



A PERSPECTIVE ON IT COST MANAGEMENT

2020 has posed significant, unexpected challenges to the world - and to IT departments in most organizations. Work practices have shifted rapidly and, given the volatile economic climate, many organizations are looking to protect against uncertainty and ensure business continuity by implementing cost savings initiatives. As an IT leader, you and your team are uniquely positioned to deliver added value to the organization by leveraging Technology Intelligence data to find these additional cost savings opportunities.

This guide will highlight how Technology Intelligence can be used to find sizeable cost savings and build a foundation of visibility that will provide ongoing support for IT cost management and governance. It also provides guidance on where to look first for quick impact, with a focus on cost optimization across enterprise applications, SaaS, and hybrid cloud.

I A CHALLENGE FOR VISIBILITY

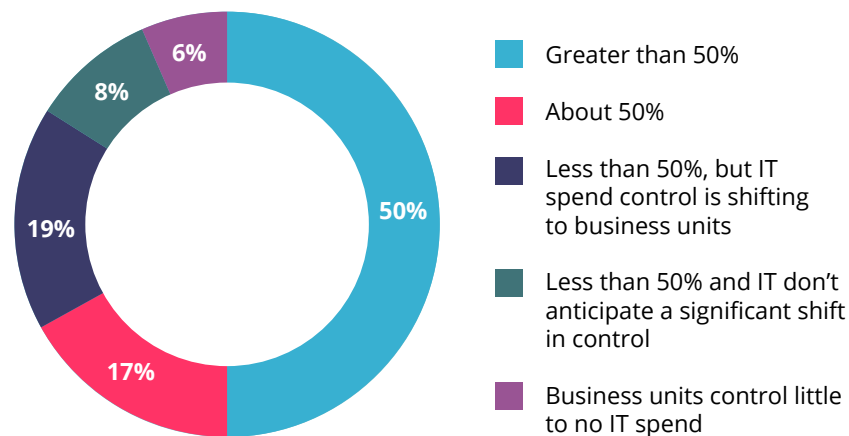
Most of us have, understandably, been in an urgent “ensure we can still get work done” mode for the last few weeks – with little time for the typical due diligence we would usually apply on effective methodology, and budget and governance implications. Unfortunately, the rapid need to provision new and additional tools and services presents some challenges around visibility of IT assets and their costs. In addition, there are potentially other inefficiencies created, from redundant applications, to paying for both on-premises and cloud software.

Before the extraordinary shifts we’ve seen in 2020 so far, IT spend was already becoming increasingly decentralized.

Snow and IDG Connect conducted a survey in 2019 which investigated shifting responsibility for technology purchasing.

The survey found **“67% of IT Leaders confirmed that at least half of technology purchasing is now controlled by business units”**¹. As this shift occurs, IT can often lose visibility into what technology is being used.

Recent events have exacerbated this shift, leaving IT leaders with a wider challenge as they try to get a holistic view on the cost, compliance, efficiency and security of their IT ecosystems.



¹ SOURCE: IDG Connect & Snow Software Research: What Decentralized IT Spending Means For The CIO's Role, 2019

AN OPPORTUNITY TO DELIVER ADDITIONAL VALUE - FAST

Given current economic forecasts and what we’re seeing across organizations globally, the somewhat inevitable next pressure facing IT leaders will be the need to cut costs in order to protect against ongoing uncertainty and secure operations for the longer term. Although cost optimization is always a key priority for IT leaders and their teams, this guide outlines significant additional opportunities to save money – with rapid bottom line impact.

I COST SAVING STEPS: SEE, IDENTIFY, OPTIMIZE

GUIDELINES FOR COST MANAGEMENT

As you explore key areas of cost savings opportunities, here are a few practical guidelines for finding them.

SEE: FIND THE ASSETS

Before you can capture cost savings, it's vital to establish a starting point of complete visibility. Optimization requires a full, holistic view of your whole technology ecosystem, across on-premises, data center, SaaS and hybrid cloud.

Getting this holistic overview starts with building a comprehensive inventory of technology usage. Then the raw data must be normalized, categorized, and augmented with added information such as application type, end-of-life or other application-specific data. What you have at the end of this process is a complete view of what technology is being used in your environment, regardless of who in the organization procured the application, if it is free or an internal application.

IDENTIFY: DETERMINE USAGE AND SPEND

Once you know where all your assets are, it's time to get a baseline on what you're using and spending.

Currently, people are likely using new and different tools to work effectively at home, so the most used software applications in 2019, may not be leveraged as much today. Knowing what is installed and its usage is key.

OPTIMIZE: REDUCE REDUNDANCY

Once you have detailed usage information, you can reduce any redundancy by tackling areas of spend that even the best-run organizations might miss.

COST SAVINGS: THREE KEY AREAS TO CONSIDER FIRST

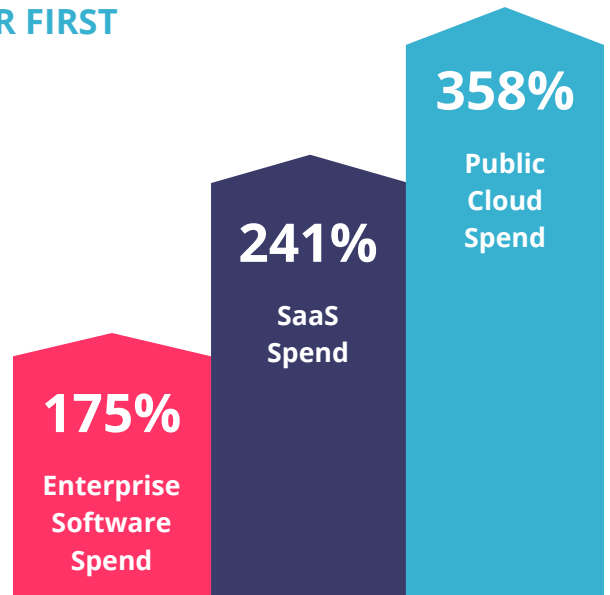
According to Gartner, there are 3 key places to look for cost saving opportunities.

1. Enterprise Applications
2. SaaS
3. Hybrid Cloud

Despite having the lowest projected growth at 175%, enterprise applications still make up a significant portion of IT budgets. This is however, far outpaced by growth in SaaS and public cloud - which we expect to pick up significantly during our current reality of rapidly shifting remote workforces.

This is where companies are investing their time and attention and that is where you'll find the greatest potential for cost savings in your organization.

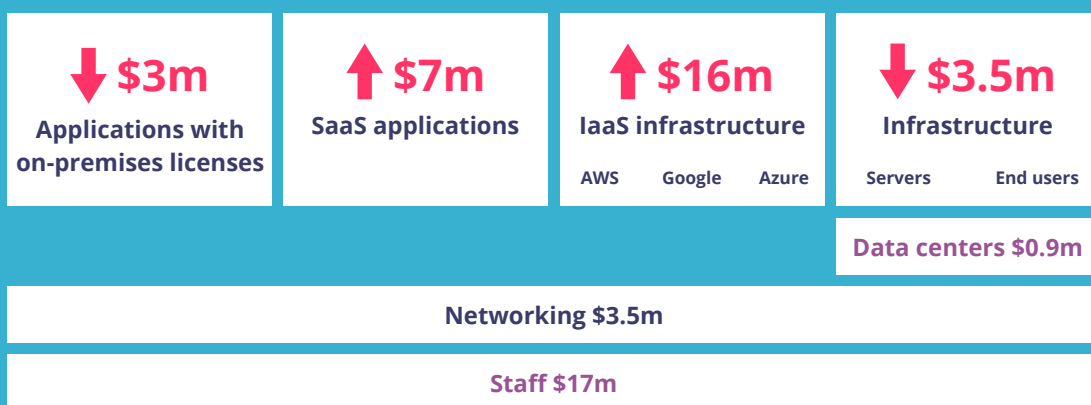
Here's a real-life example of how this could play out for you:



² SOURCE: Gartner, Forecast Analysis: IT Spending, Worldwide 2017-2022

“Enterprise Software, SaaS and Public Cloud will all experience substantial growth in IT spend over the next two years”.²

EXAMPLE OF A PUBLIC COMPANY IT BUDGET



This is the budget of a public company, undergoing a dramatic shift to the cloud – yet substantial spend with on-premises software still exists. Everyone is buying hardware, software, and cloud services, yet it's no longer under IT's control, which is why starting with **visibility** is key for cost savings.

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I 1. ENTERPRISE APPLICATIONS

Enterprise software applications are the bedrock of most business functions and operations, and yet there are significant potential cost savings opportunities to ensure you are using all the entitlements you've purchased in the most effective way possible. With clear visibility over exactly what is being used and the associated costs, you can leverage this data in contract negotiations.

Here are some key things to look for to optimize your enterprise application vendor spend.

IBM

Check you are using your hardware and PVU licenses efficiently in IBM by ensuring that the IBM License Metric Tool (ILMT) is deployed in all virtualized environments, where PVU software resides. This lets you make the best use of cost-efficient sub-capacity licensing – which is often 1/5 the cost of full-capacity.

MICROSOFT

For Microsoft, knowing what you have and its usage is key. Are you still paying for desktop licenses on top of Office 365? Or are you paying for expensive Microsoft Project licenses that are not being used? The potential cost saving opportunity here is huge.

For best results, this should become an ongoing process – continually checking and comparing entitlements to usage and re-distributing licenses to maximum effect.

SAP

Be sure that you have the right license type assigned to each user. Licenses can cost from \$300 to \$3500 and if a license is not assigned to a user, SAP will assume a professional license is required and charge accordingly. Managing and automating this task gives you a huge opportunity to save costs.

ORACLE

Stay on the right side of Oracle's soft partitioning policy by limiting the number of physical servers on which a virtual environment is installed and dramatically reduce the number of licenses required. By continually monitoring deployment and usage, you can manage your configurations and protect against significant unbudgeted costs.

I 2. SAAS COST MANAGEMENT

SaaS helps your organization be faster, more agile, and innovative. But it can also lead to departments and individuals making procurement decisions, sometimes outside of the necessary IT governance process. Particularly now, when people are scrambling to get the right tools in place to do their jobs effectively. This “diffusion” of purchasing responsibility, when the right guardrails might not be in place, increases waste from over-provisioning, redundant applications, and duplicate accounts.

This makes SaaS a prime target for cost savings because with the right insight into licenses and usage, you can identify significant and, in some cases, immediate cost savings.

There are three key ways to reduce costs with SaaS:

REDUCE UNUSED LICENSES AND SUBSCRIPTIONS

In the traditional on-premises world, once you buy a license, you're often stuck with it. But in the SaaS environment, you can simply stop paying for what you're not using. By gathering detailed usage data, you can rightsize contracts by buying and renewing only the subscriptions you need. Having the right data gives you the power to re-negotiate effectively because you'll see what you have, identify what's inconsistent between your contract and usage, and optimize what's truly needed across the organization.

DOWNGRADE EXCESSIVE ENTITLEMENTS

Different license tiers of SaaS applications have vastly different costs. And often, you'll have employees with advanced licenses who use just the basic features of an application. Once you identify this, it's a simple process to get them downgraded to save your organization money.

Now, this requires a detailed understanding of both the license and its usage, so you'll want to look for a tool that can truly examine which specific features of the application are being used (and that can be tricky, particularly for apps like O365 and Adobe Creative Cloud, with on-premises and SaaS components).

ELIMINATE REDUNDANT APPLICATIONS

It's not uncommon for organizations to be running multiple versions of the same type of software like Dropbox, Box and SharePoint for file storage.

But there are huge efficiencies to be gained by eliminating those redundant applications and consolidating to only one, including:

- 1) Bigger volume discounts from vendors
- 2) Lower support and security costs for just one application vs. many
- 3) Streamlined renewal efforts, so application rationalization and elimination of what's redundant can create some major cost savings.

I 3. HYBRID CLOUD COST MANAGEMENT

Hybrid cloud represent a significant portion of IT budgets. During market uncertainty we often see a burst in cloud infrastructure spend that will need to be optimized in the coming months - and the cloud OPEX model of pay per second is a perfect place to optimize and save. When it comes to on-premises infrastructure it's possible to slash hardware growth or refresh budget but that has negative implications for your data center resources. Eliminating sprawl can reclaim enough resources to slash years of data center budget.

The question is where do you start? It all starts with visibility. Being able to rapidly pull an inventory of what you have, receive recommendations into where the biggest savings opportunities are and then quickly act to leverage them, requires visibility and automation of cloud spend – in real time.

There are two key areas of hybrid cloud cost management to explore:

ELIMINATE ON-PREMISES VIRTUAL MACHINE SPRAWL

In the on-premises environment, your organization has probably been spinning up virtual machines for a long time, but might not have gone back and audited if things are still needed.

By doing this look back, we typically see the ability to reclaim 10% of resources, meaning that even though you're on-premises environment is likely to keep growing (with legacy applications), it's not unreasonable to free up 2 years of data center budget. That's very impactful, especially during any period of increased cost management pressure.

REDUCE HYBRID CLOUD SPEND

When it comes to production environments, start with your agreements and focus on reserved instances or savings plans. The long-life and consistency of these workloads make it easier to analyze and to commit to ongoing spend for a discount. Our research shows that for non-production workloads like development and test environments, the single biggest immediate savings is to leverage power schedules (yields up to 10-15% savings).

Next, focus on rightsizing or decommissioning workloads.

I CONCLUSION

Cost optimization is a constant IT priority – whether in a positive economy when you’re looking to accelerate growth and innovation, or when things are more challenging.

We trust you find this guide helpful as you look to optimize spend in the three primary areas that should hold accessible cost savings for most organizations:

- **Enterprise applications**
- **SaaS applications**
- **Hybrid cloud**

The power of Technology Intelligence is available to support you.



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