# NET(NET)'S GUIDE TO CCO (CLOUD COST OPTIMIZATION)

Ensure your Cloud waste is not part of the anticipated $17B industry-wide hemorrhaging of value and money with AWS, Azure and GCP

Provided by:
NET(net), Inc.
+ 1 (616) 546-3100
www.netnetweb.com

## TABLE OF CONTENTS

Swimming with the Sharks – State of the Market Players....2

First Things First – Failures and Mistakes....4

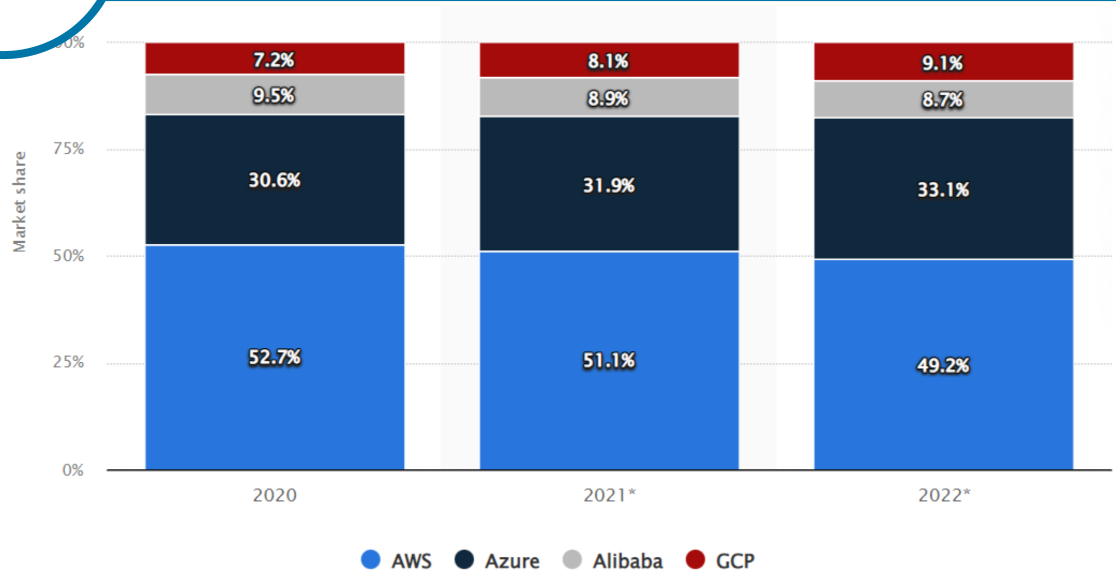
Preparation – Rethink Your Thoughts....5

Homework – There Will Be a Test....6

The Ask – A Little Help from Our Friends....7

NET(net), Inc.
217 East 24th Street-Suite 010 | Holland, Michigan | 49423

## 1. Swimming with the Sharks! – State of the Market Players



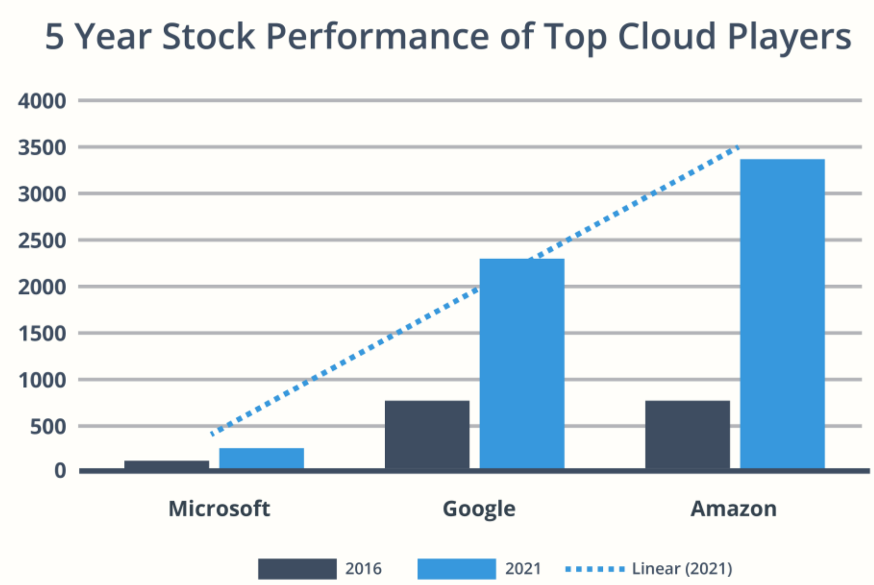

Who you swim with, depends largely on what kind of business you are in. We find most companies are with 3 providers of choice as:

- **Microsoft Azure** – strong within companies that utilize a large amount of Microsoft technology.
- **Google Cloud** – Large information processing "big data" and retailers (anti-AWS).
- **Amazon Web Services** – Favored by most companies and those built in the cloud.

In just the last few years, the revenue growth for the major Cloud providers have been staggering. While some of the Cloud market players have increased their revenue significantly in this space, AWS who already had a lock in the top spot for Cloud providers, still managed to increase their revenue by 28%!

The revenue increases show a corresponding rise in the stock prices of each of these companies. While all three of the major players have other products and services, Cloud revenue is a driving force behind all three. If you purchased stock in any of these companies back in 2016, congratulations! You have done well.

If your company has purchased Cloud computing from any of these three companies, our condolences. You have unknowingly contributed to their runaway success by (probably) overpaying significantly for consumption of instances you didn't need or want.




In simple economic terms, does this seem like a buyer or seller market? In a classic sellers market , demand exceeds supply, thus driving up price. What is often unique about technology markets, is that even when there is seemingly limitless supply, disproportionate demand can still put buyers at a disadvantage.

The bottom line?

The Cloud providers are making truckloads of money. T-r-u-c-k-l-o-a-d-s. In this kind of market, do you think you are going to get a break on terms or price? Are you able to shop around and change to a lower cost provider to save money? Probably not. In most cases, you are 1) paying one of the big three providers a lot of money and 2) aren t prepared to move/change providers, and 3) are basically paying what they tell you to pay.

NET(net), Inc.
217 East 24th Street-Suite 010 | Holland, Michigan | 49423

## 2. First Things 'First – ' Failures and mistakes

Failure might be a strong word, but if wasting consumption that causes you to spend 50% more than you need to, it might be an issue. But from our failures, also come our greatest triumphs!

*A person who never made a mistake never tried anything new."*
*Albert Einstein*

Below are the areas where mistakes occur. Please consider these and find ways to avoid or change your approach.

- **'Replicating' your mistakes.** If you replicate what you are doing on premise in the cloud you will spend more than the cost of legacy. The reason is clear, in the cloud, you 'pay as you go' for every minute of usage and services you trigger through the provider platform. This unit cost in the cloud is more than the depreciated unit cost of comparable system cost on premise. This does not mean the cloud is a bad idea. This does mean that the cloud requires a different and dynamic approach to be cost effective.
- **Escape your mistakes.** Adopting cloud infrastructure CAN enable an organization to escape its technical debt and enable a nimbler infrastructure. Emphasis on "can".
- **Making the same mistakes.** Adoption of the cloud requires thinking and doing differently! If you come to or are already in the Cloud party and you have not adapted your governance to the 'pay as you go' paradigm, the party will be over before it really got started.

NET(net), Inc.
217 East 24th Street-Suite 010 | Holland, Michigan | 49423

## 2. Preparation – Rethink Your Thoughts

The Big Three agreement basics are: Term, Commit, and Credits (TCC). Competing priorities and company needs create different combination of these, but fully understanding how they all work together to optimize your environment is critical.

- **Term:** Duration (number of years) impacts your pricing. The longer the duration, the more favorable your pricing.
- **Commitment:** Large spend commitment over a multi-year period will result in higher discounts. Spend growth potential is another metric of value for providers.
- **Credits:** Depending of workloads to be migrated to the cloud and your projected usage of services, providers are open to give you credits as consumption incentive or as investment incentive for specific services or features. Once you have fully done your homework and understand how these all work together in your environment will allow you to prepare in the right way to move forward.

## 4. Homework! – There Will Be a Test

Just like school, if you never do the homework, you probably will not do well on the test. ***If you are to have any success, start the analysis early to understand your current and future usage!***

Key points to consider:

- As with legacy enterprise solutions, volume drives pricing consideration.
- Cloud providers use volume commitments to drive their infrastructure build out.
- Commitments are firm, meaning use or lose unless altered.
- Develop consumption models to support the determination of the appropriate level of commitment we recommend developing a base case, a target case and an upside case.
- Perform sensitivity analysis to come up with a range of annual commit over different time horizon (usually 3 to 5 years).
- The appropriate commitment level depends on how confident you are in your ability to execute.
- Remember that most cloud provider solutions are sold as components. This means that the component parts must all be forecasted:
  - Compute
  - Memory
  - Storage
  - Data transfer – in and out
- It is possible to get improved pricing for individual services which are improvements over the bulk commitment discounts provided.

## 5. The Ask – A Little Help from Our Friends

The more you understand your Cloud roadmap, consumption and architecture, the easier it is to adopt different strategies to reduce your spend, including:

- Reserved instances: one you rent ("or reserve") for a fixed duration, and in return you receive a discount of up to 70+% on the base On-demand instance rate.
    - Spot Instances let you take advantage of unused compute capacity of provider cloud. Spot Instances are available at up to a 90% discount compared to On-Demand prices. You can use Spot Instances for various stateless, fault-tolerant, or flexible applications such as containerized workloads, web servers, and test & development workloads. Spot Instances come with no high availability warranty and providers could reclaim the capacity back with less than two-minutes of notice.
- Storage and Data Transfer

Make sure you take advantage of the right storage class for your data consumption and retrievals. Similarly, understand your data transfer patterns to leverage the right architecture and data transfer type for your different workloads. **It**

NET(net), Inc.
217 East 24th Street-Suite 010 | Holland, Michigan | 49423

Bottom line? NET(net) can enable your organization to get a great deal with the cloud provider of your choice and maximize the business value driven by that same agreement. Through our expert negotiation skills honed from nineteen years of experience, our leading-edge Cloud tools, and Subject Matter Experts – you will see millions of incremental value delivered. Full stop.

All you have to do is ask.

## ABOUT NET(NET)

Founded in 2002, NET (net) is the world's leading IT Investment Optimization firm, helping clients find, get and keep more economic and strategic value. With over 2,500 clients around the world in nearly all industries and geographies, and with the experience of over 25,000 field engagements with over 250 technology suppliers in XaaS, Cloud, Hardware, Software, Services, Healthcare, Outsourcing, Infrastructure, Telecommunications, and other areas of IT spend, resulting in incremental client captured value in excess of $250 billion since 2002. NET (net) has the expertise you need, the experience you want, and the performance you demand. Contact us today at info@netnetweb.com, visit us online at https://www.netnetweb.com, or call us at +1-866-2-NET-net to see if we can help you capture more value in your IT investments, agreements, and relationships.



NET(net), Inc.
217 East 24th Street-Suite 010 | Holland, Michigan | 49423