

Best practices in cloud spend management

Optimizing budgets is easier than you think

INTRODUCTION

Rampant—but avoidable overspending

Cloud services are understandably replacing static, on-premises infrastructure with dynamic, scalable computing power. Recent cloud research uncovered that 50% of all business workloads are expected to run in the cloud by 2023, up from 40% in 2021.¹

What are your cloud expenses per year? How do they compare?

If you're like 76.5% of enterprises in the world, you're spending more than \$1M on IaaS cloud infrastructure every year. But even with so much budget in play, just 15% of those enterprises consider their FinOps practices to be mature and continuing to get better.²

40% overspend with no tracking in place

The reality is that unless IT teams can efficiently manage the agility that the cloud delivers, costs will spiral upward. According to Gartner analyst Ed Anderson, organizations that don't have plans in place to track and monitor cloud costs overspend by an average of 40%. This includes nearly 25% more than necessary spent in 2022 on cloud application services (SaaS) and about the same in cloud system infrastructure services (IaaS).³

What's your total IaaS cloud spend per year?



How mature is your organization's FinOps?



Reasons for the overspend



Rightsizing

40% of workloads are oversized



Unused Resources

30% of cloud subscriptions are underutilized or unused



Lack of full cost visibility

Minimal visibility of spend and wasted resources



Prepurchase & spend agreements

Improper use of reserved compute and savings plans

PART 1

Manual efforts don't suffice

IDC estimates that 20% to 30% of total enterprise cloud spend alone is wasted due to lack of visibility and control. Why? Because it's difficult to calculate ROI using manual processes. While cloud vendor billing reports, discovery tools, and other sources provide a wealth of cloud cost and usage data, manually correlating and analyzing it isn't feasible. There's just too much data and it changes too fast. Cloud budgets become black holes, with limited insight into how they support specific business services, applications, projects, and other initiatives.

Manually optimizing cloud spend isn't realistic, either

Even if you could understand all the cloud costs and usage nuances, how do you manually optimize cloud spend with all the moving parts? How do you identify rightsizing opportunities, let alone get approval to make changes? Or what about suspending cloud resources when they're not needed outside of normal working hours? Imagine trying to manually track rapidly changing cloud resources and turn them off and on every day. It's an overwhelming challenge.

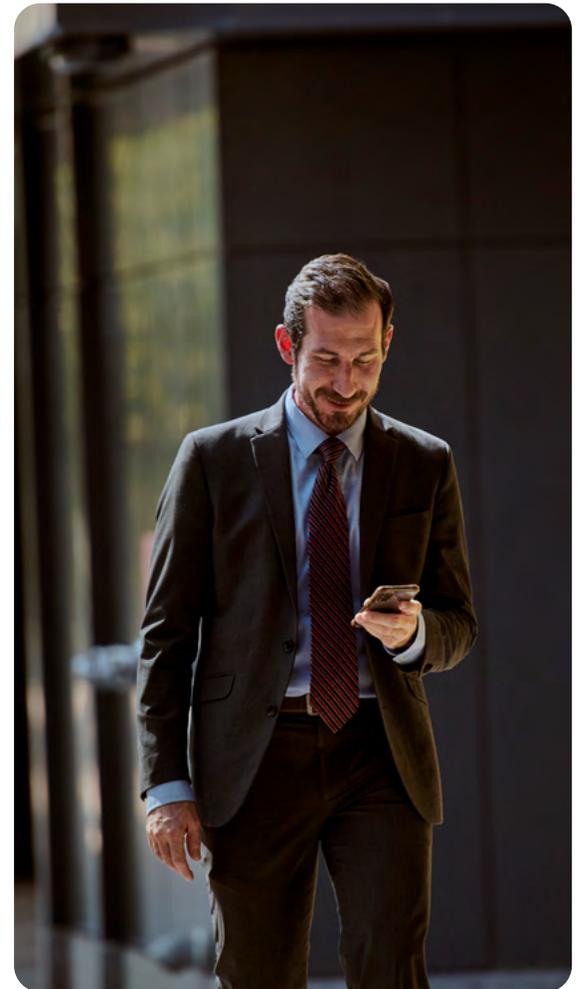
Multiple systems stifle automation

If you're tracking cloud activity in separate systems, it's unlikely you can take advantage of process automation. Viewing your cloud resources with a legacy point tool means multiple UIs and siloed teams.

And if you're planning, operating, and servicing IT in another system with a CMDB at the core and everything revolving around it—such as IT ops, hardware, IT service, IT financials, analytics, and vendor management—you'll encounter challenges such as:

- Brittle integrations
- Endless CMDB exports and imports
- Separate asset management for hardware and software
- Potential risk that data won't be bi-directional
- Delays in management tasks instead of real-time actions

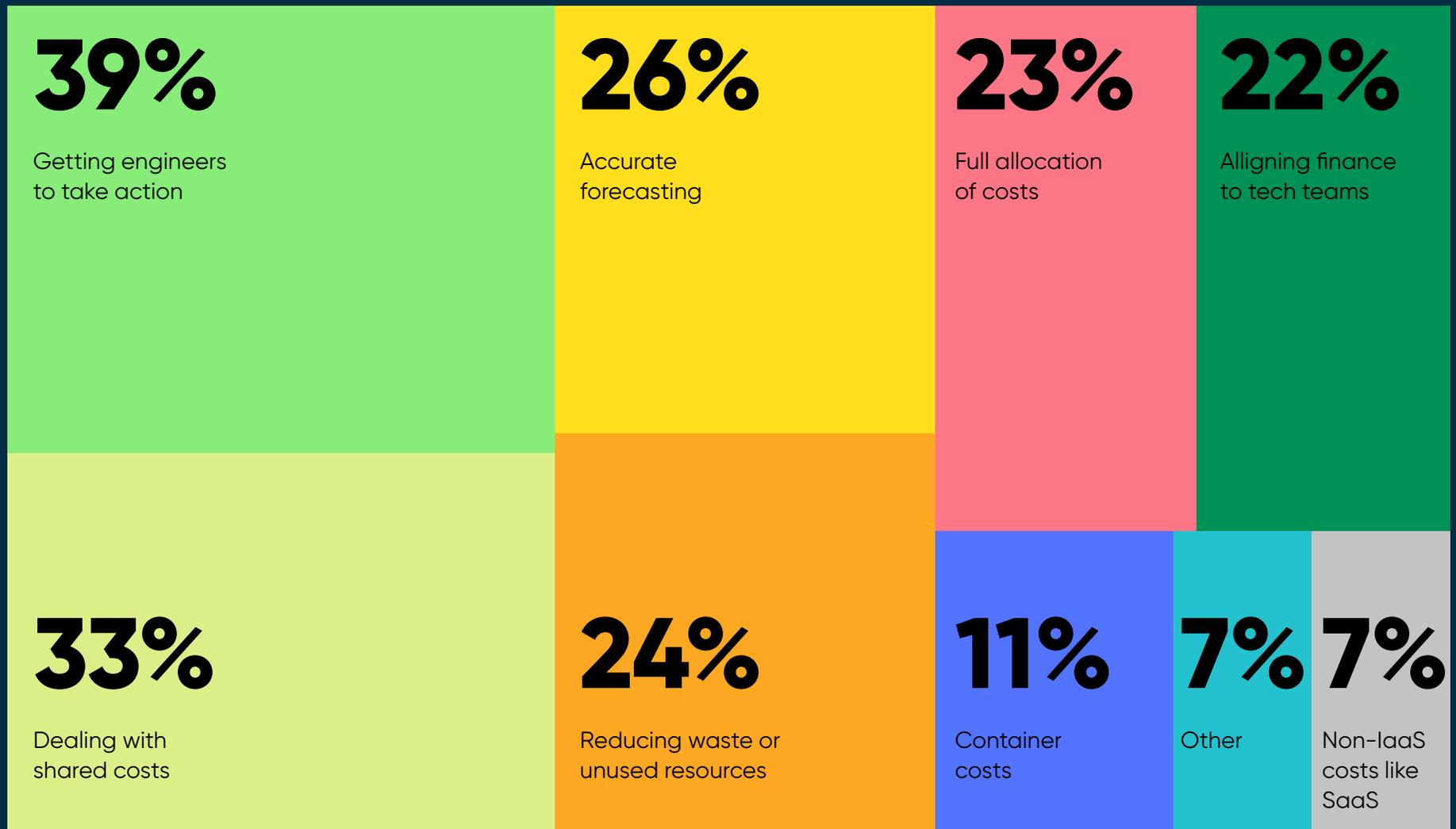
In any case, manual corrections impede or stall any corrective actions you need to take.



PART 2

Make the most of your cloud resources budget with help from FinOps and automation

Your FinOps colleagues have a tough job. They're on the hook to rein in costs, but they have to strike that balance between being a gentle, collaborative guide and heavy-handed enforcer. In the FinOps Foundation State of FinOps Report 2021,² FinOps professionals who were surveyed as part of the study ranked their challenges in this order:





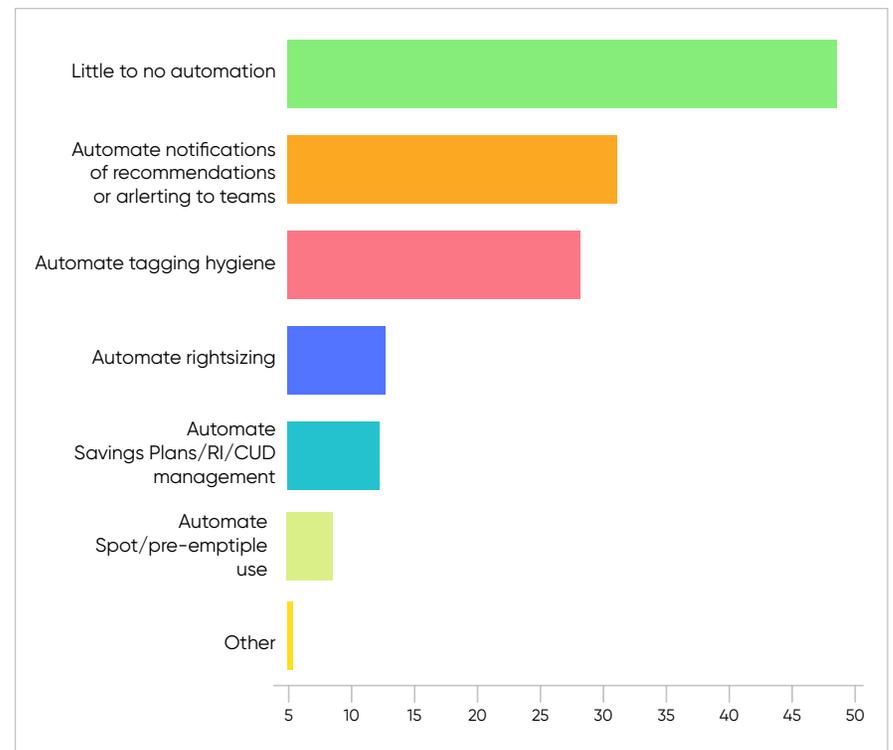
Align with the FinOps team

To better manage the shared costs, the FinOps team must align with technology teams and get engineers to take actions for living within budget allocations. That's a tall order because technology teams—understandably—are focused on spinning up cloud resources to create and produce intellectual property (much of it digital), not tracking their impact on the budget. After all, they're not accountants. The alignment starts with FinOps providing educational "showbacks," i.e., forecasts and actual data on how much of the allocated budget the technology teams use for cloud resources. Once the technology teams understand the current spend and how much budget they must work with, the FinOps team can hold their feet to the fire with chargebacks, i.e., putting the onus on them to justify how many cloud resources they use and cover any overspending. This provides the incentives technology teams need to optimize the budget by reducing waste and unused resources.

Automate with the right solution

Automation can address many of these challenges for both the FinOps team and the technology teams. Yet, building processes for automation can be a huge and cumbersome undertaking. Nearly 50% of all FinOps teams (and 70% for early adopters) report they lack the time needed to set up automation, and therefore it's lacking and spotty in their organizations.

With ServiceNow, you can easily automate the systematic management of the complete technology asset lifecycle on a single, integrated, digital workflow platform. This results in reduced costs and asset risk mitigation.



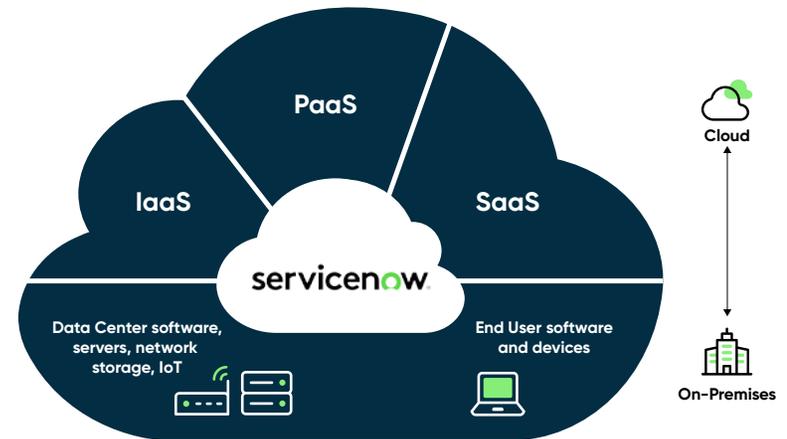
To take full advantage of automation, start with these questions:

- What tech do you own?
- Are you buying what you need?
- Are you using what you have?
- Can you prove it?



Manage any asset, anywhere

With a single-platform solution like ServiceNow, you should be able to answer those questions and manage any asset, anywhere – on-premises and the cloud. This includes IaaS, PaaS, and SaaS, as well as software, servers, networks, storage, and IoT in the datacenter-plus software and devices for end users.



Right-size cloud instances

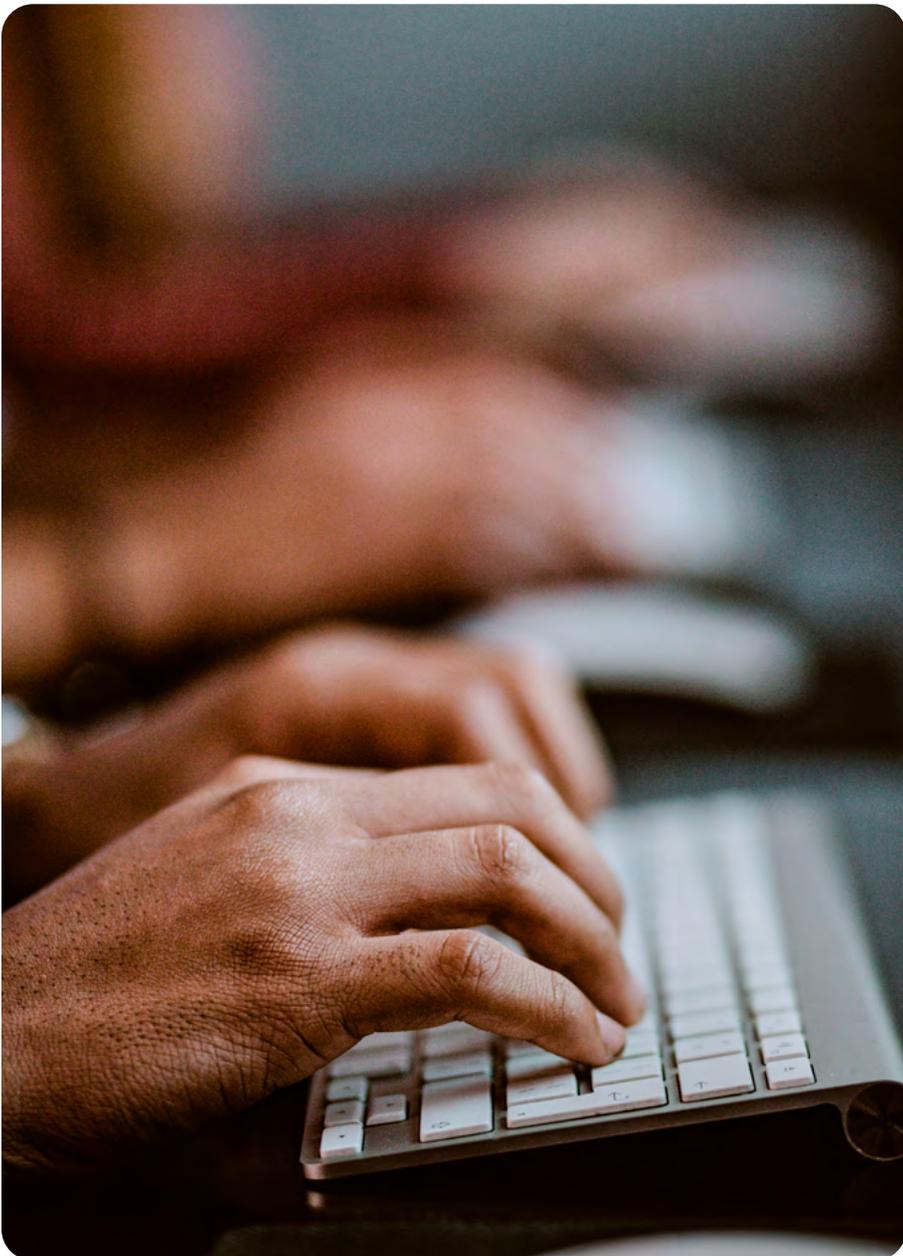
When you move workloads to the cloud, you might initially spin up resources there based on what you needed in on-prem, physical machines. But you might grossly over-estimate how much space you need in a cloud environment on virtual machines.

Leverage automated workflows from ServiceNow to gather run-time information, analyze resource usage, then identify excess resource capacity, such as a virtual server that is unnecessarily large. The ServiceNow solution will produce right-sizing recommendations and automatically send a change request to the resource owner for approval. It will also deliver resource status breakdowns and intuitive reports for you to quickly see where right-sizing efforts are stalling.

Find unused machines

Discover and identify machines that appear to be rarely or completely unused. With automated workflows from ServiceNow, you can:

- Determine correct resources quickly and who owns them
- Take actions to terminate or power off machines no longer active
- Integrate data into change control, then automate remediation

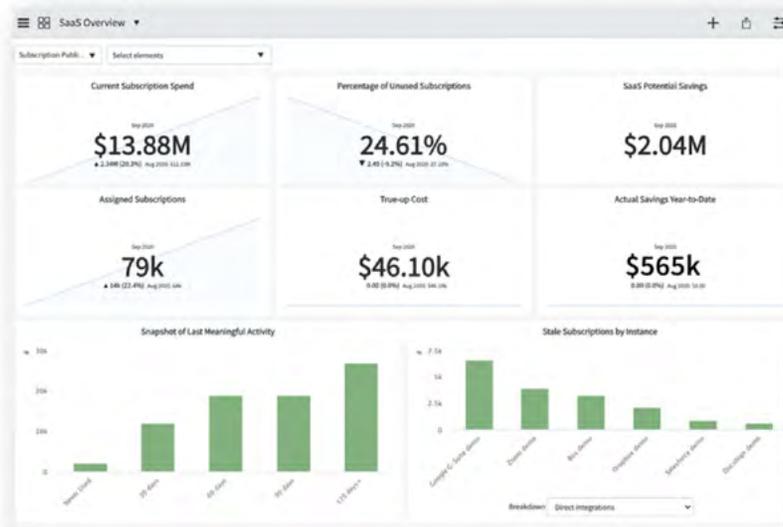


Set business hours for cloud resources

If a department is only open 12 hours a day, there’s no point in providing cloud resources for the other 12 hours. Reduce on-demand spend by not running certain cloud resources 24x7. With automated workflows from ServiceNow, you can define policies that determine when resources need to be turned off (e.g., in certain regions after midnight), estimate potential savings, and send a change request to the resource owner for approval. Once the request is approved, the resources are cycled off and on automatically at the designated times, preventing a manual effort that’s not feasible.

Optimize hybrid cloud consumption

Use automated workflows from ServiceNow to expose and remediate underutilized SaaS. For example, you might discover just 50% of your users use Zoom and 50% of them never host a meeting. You can also track IaaS and PaaS chargebacks and showbacks; you might identify, for example, why WebDev is responsible for 80% of your right-sizing waste. With automated workflows, you can combine cloud billing data with resource ownership information, giving you an accurate, detailed view of your cloud spend to pinpoint cost optimization targets.



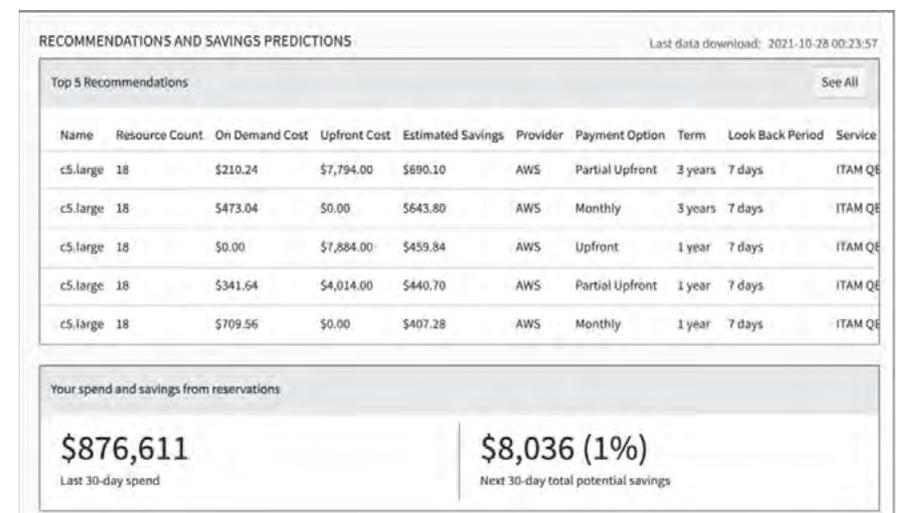
Set up actual budgets, not just alerts

It’s all too common for organizations to run cloud operations without budgets – or manage the budgets they do have without much flexibility. Much of what passes for budgets is simply a mechanism for alerts that pop up when you cross a budget threshold. But what if you cross your yearly budget threshold in August and have more than a quarter of the year to go? This usually results in another more painful type of budgeting – cutting expenses in other areas of the organization. With automated workflows, you can proactively monitor cloud spend for the long term by creating more in-depth budgets. You can better monitor usage trends, forecast spend, and stay on track throughout the year. This includes setting and tracking budgets for different cloud providers, such as AWS and Azure, as well as setting a precedence for each provider.

Optimize spend and usage of AWS and Azure reserved instances

Reduce spend considerably by gaining discounts through reserving instances with AWS and Azure, then reduce costs further by optimizing how you use your reserved capacity. Reserved instances expire, but automated workflows allow you to use only what has been reserved while forecasting future needs. This optimization through reservation plans empowers you to:

- Identify discount opportunities to reserve for a committed period
- Achieve the most effective use of purchased resources by monitoring the use of reserved instances
- Gain reservations visibility into the break-even period, upfront costs, and potential savings

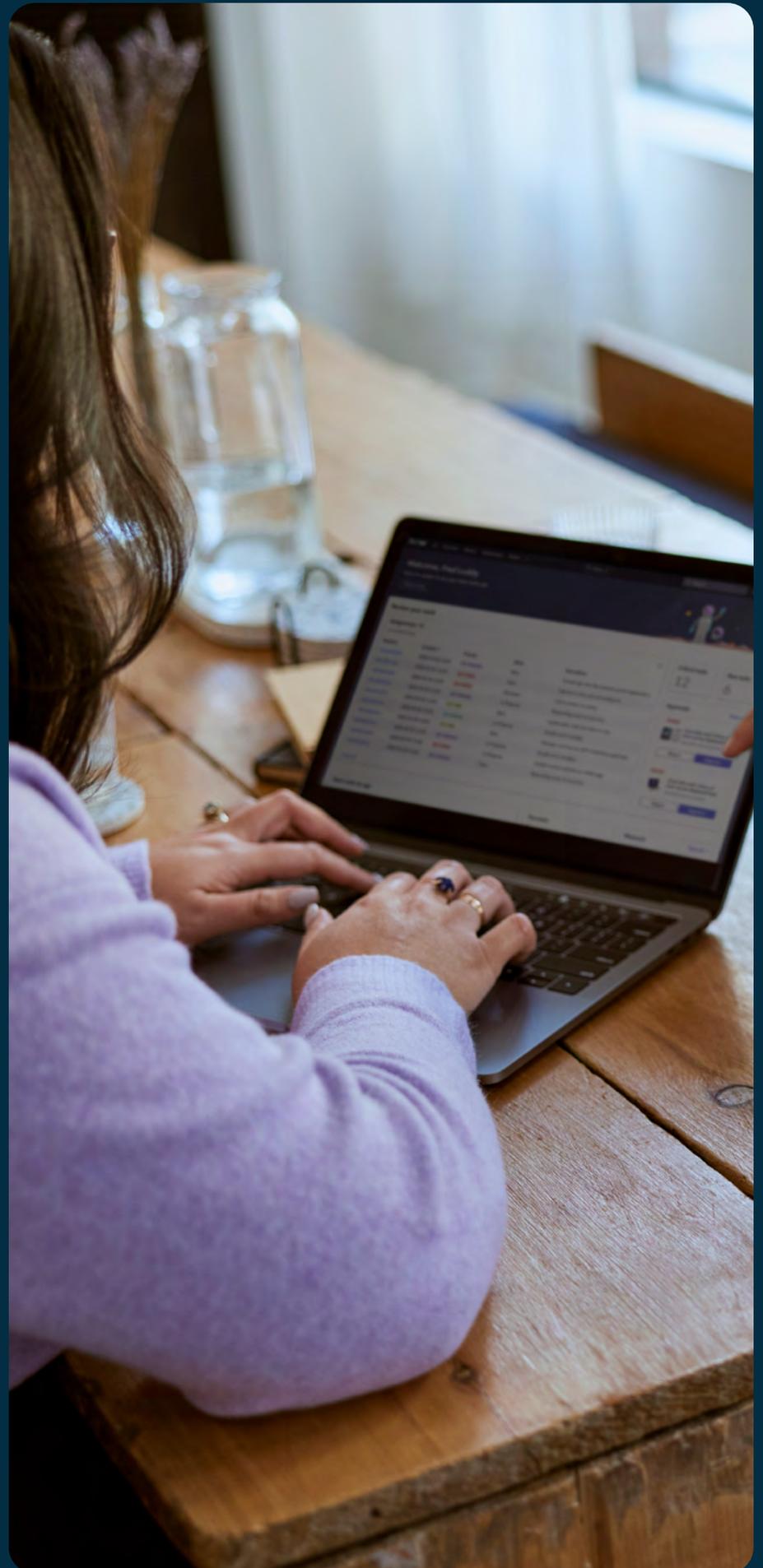


PART 3

The ServiceNow solution

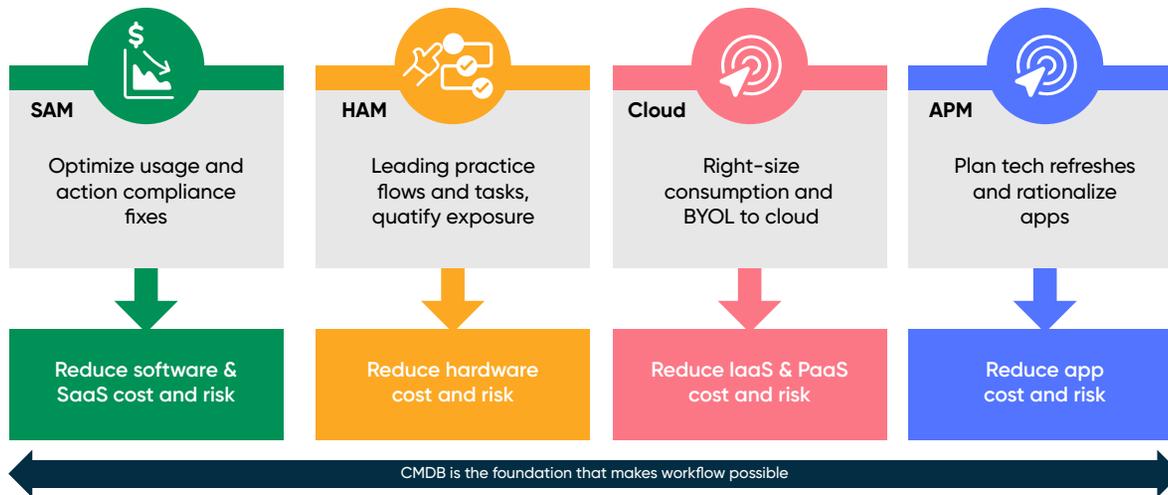
ServiceNow Cloud Insights gives you visibility and control of your cloud usage and costs. It uses the power of the Now Platform® to discover all your cloud resources, then break down cloud spend by cost center, business service, and other entity. It also provides recommendations on how to reduce cloud spend and automate repetitive cost optimization tasks. With Cloud Insights, you can:

- **Optimize cloud costs and usage:** Get complete visibility of your cloud spend and usage, broken down by services, applications, cost centers, and other entities. Pinpoint areas of high spending and stranded cloud assets.
- **Budget cloud spend with greater accuracy:** Use tag categories to identify all levels of your costs, set budgets that are then tracked on a more timely basis, and manage and forecast reserved instances and your capacity needs.
- **Right-size cloud resources:** Get automated recommendations on how to reduce cloud costs by correctly dimensioning cloud resources to match usage.
- **Turn off resources when not in use:** Identify cloud resources that aren't used outside normal working hours and automatically turn them off and on.
- **Automate optimization approvals:** Integrate cloud optimization tasks into your existing change management processes.



Track and manage hybrid cloud spending in one place

Some software publishers allow you to move certain on-premises licenses to be repurposed for cloud environments. In order to manage this process, customers need software asset management and cloud resource management (IaaS/PaaS) to work seamlessly together. One more way to reduce costs with ServiceNow, you can bring your own license (BYOL) from on-premises uses to the cloud and manage licenses for both environments without being double-charged. Having software asset management and cloud resource management on one platform, in one solution, makes these cost-saving workflows immediately available.



Examples of customer savings across industries:

Global Services Firm	Retail Company	Healthcare Organization	Technology Company
\$2.5M unmanaged spend detected	\$500k rightsizing savings	\$170k savings from unused machines	30% reduction in compute capacity

Six-figure savings

At ServiceNow, we are customer zero. We transform the way we work—relying on our own solutions.

“We identified over 250 rightsizing recommendations during our Cloud Insights implementation...and we expect six figure savings by leveraging Cloud Insights.”

[Now on Now case study](#)

Work should be easier.

Learn more:

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References:

1. [Spiceworks Ziff Davis, "The 2022 State of IT."](#)
2. [FinOps.org, "The State of FinOps Report."](#)
3. [Gartner, "Reduce Cost and Risks With Comprehensive IT Asset Life Cycle Controls."](#)

About ServiceNow

ServiceNow (NYSE: NOW) is the fastest-growing enterprise cloud software company in the world above \$1 billion. Founded in 2004, its goal is to make work easier for people. Our cloud-based platform and solutions deliver digital workflows that create great experiences and unlock productivity for more than 6,200 enterprise customers worldwide, including approximately 80% of the Fortune 500. For more information, visit www.servicenow.com.

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