# InterCloud

# The cloud conundrum:

The enterprise guide on how to control costs and maximize your strategy

# >> Executive summary

**Global multinational businesses are increasingly leveraging the power of cloud computing to stay competitive and drive growth.**

The adoption of cloud-based solutions is providing businesses with unprecedented opportunities to streamline their operations, increase efficiency, and scale their operations quickly.

Managing a complex cloud environment with multiple vendors can be daunting. Contracts, SLAs, security protocols, and compliance requirements vary by vendor and is complicated further by the need to maintain uptime, performance, and reliability while ensuring cost efficiency, including managing egress fees, which are often overlooked and can have a significant impact on cloud costs for businesses with high data transfer requirements.

How well cloud costs are managed can link closely to a company's productivity and profitability. The business issues and complexities associated with managing multiple cloud vendors can be overwhelming for IT and networking leaders who are already pressed for time and resources in a situation where skills are scarce. Furthermore, infrastructure issues that cause downtime can have a significant impact on a company's bottom line. Inaction and poor cloud infrastructure management come at a cost, including decreased productivity, a damaged reputation, and lost business.

To effectively manage cloud infrastructure, businesses must have a thorough understanding of all costs associated with their cloud environment, including egress fees. Collaboration with a reputable managed cloud connectivity provider can help businesses reduce these risks and streamline cloud management. By leveraging the expertise of a dedicated team of cloud experts, businesses can focus on their core business while improving ROI and lowering cloud management costs.

In this report, we will explore the true cost of cloud management and how partnering with a trusted managed cloud connectivity provider can improve productivity, streamline cloud management, and mitigate associated risks. We will examine the various challenges and complexities involved in managing a complex cloud environment and provide insights into how businesses can optimize their cloud infrastructure to achieve their business objectives.
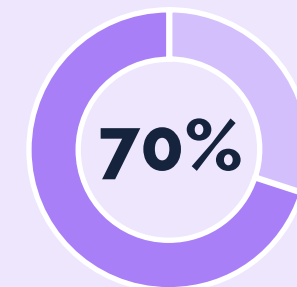
## Public cloud spending continues to grow

With a five-year compound annual growth rate (CARG) of 22.3%, public cloud spending will nearly double.
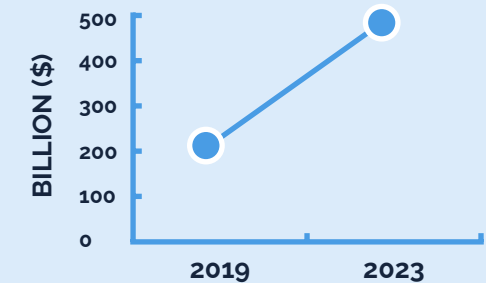


**Source:** IDC worldwide public cloud spending guide 2022

## Overspending is a complex problem

Organizations without a cloud cost optimization strategy overspend up to 70% on cloud resources.



**70%**

**Source:** Gartner | Realize cost savings after migrating to the cloud | Finance Research Team | 28th April 2021

# >> The problem at hand

> **80% of enterprises believe that managing cloud spend poses a challenge.**
>
> McKinsey[1]

Businesses increasingly rely on the cloud to help them run their operations and provide scalable and flexible infrastructure. However, as businesses adopt multiple cloud vendors to meet various needs, the complexity of managing these various platforms grows. This complication can lead to hidden costs and risks, which can have an impact on business operations and the bottom line.

## The increasing complexity of managing multiple cloud vendors:

Managing multiple cloud vendors can increase complexity and increase costs. Each cloud provider has its own set of tools and APIs, which can make management and integration with other platforms difficult.

Furthermore, different vendors have different contractual terms and employ different pricing models, resulting in unexpected costs and billing discrepancies. This complexity can lead to resource management inefficiencies, increased labor costs, and even security risks.

## The hidden costs of managing the cloud:

Cloud management's hidden costs can also have an impact on a company's bottom line. In addition to cloud infrastructure costs, businesses must consider egress fees and invest in staff training, tools, and automation to manage and optimize their cloud deployments. These costs can quickly add up without proper management, resulting in wasted spending and reduced profitability.

## The risks of inadequate cloud management:

Inadequate cloud management can also jeopardize a company's operations and reputation. Companies may be vulnerable to data breaches, downtime, and compliance issues if proper monitoring and security controls are not in place. The complexity of managing multiple cloud vendors can also make ensuring consistent security across all platforms difficult.
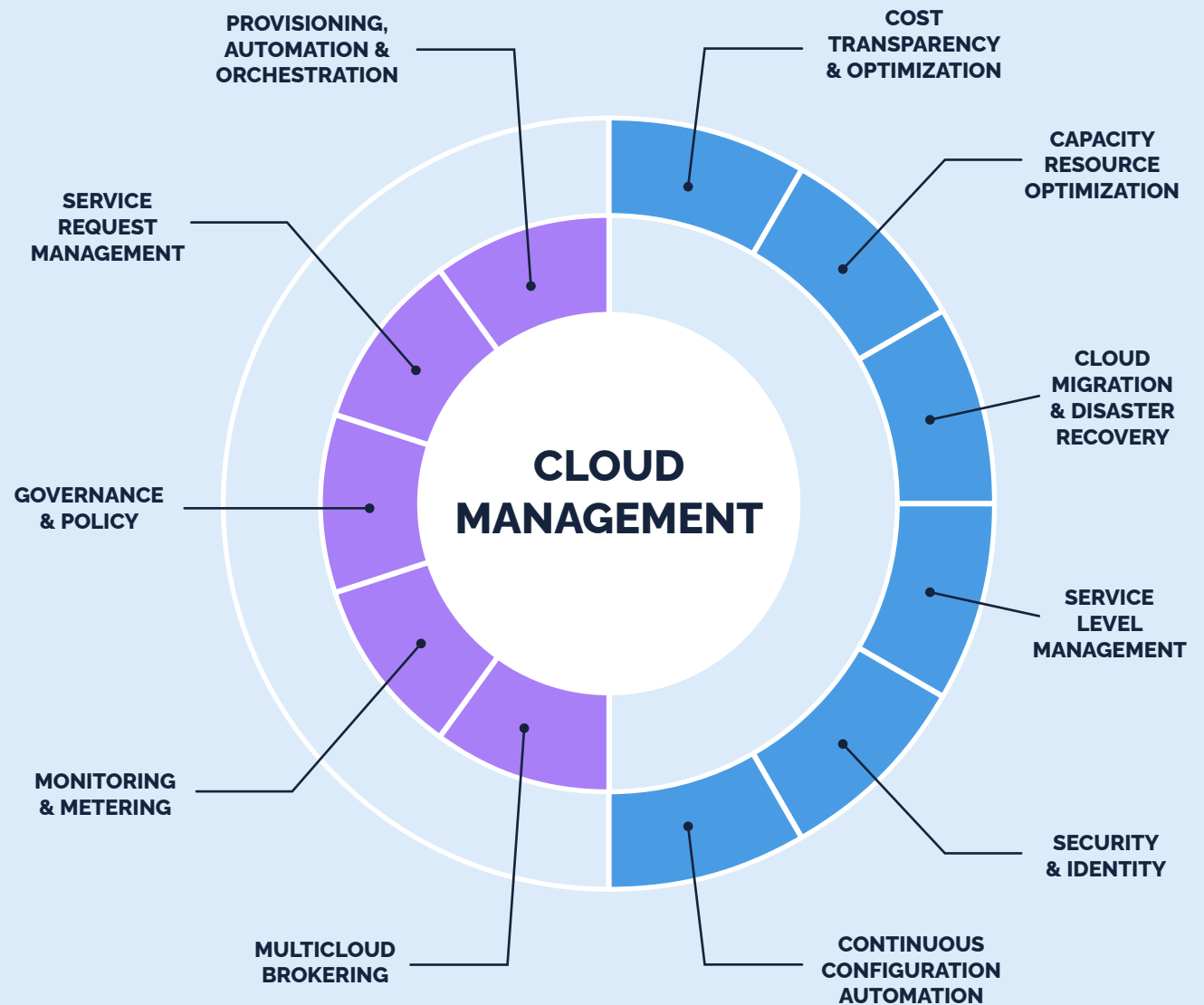
# The complex ecosystem of cloud management costs

Cloud-based on-demand resources allow organizations to quickly scale up and down, while automation capabilities increase efficiency. However, the ecosystem of cloud management costs is multifaceted, with direct and indirect costs varying greatly between different services and vendors. Direct management of this can be complex and difficult for businesses.

Direct costs associated with cloud services can include computing power, storage, and network bandwidth, and are dependent on the cloud provider, pricing model, and resource usage. Egress fees can further add to these costs, making them unpredictable and challenging to manage.

Indirect costs are expenses incurred by businesses when managing and optimizing their cloud environments. Personnel, tools, training, and automation are all examples of costs that can quickly add up if not properly managed. Indirect costs can be especially difficult for businesses that lack the resources or expertise to effectively manage their cloud environments.

## Areas to consider when deriving cloud management costs



CLOUD MANAGEMENT

- PROVISIONING, AUTOMATION & ORCHESTRATION
- COST TRANSPARENCY & OPTIMIZATION
- CAPACITY RESOURCE OPTIMIZATION
- SERVICE REQUEST MANAGEMENT
- CLOUD MIGRATION & DISASTER RECOVERY
- GOVERNANCE & POLICY
- SERVICE LEVEL MANAGEMENT
- MONITORING & METERING
- SECURITY & IDENTITY
- MULTICLOUD BROKERING
- CONTINUOUS CONFIGURATION AUTOMATION

# How cloud costs can go off the rails

Cloud management cost issues are a common concern for businesses today as they strive to optimize their operations while keeping costs under control. With the increasing complexity of cloud environments and the wide range of services available, organizations may find it difficult to accurately predict and control their cloud costs. This can lead to overspending, resource waste, and a lack of visibility into the cloud cost structure.

**Several factors can cause cloud costs to go off the rails:**

## Team optimization:

To achieve a successful cloud strategy, it is critical to choose the right cloud management partner, as attempting to handle everything internally or opting for familiarity or low pricing may result in costly errors and divert your team's attention away from critical business tasks.

## The wrong emphasis:

Leaders tend to prioritize the "lift and shift" approach for cloud migration, but for on-premise applications, it may be more beneficial to rewrite, replace or avoid migration altogether to avoid higher cloud operating costs.

## Rushed application assessments:

Proper application assessment is crucial for a successful cloud adoption and for migration projects, as it helps to determine the best approach for each application and avoid incomplete specifications or scope creep.

## Hidden indirect costs:

Leaders often overlook indirect costs associated with cloud adoption and migration, such as transformation costs to adjust the organization to operate in the cloud and residual costs of vacated data centers, which include reskilling teams, adopting agile DevOps practices, and losses in productivity due to unused facilities, licenses, or staff.
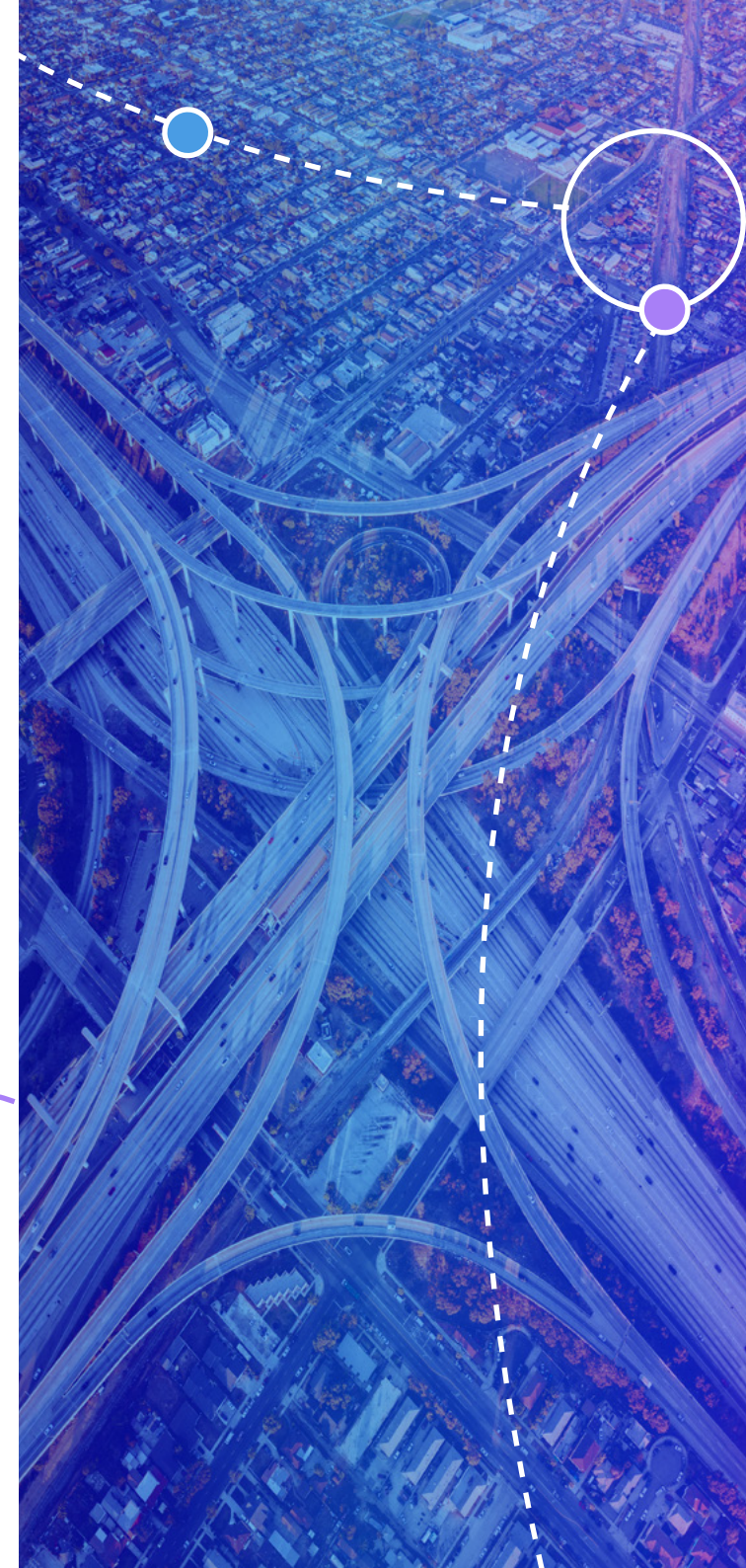
# Five areas to optimize your cloud strategy

Cloud resources are highly dynamic, and they can be spread across multiple locations, services, and cloud providers. The cloud's easy scalability and deployment are compelling benefits, but they also allow IT, DevOps, or engineering teams to run resources without understanding the short-term or long-term cost considerations. The cloud makes it difficult to gain visibility and enforce cloud cost decisions and policies. A cloud cost management strategy can assist organizations in planning for future cloud service consumption and costs.

**Consider the following strategies for controlling cloud costs:**

### 1  Right sizing:

Ensure that your cloud resources match your workload requirements. Overprovisioning resources can lead to unnecessary costs, while under provisioning can result in performance issues.

### 2  Automatic scaling:

Automate resource allocation to meet varying workload demands. This helps to minimize costs while ensuring optimal performance.

### 3  Prioritize storage:

Assess your storage needs and prioritize storage requirements based on business requirements. This helps to reduce storage costs while ensuring that critical data is always available.

### 4  Visibility:

Ensure that you have complete visibility into your cloud environment. This helps you identify areas where you can optimize resources and reduce costs.

### 5  Centralized multicloud management:

Use a centralized management tool to manage multiple cloud environments. This helps to reduce the complexity and brings focus to the resources and skills required for internal IT and networking teams, leading to improved efficiencies and reduced costs.
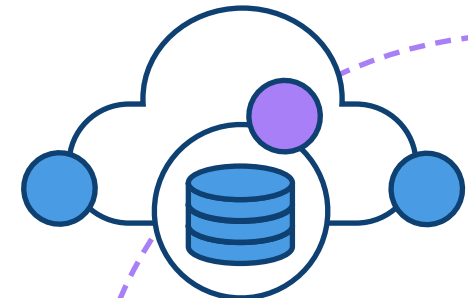
# Bridging the skills shortage with a managed cloud provider

Working with the right managed cloud provider can bridge the skills shortage gap. With the ever-growing number of providers in the market, choosing the right one can have a significant impact on the success of your cloud strategy and the subsequent ability to gain greater visibility and control of your costs.

**Considerations to bear in mind:**

## Service Level Agreements (SLAs):

The provider should have clear and well-defined SLAs that guarantee performance, uptime, and availability. These SLAs should be tailored to meet the specific needs of the organization and should provide clear metrics for measuring performance and service levels.

## Security and compliance:

A managed cloud provider should have robust security protocols and compliance measures in place to ensure that customer data is secure and meets regulatory requirements. The provider should be able to demonstrate that they have a strong security posture, with measures in place to protect against cyber threats, data breaches, and unauthorized access.

## Scalability and flexibility:

A managed cloud provider should have the capability to scale resources up or down based on changing business needs. They should be able to accommodate fluctuations in traffic and usage patterns and provide a flexible and adaptable infrastructure that can grow with the organization.

## Cost and ROI:

A managed cloud provider should offer transparent pricing and billing, with no hidden costs or unexpected fees. They should also provide tools and analytics to help customers monitor and optimize their cloud usage, so they can maximize their ROI and achieve cost savings.

## Customer support:

The provider should have a dedicated support team that is available 24/7 to provide technical assistance and resolve issues quickly. They should also offer proactive monitoring and management to prevent potential problems before they occur.

> **58% of businesses ranked "insufficient skills and resources" as the biggest challenge faced when it comes to meeting company cloud adoption and optimization goals.**
>
> **Gartner[2]**

[2] Gartner, The Cloud Infrastructure and Platform Services Skills I&O Teams Require for the Future, Raj Bala, Ross Winser, 2nd September 2020

# Five questions to ask to choose the right managed cloud provider for your business

**1** **What level of global reach and Service Level Agreements (SLAs) does the managed cloud provider offer?**

If you have distributed teams or need to operate in multiple regions around the world, global reach is essential. Check that the managed cloud provider has excellent relationships with all cloud providers and takes an agnostic approach that meets your business needs. Furthermore, SLAs are essential for ensuring that your applications are both available and performant. Inquire about the provider's uptime guarantees, service credits, and penalties for failing to meet SLAs.

**2** **What security and compliance measures are in place?**

When selecting a managed cloud provider, security and compliance are critical factors to consider. Inquire about the provider's security policies, certifications, and compliance with industry regulations. Inquire about their disaster recovery plans and data backup policies, and make certain that the provider has the capabilities to support you with a comprehensive disaster recovery or business continuity plan, that includes regular testing and validation to ensure your data is protected in the event of an outage or disaster, and uptime is maintained in the event of network disruption.

**3** **How scalable and flexible is the managed cloud provider's solution?**

The ability to quickly scale up or down your infrastructure is critical for businesses that experience traffic spikes or have unpredictable resource needs. To ensure that the provider can support your organization's growth plans and easily adapt to changes in workload and resource requirements, inquire about the provider's ability to quickly provision new resources, support scaling, and offer flexible pricing models based on usage.

**4** **How does the managed cloud provider manage cost and offer ROI?**

Because managed cloud services can be costly, it's critical to understand how the provider manages costs and provides value. Make sure you understand all the costs involved, including migration fees, ongoing support fees, and any other fees or charges. Inquire about their pricing models, billing procedures, and solutions to help you manage costs effectively.

**5** **What level of customer support does the managed cloud provider offer?**

Customer service is critical in ensuring that any problems or concerns are addressed quickly and efficiently. Check to see if the managed cloud provider provides 24/7 support and a dedicated team of experts to handle any issues that may arise. Inquire about the provider's support processes, such as response times, communication channels, and the level of expertise of their support staff. Inquire about any training or onboarding they provide to ensure your team is familiar with their services.

## The InterCloud advantage: A one-stop-shop to manage your cloud

- **Global reach:** Single, scalable network infrastructure with access to 100% of cloud service providers (CSPs) with exceptional service level agreements (SLAs).

- **Security and resiliency:** Simplify and manage security policies and operations across disparate cloud environments.

- **Scalability and speed:** Create a multicloud network that connects your cloud applications as you need, without restrictions.

- **Visibility and control:** Deliver operational visibility, analytics, and application connectivity across multiple clouds.

- **Productivity and efficiency:** Build your multicloud easily and quickly without needing to duplicate technical resources.

## The InterCloud approach

The InterCloud platform enables businesses to streamline their cloud operations and simplify operations. InterCloud reduces the need for human intervention and improves business performance with speed and agility by harnessing advanced automated tools and improved visibility across multicloud environments. Its central automated layer enables businesses to choose resources based on their goals without having to worry about underlying connectivity or network performance. The platform and managed services offering also reduces the cost chaos that comes with managing a complex cloud environment with multiple vendors, allowing businesses to maintain uptime, performance, and reliability while also ensuring cost efficiency.

### Secure SDCI:

The only Software-Defined Cloud Interconnect (SDCI) provider delivering a secure, end-to-end managed service.

### API platform:

API-first platform simplifies and accelerates your network operations, offering enhanced performance and visibility.

### Trusted partner:

Partner of all major cloud service providers (CSPs), providing optimized connectivity solutions for your business.

> **All of our links to cloud providers are now managed by InterCloud [making] it possible for our employees to move from focusing purely on technical aspects to creating value for other departments in our company.**
>
> **Rémy Cointreau, CTO**

## Connecting you to the world's biggest cloud providers

We have one of the best cloud coverages in the industry, enabling end-to-end managed private connectivity to your clouds.

- **Alibaba**
- **AWS**
- **Comarch**
- **Microsoft Azure**
- **Microsoft SaaS**
- **Google Cloud**
- **IBM Cloud**
- **Outscale**
- **Oracle Cloud**
- **OVH Cloud**
- **SAP Cloud**
- **Tencent Cloud**

# InterCloud

## About InterCloud

InterCloud's end-to-end global connectivity platform eliminates the complexity in deploying the cloud, giving businesses full control over the security, sovereignty, and performance of their critical data traffic with complete peace of mind.

Working with organizations to help them transform global connectivity, reduce network complexity, and accelerate growth and innovation, InterCloud is a trusted advisor to some of the world's leading brands when it comes to leveraging the cloud for future success.

With offices across Europe, the company's platform is underpinned by its team of cloud experts who guide customers to implement effective strategies to leverage the power of the cloud across their organization – making global connectivity a driver for business performance.

**www.intercloud.com**