

EBOOK

aptum

CLOUD

IMPACT

STUDY

2023

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MAXIMIZING VALUE: CONTROLLING COSTS AND OPTIMIZING CLOUD SPEND

INTRODUCTION

Cloud computing continues to show signs of growth, with analyst firm Gartner predicting a 5.5% global growth in spending on digital technologies this year, and a significant portion of this investment finding its destination in cloud initiatives¹. In line with this growth, organizations are increasingly realizing the promises and benefits of cloud computing and are eager to capture their share of the estimated \$3 trillion opportunity in EBITDA lift that can be enabled using cloud platforms². This value is driven by a range of factors, from IT savings to innovation-driven growth and digital risk reduction.

Building on the findings detailed in Part 1 of Aptum's 2023 Cloud Impact Study, this follow-on report explores the financial impact of organizations' complex cloud infrastructures, and how they can make sure they are capturing all the financial opportunities cloud affords.

Our research, canvassing the opinions of 400 senior IT professionals in the US, UK, and Canada, explores the trends in cloud cost management that were first noted in our 2021 and 2022 studies; and how these trends have changed over time.

As companies' cloud transformations mature, there continues to be a significant increase in its benefits, but there are also growing budgetary challenges. In 'Maximizing Value' we investigate these challenges, taking a deep dive into what is happening and why.

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“As business leaders, we are presented with an opportunity to forge a path toward more strategic cloud utilization. By embracing well-considered, multi-cloud strategies, we can unlock the true value of our cloud investments, paving the way for increased efficiency, agility, and cost-effectiveness.”

– Ian Rae, CEO and President
Aptum

EXECUTIVE SUMMARY

In today’s challenging economic climate, organizations are increasingly aware of the financial implications of their business operations and are looking for pathways to increase revenue, realize cost savings, and bolster their financial resilience.

As cloud technology continues to reign as a top priority for IT professionals, the focus of cloud projects is shifting. Today, the focus is not just on adopting the cloud, but on deploying cloud strategies that open new markets, meet governance standards, and enable businesses to attain greater efficiency, scalability, and resilience, all while enhancing financial security.

The results show a continued trend toward increased cloud adoption, as part of wider digital transformation. The cloud has evolved into an ally, empowering IT leaders to revolutionize data management, strengthen security, optimize efficiency, and achieve scalability.

‘Maximizing Value’ shows that many organizations are struggling to realize the full value of cloud spending as their adoption of cloud expands to include multiple and larger services. The lack of a comprehensive, multi-cloud strategy poses a challenge for numerous IT leaders, hindering them from fully capitalizing on the cloud’s transformative capabilities. In this climate, FinOps offers a powerful response to the challenges around realizing the value of cloud investment.

Aptum, a global provider of Managed Services and Advisory & Consulting Services, offers solutions and strategies that help enterprises optimize the use of cloud and control cloud costs. Our approach addresses complex technology challenges and maximizes business outcomes by improving workload performance, efficiency, and security while also lowering costs. The result is better business outcomes.

With unified management and reporting, Aptum empowers every customer to “Own Your Destiny in the Cloud™” and achieve their cloud goals.

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FINANCIAL BENEFITS OF CLOUD



95%

BETTER BUSINESS CONTINUITY



93%

IMPROVED SECURITY AND DATA MANAGEMENT



94%

BETTER EFFICIENCY

FINANCIAL GAINS FROM CLOUD COMPUTING

Enterprises are getting serious about cloud investment. Some 71% of IT professionals surveyed in the Aptum Cloud Impact Study report that cloud-related costs account for 30% or more of their total IT spend. More than a third of respondents (34%) say that cloud accounts for the majority of their technology budget.

Investment in cloud technologies is driving a global increase in IT spending, with Gartner reporting a 5.5% increase in global IT spending, largely driven by new cloud investments³. Furthermore, McKinsey estimates that 60% of large enterprises' IT systems and data will be hosted in cloud environments by 2025⁴.

This investment is delivering financial benefits through cost optimization, as organizations turn to cloud services to drive increased efficiencies. The vast majority (95%) of IT professionals say that cloud is an important way to deliver better business continuity, while 93% say it also helps their organization improve security and manage data better.

Respondents in the Cloud Impact Study had similarly positive experiences around efficiency and agility. Some 94% of respondents agree that cloud has delivered at least expected efficiency gains this year.

In Part 1 of the 2023 Cloud Impact Study 'Clear Skies Ahead', we found that cloud computing has helped 51% of respondents mitigate the challenges of the economic downturn by reducing costs. Additionally, 41% say that increased profitability was a top business driver behind their organization's investment in cloud services over the last 12 months. Moreover, 93% of respondents agree that cloud computing is essential to financial security, showing a year-over-year increase from previous results – up by 7% in 2022, and 13% from 2021.

It is clear that in a fast-paced business world, cloud computing has become an essential tool for organizations. Investing in cloud technology can help organizations realize significant financial gains through increased efficiency, reliability, and scalability. In many cases, these gains have been made possible by cloud transformation, replacing costly legacy systems with more flexible cloud services.

Going forward the challenge for many IT professionals is how to continue delivering these savings as cloud usage expands. While 92% of respondents say they are likely to conduct full ROI (return-on-investment) analysis of cloud spending (up from 89% in 2022), how this analysis will be done and whether it shows continued cost savings is not clear.

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PUTTING A STOP TO RUNAWAY COSTS

We have mentioned that respondents in the study reported many benefits to cloud adoption, including efficiency, scalability, and resilience. However, 73% of respondents also say that their cloud investment has led to higher-than-expected IT costs within the last 12 months, an increase of 28% over 2021 figures.

Additionally, more than half (52%) of IT professionals say that their organization has wasted significant IT spend due to inefficiencies with cloud platforms and services.

Poor planning and a lack of internal expertise, combined with an acceleration of cloud adoption during the pandemic culminates in unforeseen costs, exacerbated by a lack of familiarity with complex cloud solutions. This is particularly the case where organizations have embarked on a hybrid, multi-cloud strategy that sees a mixture of on-prem and public cloud services for different data services and workloads.

IT organizations must develop skills and knowledge around cloud strategy and planning to put a stop to runaway costs and inefficiencies. This should include ensuring cloud deployment teams are educated in issues including cloud costs, chargeback, automation, and orchestration.

Most respondents believe their organization lacks the right skills and expertise to plan such complex, multi-cloud implementations, with 62% of respondents agreeing that a lack of internal expertise prevented them from accelerating cloud implementations. It is crucial for IT professionals to carefully weigh the benefits and drawbacks of different cloud services before making investment decisions.

73%

SAY CLOUD INVESTMENT HAS LED TO HIGHER-THAN-EXPECTED IT COSTS



THE REASON?

52%

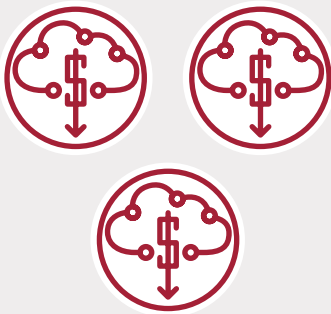
WASTED IT SPEND DUE TO INEFFICIENCIES WITH CLOUD PLATFORMS AND SERVICES



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'Adopting FinOps in a complex cloud environment can reduce cloud costs by as much as 30%, according to McKinsey⁵⁷



IMPORTANCE OF FINOPS

Organizations can look to address these challenges through the adoption of FinOps, along with comprehensive cloud implementation strategies.

Essentially, FinOps is a collaborative cultural approach. It embodies a method where all team members assume responsibility for their cloud expenditures, guided by a central group of best practices. It encourages collaboration among diverse teams such as Engineering, Finance, and Product to expedite product delivery while simultaneously enhancing financial oversight and predictability⁵.

Embracing FinOps often involves a central, cross-functional team dedicated to promoting its value and offering best practices to stakeholders, aiding them in optimizing the enterprise's expenditure on cloud services. While the negotiation of rates and committed spend tends to be centralized, the tools and practices for efficiency are disseminated to the engineering and product teams.

Crucially, FinOps helps organizations gain real visibility into cloud costs and make informed decisions on when and where to optimize. This visibility can help the organization predict and manage cloud consumption to deliver the full value of technology investment. Adopting FinOps in a complex cloud environment can reduce cloud costs by as much as 30%, according to McKinsey⁶.

Controlling cloud costs is cited as a top challenge in our study, with one third of respondents citing cost savings and financial predictability as a key driver of cloud investment. Furthermore, 37% of IT professionals say that one of the key drivers of their cloud strategy and investment is gaining more flexibility and scalability in the amount of capacity available.

Ultimately, organizations need to embed FinOps practices to bring control and predictability to cloud costs across complex environments to see more cost-effective cloud consumption.

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“Recent research from McKinsey suggests that most companies don’t really focus on cloud costs until they pass \$100 million, which is a huge, missed opportunity to achieve savings and deliver value. Today’s IT leaders must focus on building strong cloud foundations that enable them to realize the full benefits of cloud, and that means incorporating FinOps into your cloud strategy.”

– Alberto Da Anunciacao
President, Managed Services, Aptum

CONCLUSION AND RECOMMENDATIONS

The benefits of cloud computing are undeniable, and our survey shows that organizations that continue to adopt cloud technology experience significant advantages in terms of scalability, agility, and cost savings.

However, continued cost savings will only be achieved if organizations have a clear strategy for ongoing cloud investment that focuses on visibility and control of costs. This is especially true in organizations that are accelerating cloud investment and moving into more complex, multi-, and hybrid cloud environments. This means adopting FinOps principles to ensure organizations are operating efficiently in the cloud.

The cloud management strategy may also involve the creation of a Cloud Centre of Excellence (CCOE), an entity within an organization that provides leadership, best practices, research, support, and/or training for its cloud initiatives. Gartner Group agrees a CCOE is key to driving cloud-enabled IT transformation⁷. The CCOE should lead the creation of cloud policy, guiding provider selection and assisting with solution architecture, with a view to improving business outcomes and reducing risk. Alongside FinOps, this provides effective insight to truly optimize cloud investment.

Without this kind of structure and planning, businesses in hybrid cloud environments may experience challenges such as unexpected costs, security breaches, and operational inefficiencies.

This is where Aptum comes in. We bridge the gap by ensuring clients’ cloud strategies align with their business goals. By fostering the rapid and secure embrace of industry best practices across the hybrid multi-cloud, we deliver outcomes both promptly and reliably. Our suite of consulting and operational services is crafted to guide businesses through the maze of cloud computing, making the journey streamlined and proficient.

FinOps initiatives, when properly implemented and managed, often pay for themselves over time. There are many ways FinOps initiatives can provide return on investment (ROI):

Cost Visibility and Accountability: With FinOps, organizations gain granular visibility into cloud expenditures. By attributing costs to specific teams, projects, or services, teams become more accountable and conscious of their spending.

Optimized Resource Usage: FinOps practices help identify underutilized or unused resources, leading to immediate cost savings when these resources are terminated or downsized.

Better Forecasting: Regular cost and usage analyses allow for more accurate budgeting and forecasting, reducing the likelihood of unexpected overruns.

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Enhanced Decision-making: By providing clear insights into the cost implications of various choices, teams can make informed decisions that balance performance, innovation, and cost.

Cultural Change: Over time, a FinOps culture means that cost becomes a standard part of operational discussions, leading to a more cost-efficient operational mindset across the organization.

Leveraging Discounts: Armed with data, organizations can negotiate better terms with cloud providers, such as committing to reserved instances or availing volume-based discounts.

Automated Efficiencies: Automation, a core component of FinOps, ensures that best practices like shutting down non-essential instances overnight, are consistently applied.

Continuous Improvement: The iterative nature of FinOps means organizations are continuously improving their cloud financial management practices, leading to ongoing savings.

While there are upfront costs involved in setting up tools, processes, and training teams in FinOps, the long-term savings from optimized cloud usage and enhanced decision-making typically result in a positive ROI. It's also worth noting that the benefits of FinOps aren't solely financial—improved agility, transparency, and collaboration can offer intangible but valuable advantages.

Having a comprehensive strategy focused on optimizing investments and controlling costs sustains those benefits long-term, especially as environments grow more complex. A strong framework for managing multi-cloud environments empowers IT leaders to realize the benefits of the cloud while optimizing cloud spend.

1 Gartner®: <https://www.gartner.com/en/newsroom/press-releases/2023-04-06-gartner-forecasts-worldwide-it-spending-to-grow-5-percent-in-2023>

2 McKinsey & Company: <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/projecting-the-global-value-of-cloud-3-trillion-is-up-for-grabs-for-companies-that-go-beyond-adoption>

3 Gartner®: <https://www.gartner.com/en/newsroom/press-releases/2023-04-06-gartner-forecasts-worldwide-it-spending-to-grow-5-percent-in-2023>

4 McKinsey & Company: <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/projecting-the-global-value-of-cloud-3-trillion-is-up-for-grabs-for-companies-that-go-beyond-adoption>

5 FinOps Foundation: <https://www.finops.org/introduction/what-is-finops/>

6 McKinsey, The FinOps Way: <https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/the-finops-way-how-to-avoid-the-pitfalls-to-realizing-clouds-value>

7 Gartner®: <https://www.gartner.com/en/conferences/hub/cloud-conferences/insights/how-to-build-a-cloud-center-of-excellence>

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ABOUT APTUM

Aptum enables customers to “Own your destiny in the cloud™” by solving complex technology challenges with truly comprehensive, outcome-based solutions across multiple public and private clouds. We are a global provider of Managed Services and Advisory & Consulting Services, enabling customers to control and optimize workloads across hyperscale, regional, private, and edge cloud platforms.

The Aptum approach is cloud platform-agnostic, empowering customers to improve performance and security of workloads; enable workload portability and optimization; and drive greater flexibility and agility while lowering costs; all with unified management and reporting which span North America, Latin America, UK, and Europe.


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