



White paper

# 6 Tips for optimizing your committed cloud spend



# Summary

If your organization is like most, you probably have committed to purchase a level of cloud computing services. These committed purchasing options can be a great way to reduce your overall costs.

However, committed cloud spending also introduces the possibility of waste, particularly if your needs change, leaving you locked into purchasing services you may no longer want. In fact, by some estimates organizations are wasting 10% to 30% of the money they spend on cloud services, in part because of this committed spending.

This white paper examines six ways to make sure you get the most out of your committed cloud spending, including leveraging those dollars to buy third-party services through cloud marketplaces.

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# The big business of cloud

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If you are involved in IT or business management, your current to-do list probably includes controlling cloud costs.

Public cloud computing has become a huge business. Analysts forecast that worldwide [spending on public cloud services will reach \\$591.8 billion](#) in 2023, which represents 20.7% growth over 2022. In survey after survey, organizations say they are increasing the number of workloads they run in the cloud, and the amount they plan to spend on public cloud services.

But some researchers say that companies are spending more than they need to on those cloud services. In fact, according to [IDC](#), “10-30% of cloud spending is wasted.” And in a recent [InformationWeek](#) survey, IT decision-makers said that cost was their number one cloud concern.

That’s somewhat ironic given that one of the big promises of cloud computing was to help reduce costs by allowing organizations to pay for only what they need.

How did we get here?

## Cloud computing marketplaces

All the major public cloud computing services offer marketplaces where you can buy software and services from third-party vendors. In many cases, you may be able to apply some or all of your committed dollars to services you buy in the [AWS Marketplace](#).

# Cloud computing’s pay-per-use paradox

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Amazon Web Services (AWS) pioneered public cloud computing when it launched infrastructure-as-a-service offerings back in 2006.

From the very beginning, that “as-a-service” label was a key differentiator for cloud providers. It meant that customers could pay for computing resources on an as-needed basis. Instead of making large capital expenditures to purchase IT hardware, companies or individuals could essentially rent what they needed when they needed it. They could scale up or down as their needs changed, allowing them a greater level of agility than would be possible if they purchased and managed their own equipment. And they could convert some capital expenses to operational expenses, which looks good on financial statements.

Very soon, however, customers began looking for ways to save even more on their cloud computing bills. Amazon Web Services (AWS) responded in 2009 by introducing Reserved Instances. This new initiative provided large discounts for customers who were willing to commit to purchasing cloud computing instances over a period of time – typically one to three years. Customers were essentially trading one of the big cloud benefits – agility – for larger savings.

Since then, many other vendors have entered the public cloud market, and they all have programs that provide discounts for customers that commit to spending a specified dollar value, or a specified number of instances for a period of time. These programs go by many different names – Savings Plans, Reservations, Committed Use Discounts, Reserved Virtual Servers, and others—and the details of each program vary.

Over time, these discounts became extremely popular with large organizations. For many, it is the primary way that they now purchase cloud computing services.

However, that buying decision has led to a new series of challenges.

Organizations now have so much committed cloud spend that some end up purchasing more than they need. In other situations, their needs change, and they need different kinds of cloud computing services than they previously committed to purchasing. The end result is that the cloud is not always providing either the agility or the cost savings that organizations hoped to achieve.

So what should they do?

## Tips for optimizing committed cloud spend

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If you have invested too much in committed cloud spend, you might be tempted to avoid these programs altogether and instead purchase only on-demand instances.

Experts say this is a huge mistake.

[Gartner](#) explains, “Because the organization feels like it can’t perfectly predict its use and isn’t sure whether it will use all of what it’s using today, it commits to nothing, therefore ensuring that it spends grotesquely more than necessary. This is universally a terrible idea.”

Instead, experts recommend that you get smart – and creative – about how you approach your committed cloud spend. Here are six tips that can help:

### 1. Don’t fall into the “sunk costs” mindset.

Economists have written extensively about a widespread thinking error that they call the “sunk cost fallacy.” The [Decision Lab](#) offers a definition of the concept:

“The sunk cost fallacy describes our tendency to follow through on an endeavor if we have already invested time, effort, or money into it, whether or not the current costs outweigh the benefits.”

In the business world, one of the most commonly cited examples of the sunk cost fallacy is the development of the Concorde jet. In fact, the sunk cost fallacy is sometimes called the “Concorde fallacy.”

In the 1960s, the British and French governments originally planned to invest £70 million in developing a supersonic passenger jet. But developing the plane took more than a decade. During that time, travel patterns changed. The market for high-cost, rapid flights was disappearing. Before the aircraft was completed, developers knew that it would never be profitable. Making matters worse, development costs stretched into the billions. Yet the two governments continued to spend because they felt they had come too far to stop.

When it comes to committed cloud spend, you might be tempted to fall into a similar trap. You might encounter a situation where you can only use the instances you have already paid for if you invest more money in related services. Or, you might find that your market dynamics change and the purpose you planned for your committed investment is no longer profitable.

In these situations, it’s best to find a way to repurpose those dollars (if possible), or cut your losses. Don’t continue to make additional investment if the current situation no longer warrants it.

Of course, it’s best to avoid this situation entirely. And that leads to the next tip.

## 2. Choose options that offer flexibility.

Cloud computing pricing can get complicated.

The original promise of the cloud was that you would play a low, predictable rate for services. Over time, the vendors have introduced so many different services, different tiers and pricing options that forecasting your actual bill often requires software dedicated to this purpose.

The committed spend programs are no less complex than other aspects of cloud pricing. For example, AWS offers Standard Reserved Instances, Convertible Reserved Instances, Instance Savings Plans, and Compute Savings Plans. Each option has its own benefits, drawbacks, and restrictions, meaning that you'll have to analyze them carefully to figure out which one makes the most sense for your particular use case.

In general, plans that offer more flexibility provide smaller discounts than plans that offer less flexibility. If you are almost 100% certain that you'll need a particular instance for a long period of time, it could be worthwhile to choose the larger discount with less flexibility. But for the large number of workloads that might change when market conditions change, look for options that offer more flexibility. To determine which option is right for you, ask these seven questions:

1. Are you committing to a particular dollar amount of spend or a particular number and/or type of instances? In general, committing to a dollar amount gives you more flexibility than committing to a number of instances.
2. Can you move the instance from one geographic region to another? Instances that can't be moved to a different region or data center will be less expensive but restrict your flexibility.
3. Can you switch to an instance of a different size? You should be prepared if demand skyrockets or dries up.
4. Can you transfer spending to a different type of service? If you purchased a lot of compute but later need more storage, you might be able to move those dollars around.
5. How long is the term? Longer contracts may provide larger discounts but lock you in for a considerable period of time.

## The cloud service that handles paper

Most organizations are doing more and more of their work in the cloud, but that doesn't mean they don't still have paper. Your organization might need to use paper forms for some purposes, or you might have backlogs of paper files that you haven't digitized yet.

You might be surprised to learn that you can purchase a service to handle physical paper through the cloud marketplace. Iron Mountain offers scanning, ingestion, extraction, classification and workflow automation services that can help you optimize your back office, and free up valuable space.

And buying the service through a cloud marketplace can be an ideal way to leverage committed cloud spend that you no longer need for the originally intended purpose.

Iron Mountain also offers several other services through cloud marketplaces, including the InSight intelligent document processing and Information Governance Services. For more information, visit [IronMountain.com](https://www.IronMountain.com).

6. Can you resell the instances you committed to? Most cloud vendors allow you to resell some types of committed spending. These resale markets can also be a good way to purchase services at a lower price with a shorter time commitment.
7. What are the payment terms? You might be able to get a bigger discount by paying some or all of your costs upfront.

The answers to these questions will help you better understand your commitments and ensure you get the level of flexibility that makes sense for your needs.

### 3. Spend committed dollars in a marketplace.

The resale marketplaces aren't the only type of marketplaces that the public cloud vendors offer. They also have marketplaces where third-party vendors can sell their products and services to customers.

In interviews conducted for a [study on The Total Economic Impact of AWS Marketplace](#), Forrester found, "Several of the interviewees noted that, prior to driving purchases through AWS Marketplace, their organizations struggled to fully utilize their spending commitments to AWS. These interviewees found that this led their organizations to either lose a portion of their investments, or led them to attempt to increase their use of AWS in areas of their organization that may not have been fully prepared."

In some situations like this, you might be able to spend those committed dollars in the third-party marketplace. In that same study, Forrester found that this approach enables organizations to recapture "25% of at-risk spend with Amazon by combining third-party spend with native services."

The marketplace offers a wide variety of software and services, including some that you might not typically associate with cloud computing. For example, [Iron Mountain](#) offers several services through the marketplace, including services to scan, ingest, classify, and securely dispose of documents. They also offer information governance, and workflow automation. Most organizations need services like this, but many don't realize that they can purchase them through the AWS cloud marketplace.

That Forrester report reveals that organizations that use a cloud marketplace to complement their typical procurement processes experience a number of benefits, including greater efficiency, faster vendor onboarding, faster deployment, reduced licensing costs, and improved workflows. In all, the marketplace yielded a 550% return on investment (ROI), representing \$3.7 million in net present value.

In a separate [blog post](#), Forrester explains that this approach might be especially beneficial right now. Because of current economic uncertainty, many large businesses are looking for ways to cut costs. The post recommends, "If your AWS-committed cloud spend hampers cost-cutting, use the leftover funds for other needed services from AWS partner vendors."

### 4. Turn off instances you don't need.

Another risk of committed cloud spending programs is that organizations tend not to track costs and usage as carefully if they have already paid for services upfront.

In the [InformationWeek survey](#), 17% of the IT decision makers surveyed agreed with the statement, "We don't have a formal approach to monitoring cloud computing costs." These organizations are at a particularly high risk for wasted spending.

Experts say that, at a minimum, organizations should have a formal way to monitor the cloud instances they are using and down-size or turn off instances that the organization no longer needs. Dev and test environments can be particularly prone to this problem, but many organizations also have production instances that run constantly, even when they are only needed at certain times of the day or certain periods of the month or year.

The cloud vendors have automated tools that can provide alerts when an instance has been sitting idle for a specified period of time, allowing you to shut them down. In the [InformationWeek survey](#), 40% of respondents said, "We have automated our cloud usage to keep costs from increasing unintentionally." They might be using the vendors' notification tools, or they might be using more elaborate cost management and optimization software.

## 5. Deploy a cloud optimization tool.

Because cloud costs are so difficult to predict, many organizations use cloud cost optimization software or services to help them manage their costs. According to [Forrester](#), “In the past two years, the cloud cost management market has exploded in popularity. The reasons driving this sudden growth are two-fold: 1) The pandemic has drastically accelerated public cloud adoption and 2) the current economic state and inflation are causing companies to get budget-conscious about their cloud spend.”

These tools can take into account your current committed cloud spend and offer strategies for making the most of what you’ve already spent. They can automatically scale, right-size, and shut down instances as needed.

They are also particularly helpful for forecasting your future needs. Many offer integrated predictive analytics, AI, and/or machine learning to help determine your likely future cloud usage. That can help you better plan your future committed spend to avoid any waste.

But deploying a tool isn’t enough by itself. You also need to have staff with the skill to use those tools wisely. IDC notes, “Companies increasingly turn to third-party tools to help manage their cloud installations, but tools aren’t an answer on their own. Additional intelligence is needed.”

That’s where FinOps comes in.

## 6. Set up a FinOps team.

FinOps is a relatively new concept, so you might not be familiar with it yet. But this approach is growing in popularity. According to IDC, about a third of companies have adopted FinOps so far.

If you’re familiar with DevOps, you might have guessed that FinOps is applying DevOps principles to finance, more specifically to cloud financials. [FinOps.org](#) explains, “FinOps is a portmanteau of ‘Finance’ and ‘DevOps,’ stressing the communications and collaboration between business and engineering teams.”

It adds, “FinOps is an evolving cloud financial management discipline and cultural practice that enables organizations to get maximum business value by helping engineering, finance, technology and business teams to collaborate on data-driven spending decisions.”

In the FinOps approach, everyone takes ownership for their own cloud usage, but a centralized team drives decision-making and encourages the organization to adopt a FinOps culture. Like DevOps, it brings together different disciplines, requiring people from different teams to collaborate closely.

More importantly for this discussion, FinOps emphasizes timely reporting and close analysis of the business value provided by different cloud services. The central team develops a deep understanding of cloud pricing, enabling them to get the most out of your committed cloud spend, as well as your on-demand purchases.

It’s also worth noting that the FinOps approach doesn’t require you to have a lot of expertise ahead of time. It allows you to progress slowly but steadily, making incremental improvements that allow you to maximize the value you get out of the cloud relative to your investment.



# Make the cloud work for you — and your budget.

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The benefits of cloud computing are undeniable. But fully achieving those benefits requires investing time and energy into understanding and managing your cloud usage.

Committed cloud spend offers significant discounts that can be very attractive—particularly if organizations are involved in cost-cutting initiatives. Techniques like cloud cost optimization, FinOps, and spending committed dollars in the marketplaces can help mitigate the risk involved while maximizing the value to your company.

## Get better business outcomes with Iron Mountain and AWS

Iron Mountain and AWS can help you make the most of your committed cloud spend. Built natively on the AWS Cloud, InSight on AWS unifies data and accelerates data-driven insights while reducing the costs and risks of digital transformation. Visit [Iron Mountain/InSight on AWS marketplace](#) to learn more.



**Available in  
AWS Marketplace**



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800.899.IRON | [ironmountain.com](https://www.ironmountain.com)

### About Iron Mountain

Iron Mountain Incorporated (NYSE: IRM), founded in 1951, is the global leader for storage and information management services. Trusted by more than 220,000 organizations around the world, and with a real estate network of more than 85 million square feet across more than 1,400 facilities in over 50 countries, Iron Mountain stores and protects billions of information assets, including critical business information, highly sensitive data, and cultural and historical artifacts. Providing solutions that include secure storage, information management, digital transformation, secure destruction, as well as data centers, art storage and logistics, and cloud services, Iron Mountain helps organizations to lower cost and risk, comply with regulations, recover from disaster, and enable a more digital way of working. Visit [www.ironmountain.com](https://www.ironmountain.com) for more information.

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