



Getting the Most Value from Your Cloud Spend

Cloud Economics Insights from IDC Metri



Getting the Best Value From the Cloud

Controlling cloud costs and delivering cloud value is more challenging than most companies expect. Cloud management tools are only the first step to truly understanding and managing your challenges.

The Challenge of Delivering Cloud Value

Introduction:

The striking shift towards cloud in the past few years reflects the compelling benefits to expanding cloud initiatives. With its ability to fuel agility and innovation, cloud initiatives are key factors in most digital transformation (DX) efforts. Despite this, IDC estimates that 10-30% of cloud spending is wasted,* even as companies plan on spending more on cloud.

Key Cloud Challenges

Achieving cloud cost efficiency

45% of organizations consider cloud expenditures as their top IT expenditure priority, even as 90% also consider reigning in the cost of IT delivery as a priority. **

Controlling costs without losing flexibility

Flexibility is one of the key benefits of cloud, but cloud complexity makes it challenging to control costs without choking that agility.

Understanding what's driving cost-to-value ratios

While most cloud service providers supply dashboards or reports, many IT organizations struggle to use these tools and their data effectively, particularly for communicating to the business.

Align Technology Priorities with Business Priorities

Companies are realizing real gains from their DX investments, especially cloud, but are not always in line with their top operational priorities. A review of cloud processes and spending helps ensure cloud and other digital investments are delivering value for the organization's most important business goals.

Top 5 Business Priorities

- Operational efficiency
- Customer satisfaction
- Profits
- Innovation
- Employee Productivity

Implementation

- Operational efficiency
- Customer satisfaction
- Profits
- Sustainability
- Business resilience

The best way to ensure the most value from your cloud spend is working with a knowledgeable partner who can guide you through the work needed to truly evaluate cloud costs and optimize value. A data-driven custom plan of action is the most likely to produce a successful outcome.

Source: Future Enterprise Resiliency & Spending Survey - Wave 1, IDC, February, 2022. What annual percentage improvement in 2021 did your organization experience in each of the following as a result of investments in digital transformation (DX)?, n=235.



Key Steps for Pursuing Effective Cloud Economics

Visibility

Following through with real data visibility and transparency is key. Many companies believe they have transparency when that may not be the case. However, data visibility and tool setup are just the beginning. Tools must be tailored to the realities of the company.

Conclusions

Getting the right decisions and recommendations from your data and models requires knowledge and insight. Cloud Architects and Finance each only have a partial picture, and a complete picture requires the inclusion of both perspectives.

Results

Translating recommendations and data into results is the most challenging part. The value must be clear, and its business and technology implications must be assessed to overcome internal obstacles.

Transparency Helps Overcome Internal Obstacles

Most companies find the biggest obstacles to successful cloud projects are internal: pushback and fear of change or lack of resources, including expertise in cloud architecture and economics.

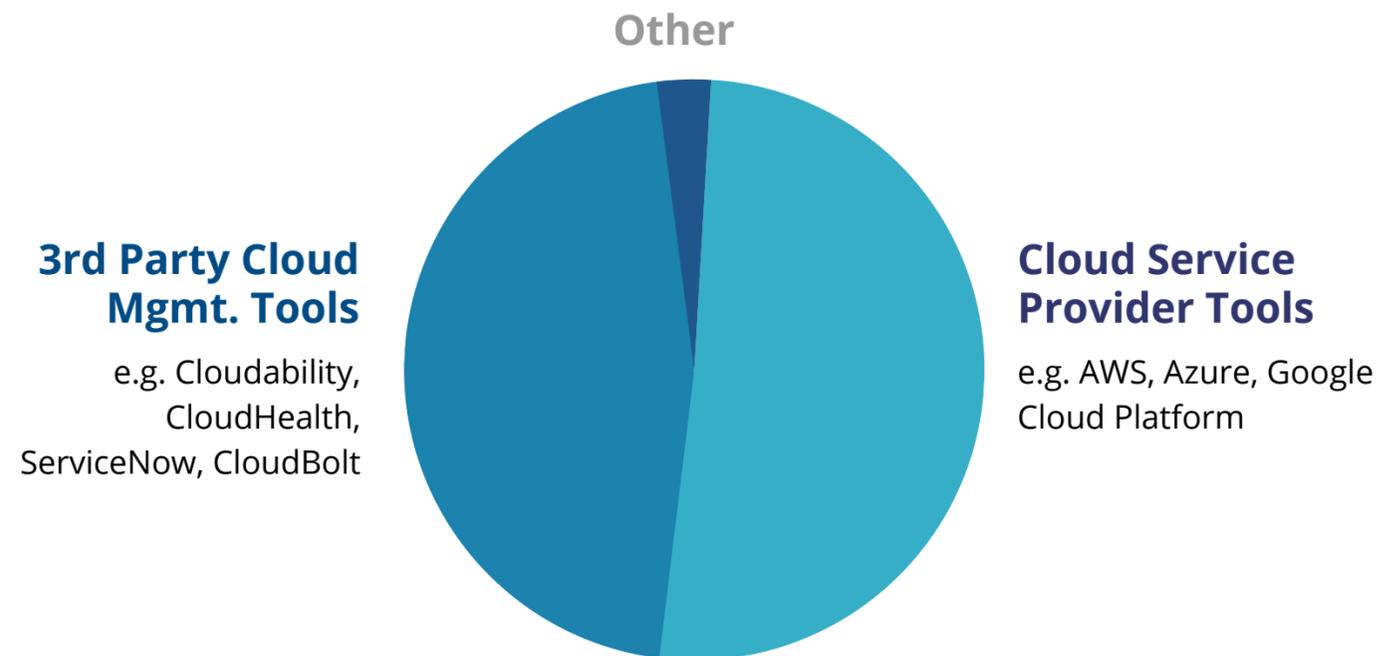
Transparency is a key foundation both for discovering the right course of action and for actually getting things done.

Data visibility and transparency on cost data can help overcome political challenges. Cost transparency is vital to digital infrastructure governance and management - driving towards business results and improved decision making.

Tools are Just the Beginning

Companies increasingly turn to third-party tools to help manage their cloud installations, but tools aren't an answer on their own. Additional intelligence is needed.

Cloud Management Tools



Which of the following does your FinOps/Cloud Center of Excellence team use to manage and optimize cloud expenditures?



Tools give data, not insight. Insight goes beyond graphs and reports to provide intelligence and conclusions.



Be sceptical of overly optimistic or unrealistic recommendations from cloud provider tools.



Tools can offer automated suggestions but don't provide a roadmap for making the changes necessary to meet goals.



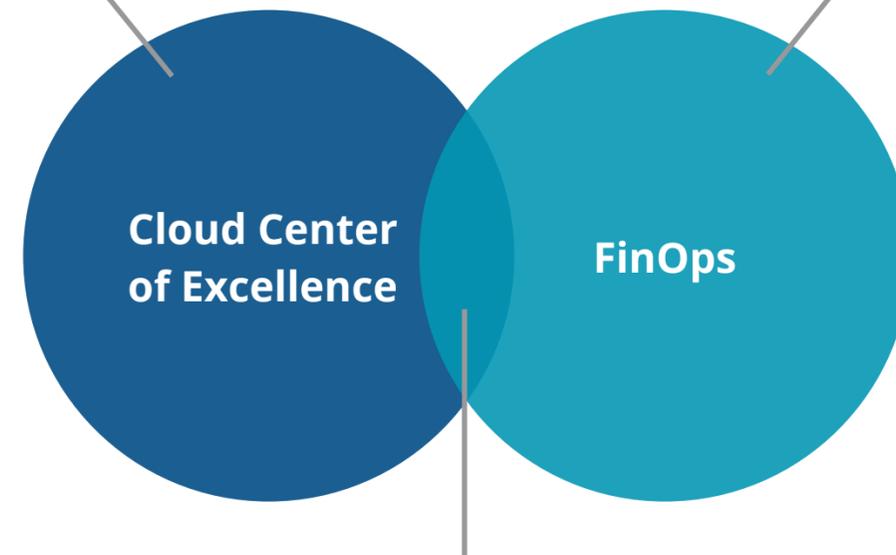
Tools don't do the hard work of aligning value to business practices and delivering success.

New Ways of Working: Cloud CoEs vs FinOps

Companies experiencing the most success in the cloud are investing in new ways of working and governance and are realistic about what is involved. Successful companies have developed cloud governance with Cloud Centers of Excellence (CCoEs) and Cloud Financial Operations or FinOps. Only about a third of companies have adopted FinOps thus far.

CCoEs take on the hard work of planning and governance.

- Focuses on governance and best practices, planning and architecture standards
- Helps create a cloud culture open to innovation
- Guides sourcing and provider decisions
- Communicates and champions cloud priorities for the organization
- Manages risk and security
- Pursues an optimized environment with agility and continuous improvement
- Draws perspectives widely



What they have in common is their head-on approach to cloud complexity and a focus on data and assessing value. Both use collaborative teams to make decisions that optimize the cost efficiency and operational effectiveness of the cloud.

With the addition of finance, FinOps focuses beyond infrastructure.

- Focuses spending on business value and uses data-driven decision making
- Centralized collaborative with IT, finance and business units to reflect operational, cost and delivery concerns from all
- Maximizes data and transparency with timely and accessible reporting
- Encourages ownership and accountability for cloud spending
- Understands that cloud has different cost structures than traditional IT infrastructure and needs more consistent monitoring

Cloud Value Requires New Processes and Ways of Thinking

To address spiraling costs or cloud “sprawl,” and the challenge of delivering value, companies need to commit to improvements around tooling, processes, governance, and reporting.

The top two challenges faced by FinOps or CCOE teams are:

- Understanding how to optimize cloud spend for architectural and business benefit
- Developing accurate cloud expenditure forecasts. *

Discovering Cost Savings Avenues: A Client Story

When their cloud costs rose well above budget during a multi-cloud migration, an international telecommunications company partnered with IDC to guide them to a cost-savings solution.

While many system integrators and cloud consulting companies have technical knowledge on cloud platforms, they have less on pricing. IDC has expertise in both.

IDC supplemented the cloud service provider tools the company already had in place with third-party tools. Meetings with the system integrator and other vendors provided additional opportunities to assess possible savings – an effort later turned into a monthly forecasting process.

The project resulted in a 33% reduction in costs for AWS and 36% for Azure.

Generally, 10% to 15% cloud cost savings are achievable. For less optimized environments, clients have achieved up to 40%.

* Source: Future Enterprise Resiliency & Spending Survey - Wave 1, IDC, February, 2022 N=235

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