Wanclouds

2022 Cloud Cost and Optimization Outlook

Introduction

Since the onset of the pandemic in 2020, U.S. organizations have been carrying out the largest digital transformation projects in history. At the center of those transformations has been migrating to the cloud and ushering in hybrid and multi-cloud environments. Wanclouds Cloud-Native Trends Outlook published in February of this year uncovered that of companies using multiple cloud platforms, 48% were also taking a hybrid approach by utilizing both public and private clouds.

However, amid these digital transformations, corporations were thrown a wrench in their plans over the last two quarters in the form of skyrocketing costs. Rising inflation and interest rates, along with fears of a potential recession, have put increasing financial and operational strain on organizations. As a result, many companies are reevaluating their digital ambitions as cloud costs are brought under the microscope.

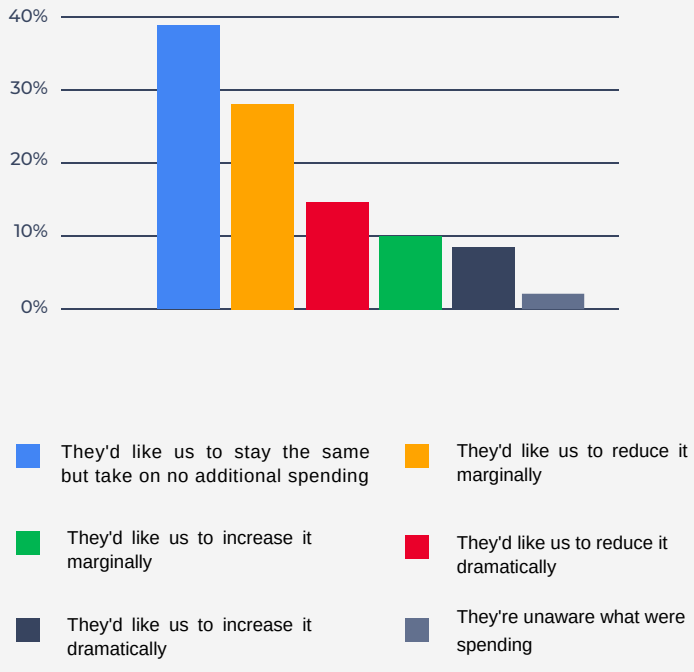
Cloud spending has indeed skyrocketed during digital transformations over the past two years, and only recently have organizations questioned if they are spending their cloud dollars in the most effective way. Not every business has the same resources as, say, Apple, which reportedly spends over $30M a month on Amazon's cloud. Most IT teams are constantly battling hidden charges and unexpected cloud costs that threaten to deplete their IT budgets quickly.

It's a severe problem throwing IT teams for a loop from the migration stages of the multi-cloud plans to management and maintenance. While cloud providers like Amazon provide basic tools for resource tracking and spend visibility, these features generally fall short of providing real-time and enterprise-wide insights or the ability to take cost optimization action easily.
To eliminate the sticker shock of unanticipated cloud costs, organizations need to have a defined plan for cloud cost management. Again, company-wide visibility into their cloud platforms' billing systems is imperative and a way to track spending across multiple accounts. It's vital for companies to properly tag the infrastructure to understand costs and maintain an up-to-date inventory of all the resources.

To better understand how IT teams, CIOs, FinOps, and C-Suite's are addressing increasing cloud costs and looking to optimize their infrastructures, Wanclouds commissioned **a survey of more than 500 U.S. IT decision-makers in Q3 of 2022.** The results informed the following **2H 2022 Cloud Cost and Optimization Outlook.**

Costs Are Rising, and the C-Suite is Pulling Back on Cloud Spending

What are your CFO or C-Suite's thoughts on your Company's Cloud Spending?

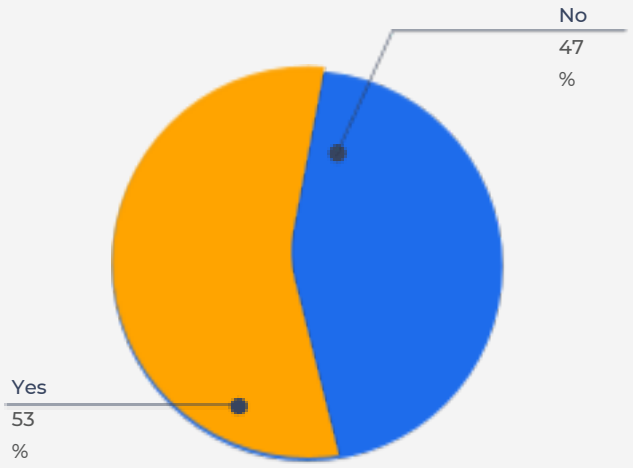


Cloud companies have been among the darlings over the past five years, with executives expanding their cloud architectures in search of greater flexibility and scalability and investors flocking to nab shares in a flourishing industry. In particular, the work-from-home days of the pandemic brought tremendous growth to companies like Amazon, Google, and Microsoft, whose cloud revenues skyrocketed during Covid-19. This trend has largely carried through to today, with corporate spending on cloud infrastructure decreasing just once in the last seven quarters.

But as recession fears spike amongst C-suites, we're finally starting to see some cracks in the IT budget. Wanclouds found that a whopping 81% of IT leaders say they have been directed by their C-suite to either take on no additional cloud spending or reduce it. This includes 28% who said their bosses told them to reduce their cloud spend marginally and 14% who were advised to reduce it dramatically. For those asked to cut costs, a vast majority said they now plan to do so by between 26% and 50%.

To the casual follower, this may appear to them like the cloud's bubble is about to burst. But in reality, organizations' sudden plans to shed cloud costs are evidence of the industry's long-standing issue with overspending — despite IT teams' efforts to keep costs down. Although IT departments have been dedicating larger portions of their budgets to the cloud in recent years, too much of it has been spent on hidden charges enabled by a lack of company-wide visibility within many cloud platforms' billing systems. 53% of IT leaders surveyed by Wanclouds say that they feel they have been hit with more unexpected cloud costs or spending than what they had planned in the first half of 2022.

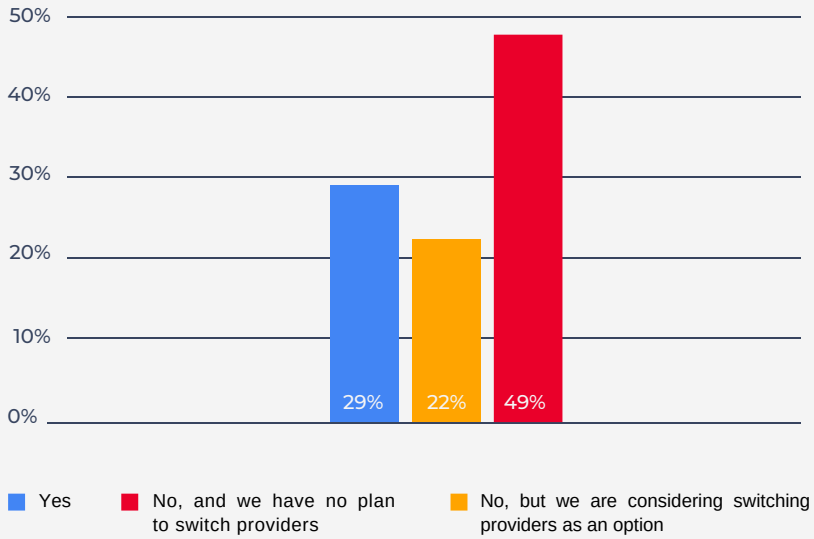
Do you feel you have gotten hit with more unexpected cloud costs or spending based on what you had planned for in the 1 H



Frustration levels are growing amongst IT teams and C-suites, leading to a course correction that is causing them to slash cloud costs or seek alternative, cheaper solutions. Nearly 3-in-10 IT leaders (29%), for instance, say they have switched public cloud providers due to high costs in the first half of 2022. An additional 22% are considering switching providers as an option to reduce spending. Of those that say they are planning to cut costs, there is nearly an even split between those who say they will cut their cloud budget by less than 25% and those who say they will cut somewhere between 25 and 50 percent.

In response to rising cloud costs, 39% of IT leaders have also decided to move or leave some of their major cloud consumption and high-performance workloads on-premise. Meanwhile, nearly a quarter (24%) have brought in experts in “FinOps’ or cloud finance management to assist with revising their organization’s strategy, and 23% have shifted to more of a multi-cloud strategy to optimize costs for each application or service.

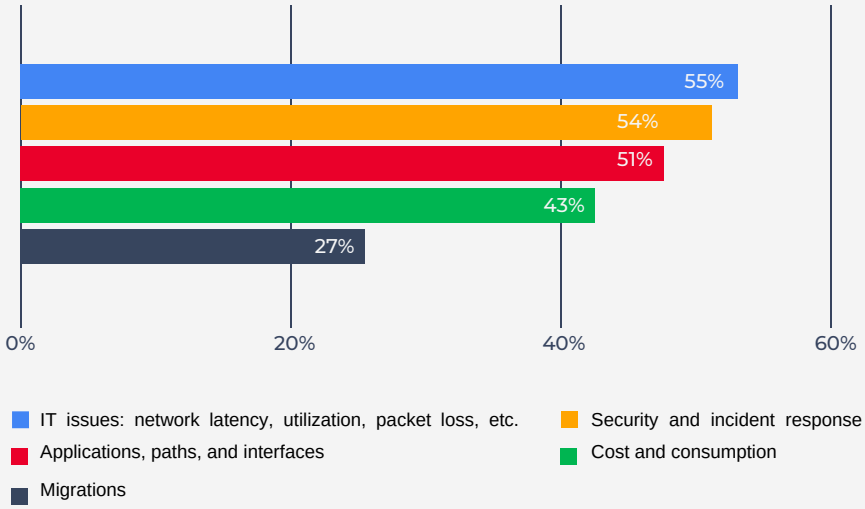
Have you switched public cloud providers due to high costs in the 1H of 2022?



Despite the Increase in Cloud Prices, Cost Management is Still Playing Catch Up

The complexities that made the cloud such an attractive investment for organizations within the past few years have made these infrastructures more difficult to manage. For example, as businesses continue to store their most valuable assets and mission-critical data in the cloud, they find themselves under more pressure to maintain uptime in the face of rising security and climate challenges. Moreover, changing compliance requirements have made it extremely difficult for organizations to ensure that they are meeting industry and governmental standards.

Which of these do you have visibility into in your cloud environment (choose all that apply)?



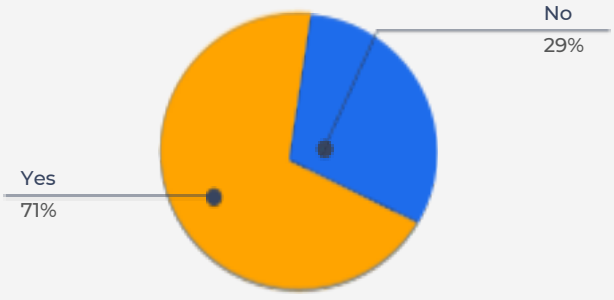
Amongst their most challenging obstacles to overcome, however, has unsurprisingly been managing costs. As hybrid and multi-cloud environments become increasingly popular, just 43% of U.S. IT leaders say they have visibility today into costs and consumption across their cloud environment. This undoubtedly contributes to such a large portion of them experiencing the sticker shock of being hit with unplanned charges. Meanwhile, a staggeringly low 27% say they have visibility into migrations within their cloud environment.

Considering how expensive cloud migrations have become, this lack of visibility into their journeys could also be driving organizations to overspend and, as a result, seek ways to cut costs, including switching providers. Wanclouds previous analysis found that for half (48%) of U.S. and UK companies, a single application migration takes them 1-2 months. For nearly a quarter, it takes them up to 6 months. That's a lot of time and money.

Yet, only 27% of U.S. IT leaders report in our latest polling that they're assessing their overall cloud spend on at least a weekly basis. Furthermore, almost a third (32%) report that it is six months or more since their last cloud spend analysis! This is unfortunate, as it seems like tagging functionality is available to be more offensive with cloud cost management. More than 80% of IT leaders say their cloud infrastructure is organized and tagged based on production, pre-production, and testing stages. Still, organizations do not appear to be taking advantage of the opportunity to optimize infrastructure in real-time.

Kubernetes Complexities Drive Up Costs

Has using Kubernetes and containerization increased your overall cloud spending over the past few years?



Gartner has reported that by 2026 20% of all enterprise applications will run in containers — up from fewer than 10% in 2020. Of those we surveyed, 23% of U.S. IT leaders noted their organization had implemented Kubernetes to modernize their IT environment.

Dealing with large-scale complex applications can be incredibly costly. And while Kubernetes does help IT leaders keep some costs down by significantly reducing large-scale containerized ecosystems, there can also be new budget items based on some of the complexities in managing across hybrid environments.

Security is one issue that often leads to cost increases. Given most Kubernetes workloads are spread across public, private, and hybrid cloud infrastructures, securing these workloads is often a customized process, making them expensive, complex, and prone to misconfigurations. However, the bigger issue is cost visibility. Given that Kubernetes clusters are often shared by multiple teams working on various applications, it becomes very difficult to tag resources simply. If you have multiple teams working on various applications in different stages of development, it becomes nearly impossible to understand the breakdown of resources being used.

Therefore, it wasn't a huge surprise that when we asked leaders who recently implemented Kubernetes if their cloud costs have gone up, 70% said they had. Tracking costs across Kubernetes deployments across multiple clouds such as AWS, Google Cloud Platform, Azure, and IBM Cloud can be a major problem for organizations as each hosts pieces of workloads. Therefore cost visibility tools are in high demand to ensure it's still possible to optimize across hybrid and multi-cloud environments. It's important that companies look to track costs at a microservice level and have the ability to track by workspaces, pods, and deployments.

About Wanclouds:

Wanclouds is a leading multi-cloud SaaS solution and managed service provider. It helps enterprises with cloud deployments, migrations, backups, and cost-efficient cloud infrastructure optimization. The company's Cost Optimization as a service (COaaS), Multi-Cloud Migration as a Service (MaaS) and Disaster Recovery as a Service (DRaaS) cloud offerings reduce the financial investment and remove the technical complexities that halt or delay businesses from migrating on-premise to the cloud, moving across clouds, or setting up backup and restore protection. Its SaaS-based automation suite VPC+ provides a single pane of glass for managing and protecting multi-cloud environments through a centralized cross-cloud solution. Wanclouds is an AWS, Google Cloud, IBM Cloud partner headquartered in Santa Clara, CA.

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