



Smart Guide

# Cloud Cost Management: Unlocking Potential

Practical tips for efficiently managing your cloud resources

# Content

|   |          |
|---|----------|
| <b>Introduction</b>                                       | <b>3</b> |
| <hr/>   |          |
| <b>Challenges of Multi-Cloud Cost Management</b>          | <b>4</b> |
| <hr/>   |          |
| <b>Cost Planning and Calculation</b>                      | <b>5</b> |
| <hr/>   |          |
| <b>Cost Monitoring and Control</b>                        | <b>6</b> |
| <hr/>   |          |
| <b>Internal Cost Allocation Enhances Cloud Governance</b> | <b>7</b> |
| <hr/>   |          |
| <b>Cost Analysis and Optimization</b>                     | <b>8</b> |
| <hr/>   |          |
| <b>Conclusion</b>   | <b>9</b> |

# Introduction

As IT infrastructure increasingly moves to both public and private clouds, we're seeing environments where cloud resources are continually adapted to meet ever-changing demands. These multi-cloud environments offer the flexibility required by today's fast-evolving business landscape. However, they also complicate cost planning and control. It's a common struggle for businesses today: uncontrolled expansion of cloud landscapes and spiraling costs..

This Smart Guide is your resource for keeping an eye on multi-cloud costs and maximizing your cloud environment. We provide tips to foster organizational awareness about this flexible yet complex environment, along with practical advice for managing your multi-cloud costs.

**Through the strategies and tools outlined in this guide, we aim to transform the cloud from a potential financial pitfall into a powerhouse of value for your organization.**



# Challenges of Multi-Cloud Cost Management

**Why invest in a multi-cloud environment if managing the costs feels like a losing battle?**

The allure of multi-cloud setups lies in their extraordinary flexibility, allowing organizations to blend private and public cloud services. This fusion creates a robust, scalable, and secure platform, perfect for seamless application delivery and technological services. Typically, the private cloud component is managed on-site, complementing external public cloud resources. This integration forms a unified service model for end-users.

Despite these advantages, maintaining cost efficiency in your multi-cloud environment is crucial. Failing to monitor cloud expenses can lead to runaway costs.

Not just anecdotal, this challenge is underscored by global research firms which highlight spiraling cloud expenses as a major hurdle for medium and large enterprises.

When cloud spending is left unchecked, it not only drains resources but also hampers your ability to fund other vital digital transformation initiatives.

This, in turn, can significantly impact your organization's competitive edge in the long term. So, where do you begin to reign in your cloud costs?

# Cost Planning and Calculation

Indeed, there's truth to the saying that no budget plan survives contact with reality.

This is especially poignant in the context of multi-cloud environments. The inherent complexity of managing multiple clouds complicates cost tracking and planning. Furthermore, it necessitates a paradigm shift in how costs are managed.

A primary challenge for budget managers is the traditional financial structure of IT investments, where local IT architecture typically relies on upfront capital expenditures (CapEx). In contrast, cloud spending is categorized as an ongoing operating expense (OpEx). As reliance on cloud resources grows, IT spending increasingly shifts towards regular monthly payments for cloud services. This change demands meticulous contract management to ensure transparency, as terms and costs can vary significantly between cloud providers. Without clear and efficient contract management, a CIO might find themselves in the precarious position of having to request additional funds to cover escalating cloud costs—a scenario no budget manager wants to face.

The dynamic nature of multi-cloud environments demands that budget planning be an ongoing, not once-a-year, task. Budgets need regular reviews and adjustments throughout the year to stay relevant and effective. Moreover, when planning for cloud costs, it's crucial to consider them in conjunction with the business services they support. This linkage helps clarify the business objectives that justify the expenses.

Given the complexity of allocating cloud resources to various business services and managing a broad array of cloud services, relying on tools like Excel for budget planning becomes cumbersome and inefficient. Effective, up-to-date budget management in such environments requires specialized cloud cost management tools. These tools leverage historical data and current expenditure to forecast future costs, providing a solid foundation for informed business decisions. This predictive approach not only enhances financial planning but also aligns spending with strategic business outcomes.



Overview from the Cloud Cost Management Tool of the current multi-cloud costs and the use of the various cloud resources



By adopting cloud cost management tools, either as software or managed services, budget managers gain continuous access to their cloud status and actionable recommendations for cost savings. This approach enables the maximization of the value derived from cloud budgets.

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# Cost Monitoring and Controlling in Multi-Cloud Environments

Effective cloud cost monitoring begins with a comprehensive overview, which is crucial for any subsequent actions within your multi-cloud setup. This overview should address several key questions:

- What were the total costs incurred?
- How are these costs distributed among different cloud providers and types of cloud resources?
- Who is responsible for the individual cloud resources, and thereby, who incurred these costs?
- To which business services and cost centers are these costs allocated?

The cornerstone of reliable cloud cost management and controlling is a regular comparison between actual expenditures and planned budgets. This ACTUAL/PLAN comparison helps budget managers understand how costs are evolving relative to the financial year's budget. Initially, this comparison serves to check if the budget estimations were accurate and whether cloud costs are developing as expected.

Based on current expenses, a forecast for the upcoming months is generated, providing early indicators of potential budgetary misalignments. However, to truly optimize cloud cost monitoring, more detailed information is necessary. Given that cloud experts are often scarce within companies, utilizing a combination of a cloud cost management service and tools is ideal. This approach provides teams with a detailed report of their cloud environment and expert recommendations from trained FinOps professionals, enabling them to make informed decisions and take effective cost-saving measures.

Future-proof cloud cost management equips your company with the tools necessary for maintaining a comprehensive and real-time overview of cloud usage, performance, and actual resource requirements. All cloud expenditures—whether they involve platforms like Azure, AWS, or Google—should be aggregated into a single, accessible dashboard. Cloud cost management is a comprehensive strategy for operating cloud services in such a way that your company can derive the greatest possible benefit from the multi-cloud.

## Identifying Cost Drivers

Central dashboards that consolidate data from various cloud providers are invaluable for identifying and understanding cost drivers within your organization. These dashboards offer clear insights into which cloud resources are the primary contributors to expenses and how these costs are allocated across different internal cost centers. This detailed cost information does more than just outline spending distribution; it also enhances internal transparency, clarifying which departments or areas within the company are accountable for the incurred cloud costs. Often, simply providing visibility into actual resource consumption is enough to motivate departments and individual employees to acknowledge and take responsibility for their part in managing cloud costs.



# Enhancing IT Governance Through Cloud Compliance

In many organizations, it's common for individual departments to procure their own cloud solutions to maintain flexibility and agility. While such initiatives are commendable, they should not bypass the oversight of central IT procurement. Unsupervised procurement can lead to a proliferation of cloud services, complicating the management and control of cloud costs.

To mitigate this, IT departments should centralize the procurement and distribution of all cloud services to the relevant specialist departments. This approach prevents the emergence of shadow IT, which can occur when there is a lack of control and governance. Utilizing an internal tagging structure can also help in precisely allocating total cloud resource costs to the specific business services, cost centers, or projects they support. Regular reporting should include these consolidated cost analyses, enabling targeted recommendations for improving cloud cost management.

Elevating IT governance further necessitates transparent cloud compliance. Poorly maintained inventories can lead to data disarray and incomplete reporting.

Implementing quick and straightforward Bring Your Own License (BYOL) checks can prevent such chaos, allowing for the seamless transfer of existing database licenses to the cloud. This ensures not only compliance but also maintains order and efficiency within your cloud infrastructure.



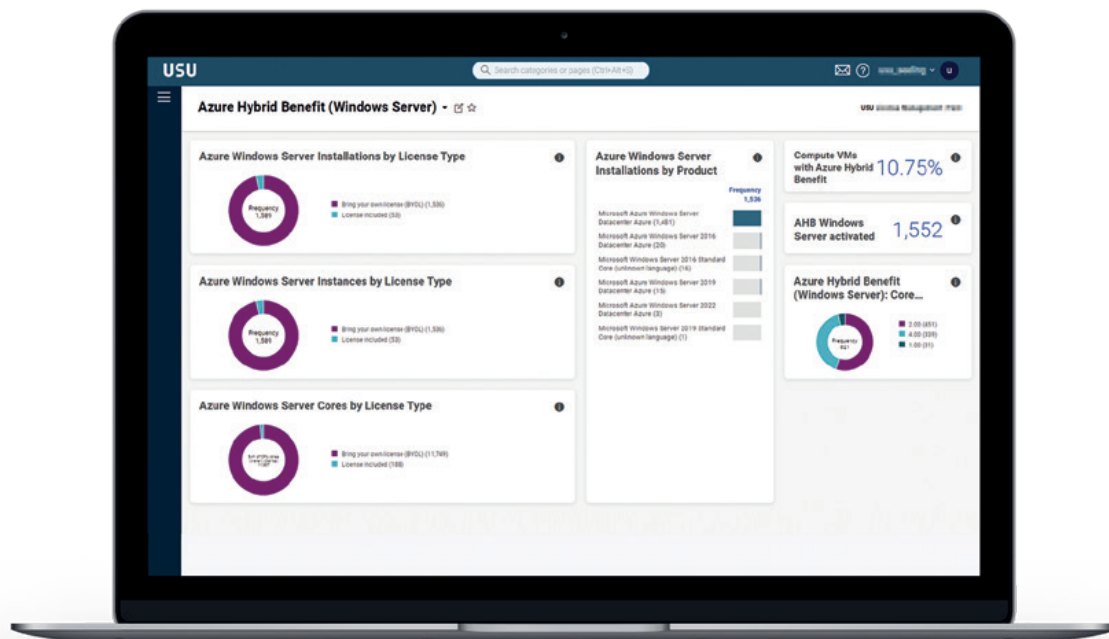
Full transparency at a glance: All information about tagged cloud resources and percentage share without a tag set

# Cost Analysis and Optimization in Cloud Cost Management

Effective cloud cost management involves a comprehensive analysis of your entire cloud portfolio, providing real-time data across all providers. This capability enables you to swiftly pinpoint the largest cost drivers using clear, easily interpretable charts. From there, you can delve into detailed cost analyses to answer critical questions:

- Are these resources currently in use?
- Are these resources essential for my business services?
- Is there a way to reduce the costs of these resources?

By continuously monitoring utilization metrics, you can identify underutilized or unused IaaS/PaaS resources that are still incurring costs. This oversight also helps in detecting over-provisioned resources that, despite their capacity, only contribute a fraction of the potential utility relative to their monthly costs. Addressing these inefficiencies not only reduces expenses but also optimizes the allocation and scalability of your cloud resources, ensuring that every dollar spent is truly advancing your business objectives.



Real-time data can be used to record the utilization and usage of individual cloud resources across all providers. Azure Hybrid Benefits, for example, can also be displayed at license level. This enables the discovery of further savings potential



Software licenses can significantly contribute to overall cloud costs, especially in a hybrid IT setup, where the landscape is often described as a contractual jungle. The complexity intensifies as license rules and usage rights vary distinctly between public and private clouds. For effective cost optimization, IT managers must have a comprehensive overview of their Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) resources.

FinOps teams, dedicated to enhancing financial accountability in the cloud spending sphere, also see substantial benefits from transparent cloud management systems. These systems provide detailed reports that highlight areas of unnecessary expenditure. By addressing these areas, FinOps practitioners aim to not only cut costs but also optimize cloud resource utilization, ensuring that each project participant uses the necessary resources efficiently.

### Reducing License Costs with BYOL Models

One effective strategy for managing cloud costs is the Bring Your Own License (BYOL) model, which allows you to utilize existing software licenses within cloud environments. Integrated cloud license management is essential to implement this strategy effectively. It enables you to assess whether the licenses you already own—such as those for operating systems, databases, and other software—can be used in the cloud. By leveraging BYOL, you not only reduce your overall expenditure on software but also maximize the value of your existing investments.

## Conclusion

Managing the costs of your multi-cloud environment, although challenging, is an essential task that cannot be postponed. As the adoption of hybrid setups combining on-premises installations with cloud solutions increases, so does the importance of diligent cost control.

Complete visibility into your resources is crucial. Without it, assessing whether your spending is efficient or excessive is nearly impossible, leaving you in the dark. A comprehensive overview, offering real-time data from multiple providers, is key to navigating the complexities of cloud cost management effectively.

The **USU Cloud Cost Management Tool** is designed to provide exactly this kind of insight. Our service is tailored to support any cloud configuration—be it public, private, multi-cloud, or hybrid—and works seamlessly with all major cloud providers. Depending on the cloud cost optimization strategy you choose, you not only regain more agility and elasticity, but can also save up to 30% on your cloud costs.

## About USU

USU offers professional managed services and optimization recommendations for complex cloud landscapes from experienced FinOps experts. Find out how you can significantly improve the utilization of your cloud resources and use your budget more efficiently.

Global organizations use our intelligent software and service solutions to cut costs, become more agile and reduce risks - with smarter services, simpler workflows and better collaboration. With more than 40 years of experience and locations around the world, we can help you move successfully into the future.

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