

# CCoE

~~Cloud Centre of Excellence~~

Cloud Cost optimisation Experts

**opIT**mise are the Cloud Cost optimisation Experts.

This mini series looks at some of the common statements that people make when talking about their cloud strategy and seeks to provide an alternative viewpoint.

**#1** We don't have a problem, we are on target to hit our spend commitment.

A spend commitment is a commitment to spend, not a target to achieve.

Future commitments are based on your exit Monthly Recurring Cost.

Radically reducing your Monthly Recurring Costs reduces your future spend commitments.

Imagine your spend commitment is £3M over 3 years- this spend could be achieved in several ways:



Increasing Spend: There is an expectation that Monthly Recurring Cost increases as you use the cloud more.

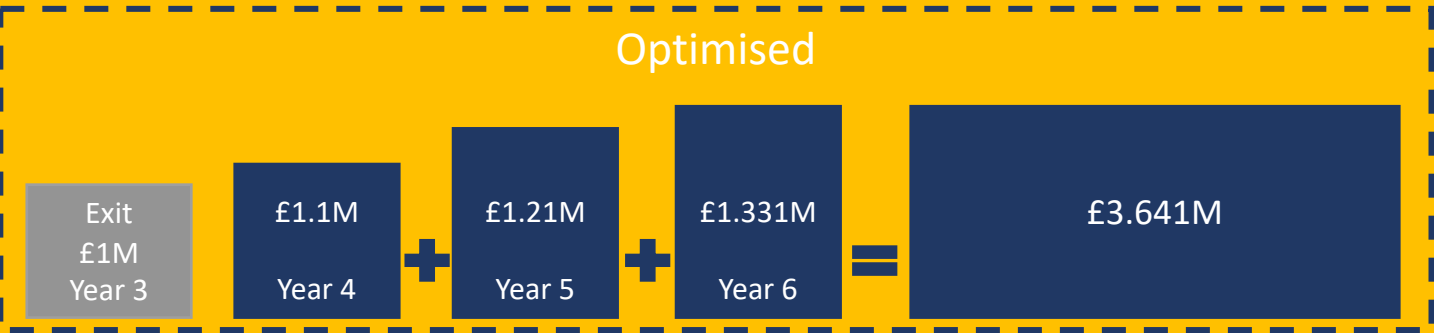
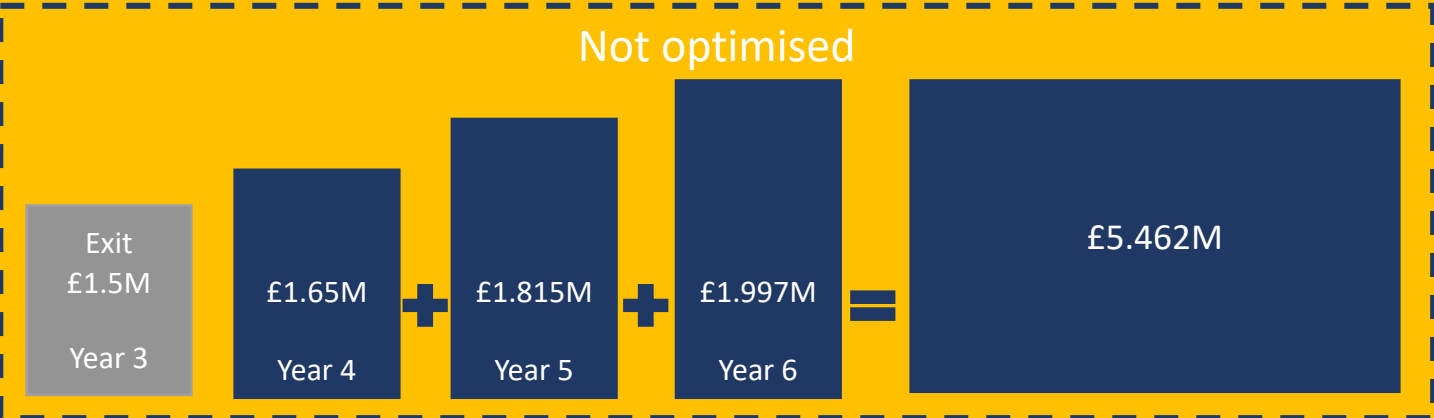


Flat spend: Spend remains flat each year



Weighted spend: Monthly Recurring Costs increase before being optimised and are reduced towards the end of the period.

# The Impact of efficiencies on future spend commitments.



Existing ARC	Forecast Annual Recurring Cost (New contract period)	Saving £1.821M 33.33%
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Future spend commits are a multiple of your exit Monthly Recurring Costs (MRC) plus expected growth.

Working to radically reduce your MRC has a compound effect on future spend.

The blue bars show the impact of having an exit Annual Recurring Cost of £1M and £1.5M.

If you assume that services grow by 10% YoY, radically optimising in year 3 to reduce your Annual Recurring Cost from £1.5M to £1M will provide savings of £1,821M (33.33%) in your new spend commitment.

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## Common Cloud optimisation Errors

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