recurring cost.

Elastic, seasonal, global

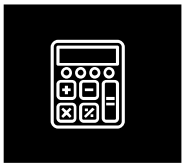
Public cloud remains the superior placement for burst capacity, geographic reach, and rapid product iteration. When managed services materially compress time-to-value (e.g., AI platforms, serverless data pipelines), they create growth that outstrips savings from repatriation.

Regulated and sensitive

Many regulated workloads can stay in public cloud using sovereign controls (EU data boundary, upcoming AWS European Sovereign Cloud, etc.)—but law and supervisory practice require evidence of control, impact tolerances, and rehearsed exit paths. Placement must be justified and reversible.

Executive test: Place each workload where cost, control, and service quality align—and preserve the option to move again. If growth depends on higher-value cloud services, prioritize value creation and keep reversibility credible.

4. What are the risks, hidden costs or talent constraints we must consider?

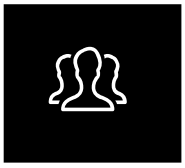


TCO beyond hardware

Comparing cloud OPEX to server CAPEX is misleading. Real costs include facilities, power, cooling, lifecycle, support, security, and 24×7 operations. Model 12-36-month economics with sensitivity to egress, traffic, and licensing.

Lock-in and exit friction

CMA findings show switching is rare and egress fees create barriers. Even with "free switching" offers, prove reversibility through annual drills and documented extraction paths. Treat exit readiness as a system property, not a slide. Consider the slower pace of innovation for on-premise services versus public Cloud.



Skills asymmetry

Cloud skills are abundant; on-premise expertise is shrinking. Repatriation fails without automation and hybrid run maturity. Plan for talent and standardized IaC pipelines.

Misdiagnosis risk

If overspend stems from idle resources or poor reservations, fix with FinOps—not repatriation.
Moving workloads that rely on high-value cloud services risks opportunity cost and innovation drag.

Executive Guardrails: Demand evidence-led TCO models (with sensitivity analysis) and exit rehearsals before committing. Maintain portable architecture standards should the ability to exit be more important for your business than leveraging the full extent of high-value services in public cloud. Prioritize skills and automation investments; do not assume "hardware + colocation" equals lower run cost without operational maturity.

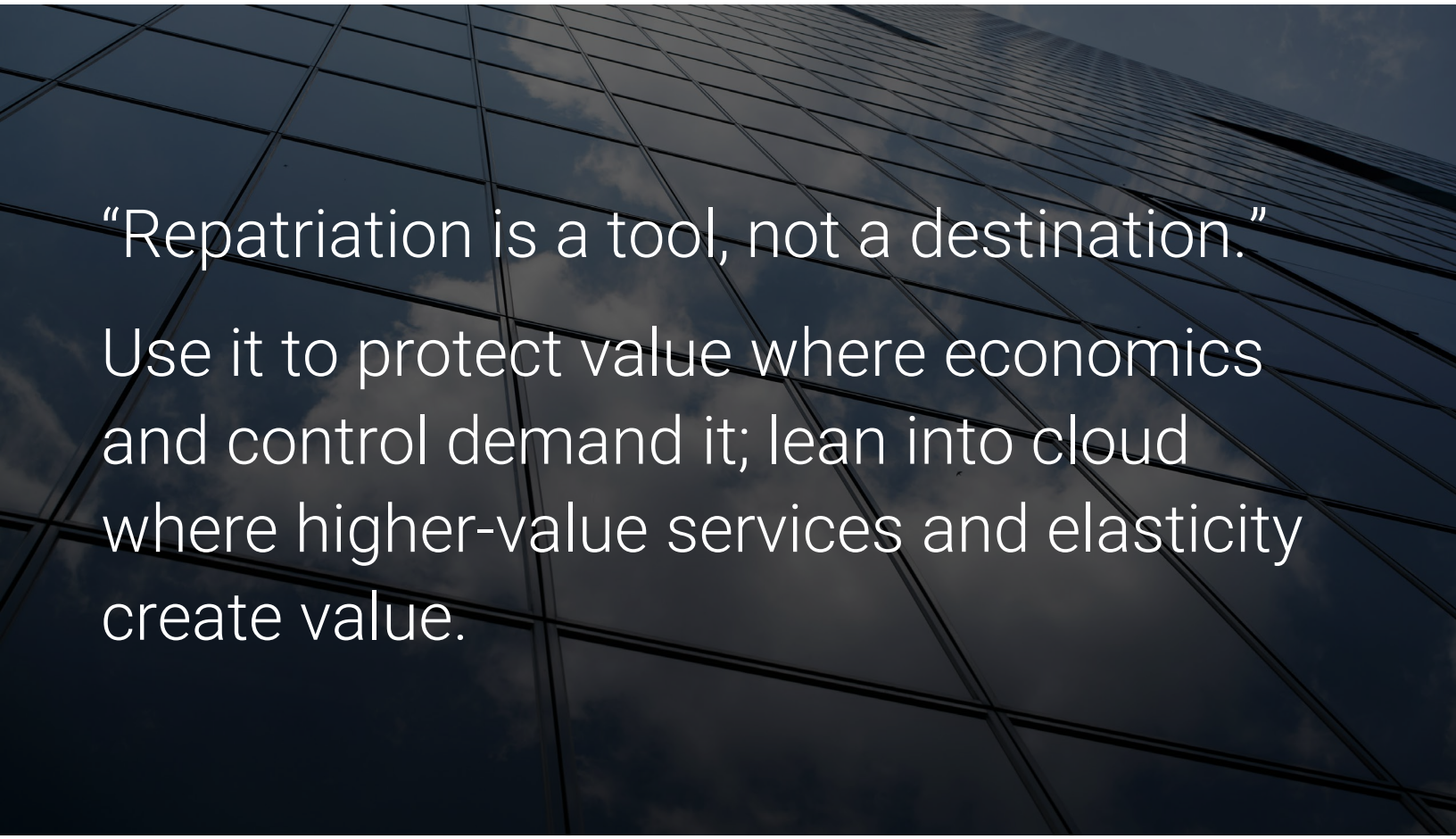
5. What should executives do in the next 90–180 days?

Put “value creation vs. value protection” at the center of the business case.
If higher-value public cloud services (data/AI platforms) can credibly enable multiple growth, that trumps lower infrastructure costs. Conversely, if workloads are steady, low functional complexity, and the cloud premium is structural, repatriation becomes a margin lever.

Demand a portfolio-level placement review with explicit exit criteria.
Run a workload classification across elasticity, latency, residency, managed-service dependency, and unit economics. For each candidate: define placement rationale, reversibility path, and go/no-go triggers (price changes, regulatory outcomes, performance signals).

Institutionalize reversibility: contracts, drills, and artifacts.
Negotiate data portability clauses, egress relief, licensing neutrality, and audit access. Execute annual exit drills: extract data, rebuild environments (private/co-location), and document logs, access lineage, and key management.

Build the talent plan for hybrid run maturity.
Assess on-premise run maturity: staffing, automation, observability, SRE practices, security operations, backup/DR, hardware lifecycle. Vector investments toward common pipelines (IaC, GitOps) that target cloud and private platforms.



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ABOUT US

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.