

# A Perspective on IT Cost Management





## A challenge for visibility

Over the last few years, IT leaders have seen huge challenges and change. Innovation has accelerated, ways of working have been adjusted, and the number of new technologies used in organizations has grown significantly. Even with all these investments, IT practitioners are still spending more time reacting to problems than driving innovation.

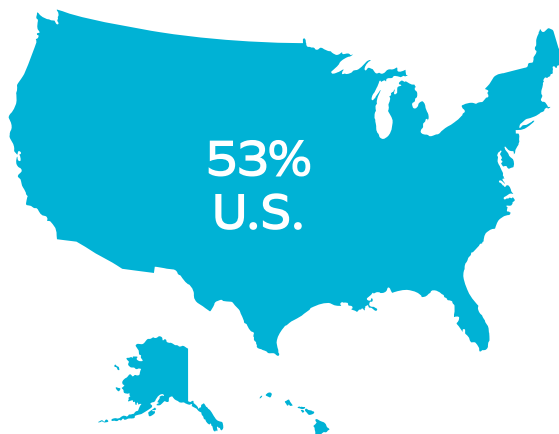
As we face these uncertain times, one thing remains constant — organizations need their IT leaders and practitioners to respond quickly to the changing market landscape. By doing so, they help ensure that their organizations are prepared for resiliency now and poised for growth in the long term.

To make the best decisions and react quickly, organizations need comprehensive yet easily digestible data on their technology investments. Unfortunately, many organizations are still managing technology assets in spreadsheets, which is not humanly possible for modern applications and infrastructure that spans SaaS, cloud instances, containers and much more.

In the Snow Software 2022 IT Priorities Report, **72% of IT leaders said they are unsure about how to get meaningful insights out of the wealth of data now at their fingertips**, and 93% said they must invest in tools and technologies to extract value from their data and turn it into actionable intelligence. We refer to this ability to understand and manage of all your technology as **Technology Intelligence**, and it is critical for innovation, growth and responding quickly to change.

## An opportunity to deliver additional value — fast

Although cost optimization is always a key priority for IT leaders and their teams, it's essential to prepare for events of uncertainty and requests to lower costs. This guide outlines significant opportunities to save money — with rapid bottom line impact.



70% of U.K. respondents and 53% in the U.S. believe that their departments spend too much time reacting to problems and can't be innovative

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

# 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 depiction of technology usage. Then, your tooling must normalize, categorize and augment the raw data 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 the exact technology people are using in your environment, regardless of:

- Who in the organization procured the application
- Whether the application is free or licensed
- Whether the application is sanctioned or IT has not vetted it yet

### Identify: Determine usage and spend

Once you identify all your assets, it's time to get a baseline on what you're using and spending. Over the last few years, there has been a surge in spend on SaaS applications to enable employees to improve productivity while working from anywhere. Now is the time to re-assess if your organization is getting value from these applications. To make this assessment, you need to understand how employees are using these applications.

### 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.



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# Cost Savings:

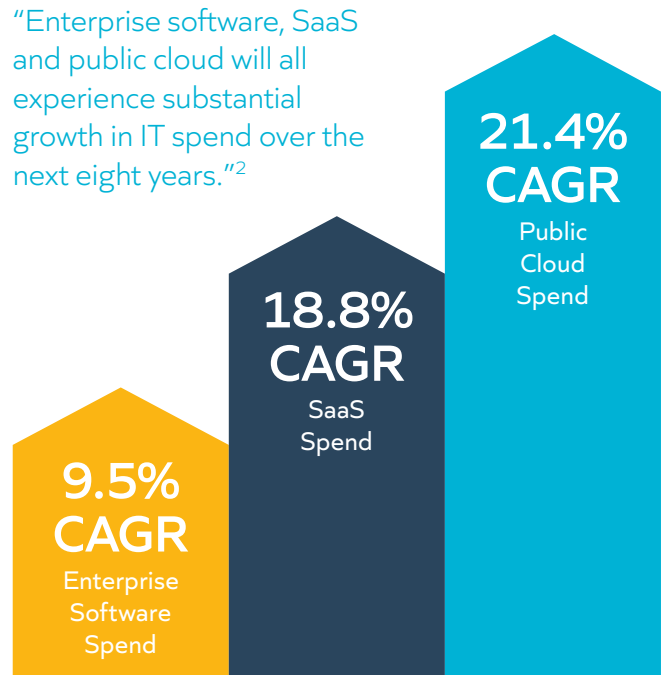
## Three Areas to Consider First

According to Gartner®, there are three key places to look for cost-saving opportunities:

1. Enterprise applications
2. SaaS
3. Hybrid cloud

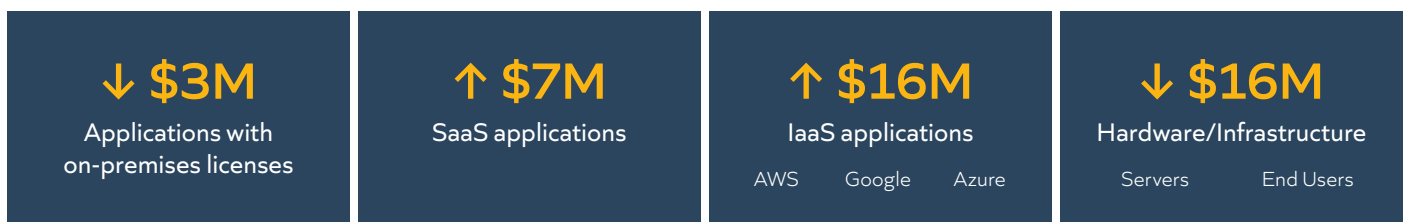
Despite having the lowest projected growth at 17.5%, enterprise applications still make up a significant portion of IT budgets. However, SaaS and public cloud growth far outpace enterprise applications growth. This is expected to pick up significantly during this period of rapidly shifting remote workforces. Companies are investing their time and attention here, 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:



## Example of a Public Company IT Budget

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



<sup>2</sup> Gartner, Forecast Analysis: IT Spending, Worldwide 2017-2022

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# 1. Enterprise applications

Enterprise software applications are the bedrock of most business functions and operations. There are significant potential cost savings opportunities if you 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.



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.



For Microsoft, knowing what you have and how you use it is key. Are you still paying for desktop licenses on top of Microsoft 365? Are you paying for expensive Microsoft Project licenses that people aren't using? The potential cost saving opportunity here is huge. For best results, establish an ongoing process, continually checking and comparing entitlements to usage and re-distributing licenses to maximum effect.



Be sure that you have the right license type assigned to each user. Licenses can cost from \$300 to \$3,500. 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.



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.

To protect your organization against expensive audit fines, It is also important to understand where Oracle Java is deployed to ensure you are appropriately licensed.

# 2. SaaS cost management

SaaS helps your organization be faster, more agile and innovative. However, it can also lead to departments and individuals making procurement decisions outside of the necessary IT governance process.

This "diffusion" of purchasing responsibility, when the right guardrails might not be in place, increases waste from overprovisioning, 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:

## 1. Reduce unused licenses and subscriptions

By gathering detailed usage data, you can right-size contracts by buying and renewing only the subscriptions you need. Having the right data gives you the power to renegotiate 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.

## 2. Downgrade excessive entitlements

Different license tiers of SaaS applications have vastly different costs. You'll often have employees with advanced licenses who use just the basic features of an application. Once you identify this occurrence, it's a simple process to get the license downgraded and save money. 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 application features people are using. That can be tricky, particularly for apps with on-premises and SaaS components, such as Microsoft 365 and Adobe Creative Cloud.

## 3. Eliminate redundant applications

It's not uncommon for organizations to run multiple applications that do the same function, e.g., Dropbox, Box and SharePoint for file storage. Your organization can gain huge efficiencies by eliminating those redundant applications and consolidating to only one. These potential efficiencies include:

- Reduced subscription costs
- Lower support and security costs for just one application vs. many

The time and resources saved by not managing multiple contracts and preparing for multiple, redundant renewal conversations can create some major cost savings.

## 3. Multicloud cost management

As cloud spending across the globe continues to increase, so do the complexities across governance and cross-functional collaboration in this hybrid IT landscape. To survive, organizations must continue at the pace of digital transformation while maintaining comprehensive understanding and oversight of their cloud technology costs.

The public cloud represents a significant portion of IT budgets. According to Gartner®, two-thirds of application software spend will be in the public cloud by 2025.<sup>3</sup> During periods of market uncertainty, we often see a burst in cloud infrastructure spend that organizations will need to monitor and for which they'll need to optimize their programs in the coming months. The cloud OPEX model of pay per second is a perfect place to take advantage of savings plans and controlling over-spend.

Tools that illuminate the dark corners of cloud and on-premises infrastructure are critical to optimizing IT infrastructure usage and efficiency. Three of the most effective cost management solutions are identifying and consolidating resources, right-sizing cloud services and reserving instances.

If you're wondering where to start, start 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 insights to cloud spend — in real time.

**There are a few 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. You might not have revisited these assets and audited to see what your users still need. By looking back, we typically see the ability to reclaim 10% of resources. In other words, even though your on-premises environment is likely to keep growing with legacy applications, it's reasonable to free up two years of data center budget. That's very impactful, especially during any period of increased cost management pressure.

### Identifying/Consolidating resources

The easiest way to optimize cloud or on-premises costs is to look for unused or underutilized resources. Often an administrator or developer might "spin up" a temporary server to perform a function and forget to turn it off when the job finishes. They might also forget to remove storage attached to instances they stop using.

The result is that an organization's cloud services or data center bills will include charges for resources they are no longer using. Identifying unused or underutilized resources and removing them will not only lower costs but also achieve optimal performance from the live resources.

### Right-size cloud services

When cloud administrators have millions of possible combinations to choose from, it's a difficult task to correctly size instances.

Right-sizing tools can also recommend changes across instance families if necessary.

### Reserved instances

Enterprises that have a long-term commitment to the cloud should analyze past usage to properly prepare for the future. Investing in reserved instances is a must. . . for cloud optimization as they will result in larger discounts based on upfront payments and time commitments.

### 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 such as development and test environments, the single biggest immediate savings is to leverage power schedules (yields up to 10-15% savings). Next, focus on right-sizing or decommissioning workloads.

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.

<sup>3</sup> "Gartner Says More Than Half of Enterprise IT Spending in Key Market Segments Will Shift to the Cloud by 2025". (2022, February 9). Retrieved from <https://www.gartner.com/en/newsroom/press-releases/2022-02-09-gartner-says-more-than-half-of-enterprise-it-spending>.

# Conclusion

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

We hope 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](#)

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