



## How to Get Your Cloud Costs Under Control

Businesses adopt the cloud to save money and ensure they can innovate and respond to uncertainty. However, while savings generally do come in the long term, some customers see costs rise in the short term. With a strong partner on board, businesses can optimize their cloud use and quickly see savings.

The promise of the cloud remains compelling: Save money while boosting business performance, which drives innovation and success. In this unprecedented time of change, businesses are under constant pressure to do more with less. IT leaders are now being tasked with leveraging the cloud's performance benefits to create meaningful differentiators and drive innovation on an ever-shrinking budget.

Unfortunately, that's not always the full story. Although savings typically do materialize in the long term, short-term costs can rise much higher than expected without proper planning and optimization.

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## Moving to the cloud

Evolving technology, a challenging business landscape, and changing work practices have accelerated the move to the cloud. Fifty percent of [company workloads](#)<sup>1</sup> are expected to run on the cloud in 2023, up from 40% in 2021. According to [McKinsey](#)<sup>2</sup>, \$8 from every \$10 spent on IT hosting is expected to go to the cloud in 2024.

The biggest reason for making the move revolves around cost. [McKinsey](#)<sup>3</sup> also estimates that the cloud offers a \$1 trillion opportunity in terms of cost optimization and value-oriented business use cases.

Promised savings come in many forms, including greater efficiency, the ability to eliminate costly on-site hardware installations, and resource optimization.

A traditional data center model typically over-provisions resources to make sure capacity is available if needed. Regardless of how much data you use as a business, you pay for that capacity. The cloud offers an opportunity to tailor those costs to actual usage, allowing you to pay only for the resources you use. In theory, it offers the entire enterprise the opportunity to streamline costs and reduce waste.

With that, though, come a number of challenges:



**1. Cost visibility:** Over-provisioning might have been an issue with data centers, but at least businesses had a clear idea of how much they were paying and when. With the cloud, predicting future costs can be difficult, especially if you are using multiple cloud providers.

**2. Cost variability:** Depending on what cloud services are being used, invoices could vary dramatically from month to month. As more applications migrate to the cloud, some organizations are seeing their costs surge in the short term. Variable pricing models can make managing and controlling costs challenging. Over the course of a year, these costs can add up to a significant expense, which makes financial planning much more difficult.

**3. Culture:** Many businesses that have moved to the cloud still use the old data center approach, in which provisioning was based on abundance —having much more power than needed. When working in the cloud, attitudes must become much more disciplined, including but not limited to using appropriate governance tools and processes.

**4. Variable pricing models:** Knowing about cloud providers and pricing plans helps you make sure you're on the right plan for your business.

**5. Cost allocation:** Organizations have multiple teams managing multiple applications and services. As workloads move to the cloud, costs can balloon. Businesses should move from cloud costs to application or team costs to define the value each component brings to the bottom line. This can help drive business decisions from a product/technology perspective.

Such challenges are not a one-time consideration: It involves a cultural change in which consumption methodologies must be embedded in daily operations. Failure to do so is one reason why almost half of businesses (49%) find controlling cloud costs difficult, according to a recent survey from business monitoring company [Anodot](#)<sup>4</sup>. For 59% of businesses, the biggest problem is a lack of visibility into cloud usage.

## Key steps to cost optimization

The cloud can be a business differentiator, but workloads must run at optimum performance to achieve cost efficiency. Businesses need solutions and trusted experts to help them design, build, and manage high-performing, cost-effective infrastructure that enables deep insight into cloud usage.

A customer in the public cloud receives one invoice from the cloud provider, which encompasses all services and products used (including third-party tools). This enables a single pane of glass/visibility regarding the components of cloud infrastructure, which effectively bridges the gap between infrastructure and business value.

Large providers such as Google Cloud offer a wide range of services such as data warehouses, virtual machines, containerized applications, analytics, content delivery tools, and more under one umbrella.

Google Cloud also offers features and tools to manage cloud adoption costs, including budget alerts to warn you when you're likely to go over budget. The Recommender tool provides recommendations, and 'Quotas' place hard limits on scalable services. Google Cloud also provides a pricing calculator, easy-to-use tools, and \$300 in free credits to new customers run, test, and deploy workloads.

Managed cloud suppliers such as Rackspace Technology partner with providers such as Google Cloud to help businesses make sense of the services on offer. Rackspace Technology can provide expertise on how to use these tools more efficiently and extract the maximum possible value from Google Cloud. Our team is trained in Google Cloud's cost tools along with use-case specific infrastructure recommendations which Rackspace technical engineers are certified on. Google Cloud can help tailor the solutions on offer and apply them to best-fit your business.

Together, Rackspace and Google Cloud provide benefits such as:

**McKinsey estimates** that the cloud offers a **\$1 trillion opportunity** in terms of cost optimization and value-oriented business use cases.



**1. Cleanup:** As a business, you need clear visibility over your spend to avoid issues with unused resources. Cloud infrastructure/services scale with the click of a button, in most cases. Identifying cleanup opportunities on a regular basis can enhance cost efficiency. Rackspace Technology can help generate those insights and support the cleanup activities.

**2. Right-sized infrastructure:** Google Cloud has built-in tools and processes for automation and efficiency in the cloud. Rackspace has the expertise and skill set to help you achieve this automation, depending on your use case. Automation such as scaling and scheduling are proactive approaches to cost efficiency, whereas cleanup is a reactive approach. They are not mutually exclusive, and Rackspace can help you find a balance between the two.

**3. Determination of future goals:** Having your cloud tools and solutions managed frees up time to drive innovation. For example, you might modernize your entire stack and upgrade infrastructure and processes to make your company more digital-ready. Rackspace can provide the knowledge and support to help you plan for this future.

**4. Expertise:** Targeted expertise, along with cost reporting, governance tools, and quotas, can help you identify the needs of your business and adopt the right cloud solutions. This helps you build an infrastructure that facilitates your business goals.

**5. Increased agility:** Optimizing the cloud enables the business to improve cloud performance, reduce costs, and become more agile. This enables you to respond quickly to scale up and down as the market moves.

**6. Culture evolution:** Every organization's culture must evolve with its technology. Opening your organization's culture to growth and evolution will set you up for success and put you in the best position to optimize your cloud strategy.

All too often, businesses adopt a technology-driven approach where IT expenditures and initiatives are lumped into a big block as "IT spend" and left as is. The cloud can help break it out more accurately to make IT a relevant business performance metric.

Leaders can adopt a purpose-driven approach in which they identify their needs and build infrastructure around it. This starts with a holistic assessment of an IT environment with the help of an expert who can develop a personalized, secure roadmap for cloud development.

Companies such as Rackspace Technology can provide a dedicated team that compliments your in-house personnel. Two particular Rackspace offerings are often a best-fit:

- **Optimizer** generates insights and reporting.
- **Elastic engineering** provides a dedicated pod of specialist engineers who act on your team's behalf, collaborating with you to shape adoption in an outcome-driven way.

Managed service providers such as Rackspace can help your team plan cloud migrations, design and deploy architecture, create automated pipelines, and improve security and reliability for applications. They can also help you manage your cloud environments across multiple platforms.



## Making the cloud pay

Making the transition to the cloud can be a massive, sometimes costly challenge. In a world in which businesses must cope with slim operating margins, there is very little room for waste. Every dollar must provide value.

Businesses leverage the cloud to streamline operations, harness automation, and reduce IT expenditure. If that doesn't happen, disillusionment can set in.

The problem is not necessarily the cloud itself. Instead, it's sometimes a question of culture or technology. The business world is in the middle of a transition from on-premises data centers to the cloud.

This requires a new, application-driven mindset. The technology, infrastructure, and culture involved in transitioning to the cloud will vary from one company to the other. Costs will be determined not by the business sector but by the way it uses applications. Greater visibility over costs can help you understand where you're spending more than you need to and where you can optimize processes for maximum value and affordability.

1 Spiceworks Ziff Davis: Annual Report - The 2022 State of IT <https://swzd.com/resources/state-of-it/>

2 Mckinsey: Cloud Migration Opportunity: Business Values Grow But Missteps Abound; Tara Balakrishnan, Chandra Gnanasambandam, Leandro Santos, and Bhargs Srivathsan, October 12, 2021. <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/cloud-migration-opportunity-business-value-grows-but-missteps-abound>

3 Mckinsey: Cloud's Trillion-dollar Prize is up for Grabs Mckinsey; February 26, 2021; <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/clouds-trillion-dollar-prize-is-up-for-grabs>

4 Anodot: State of the Cloud Cost Report 2021; Anodot 2021 [https://go.anodot.com/hubfs/WP%20Guides,%20Reports/2021-State-of-Cloud-Costs-Report/2021\\_cloud\\_cost\\_survey\\_results-2.pdf](https://go.anodot.com/hubfs/WP%20Guides,%20Reports/2021-State-of-Cloud-Costs-Report/2021_cloud_cost_survey_results-2.pdf)