

These are the best strategies to cut cloud computing costs during the pandemic, according to experts

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A visitor tries out a tablet computer next to a cloud computing and technology symbol at the Deutsche Telekom stand at the 2013 CeBIT technology trade fair on March 5, 2013 in Hanover, Germany. Sean Gallup/Getty Images

- **Companies looking to save money in the current environment of economic uncertainty should take a closer look at their cloud computing spending, experts told Business Insider.**
- **As much as 35 percent of cloud spending is wasted as companies pay for more cloud capacity than they use, according to one estimate.**
- **Companies should evaluate whether they're paying for any unused resources, cautiously explore cloud provider discount programs, and build a process to continually assess cloud spending.**
- **Making those changes is often a quick way to make a significant dent in your cash burn, experts say.**

As companies look for ways to cut costs to weather the economic crisis caused by the pandemic, experts say that a reevaluation of their cloud computing spending is a prime opportunity to save money.

Cloud platforms like the leading Amazon Web Services and second-place Microsoft Azure allow customers to rent access to functionally unlimited supercomputing power, hosted from those tech giants' own data centers. In doing so, those customers can reduce or even eliminate their dependence on their own servers and data centers.

However, Flexera, one of the many companies that helps customers manage cloud costs, estimates that anywhere between 30% to 35% of cloud spending is wasted as companies pay for more cloud capacity than they use. Catching that kind of digital waste is an easy way to get more cash-efficient without sacrificing functionality.

Plus, as Flexera's VP of Cloud Strategy Kim Weins notes, cloud computing vendors like AWS generally bill their customers for their usage by the second — meaning that trimming the excess now means that the savings will be reflected close to instantly. That's in stark contrast to the years-long contracts preferred by old-school IT vendors.

"If you do something to optimize today, it happens that second," Wein told Business Insider.

And the time may be right to look into this, says Len Riley, commercial advisory practice leader at UpperEdge, a firm that specializes in helping IT departments negotiate with vendors. Some cloud vendors are giving their customers price breaks or short-term relief in payments to help them navigate the current economic turbulence.

But, Riley suggests, it's up to those companies to "do your homework in advance" so they know exactly what they're doing with which vendors, and where they can stand to optimize, to give them an edge in negotiations. Too often, he says, companies don't have a complete enough view of their own cloud initiatives.

"Vendors know more about clients than they know about themselves," Riley told Business Insider. "The reality is preparedness and operating at the right level is the key to success."

Here are the best strategies to cut cloud costs, according to experts.

Evaluate whether to pause projects, and 'do your homework in advance.'

Companies are continuing to shift to the cloud, driven by meeting the increased demand for digital services and remote work tools amid the ongoing pandemic, Riley said.

At the same time, many are choosing to reevaluate their cloud projects, as they decide what to prioritize and what to put on the back burner amid the current environment of economic uncertainty.

"We're seeing an aggressive approach to classifying projects in those categories based upon current financial conditions of a particular company," Riley said. "We're seeing the initiation of very aggressive cost reduction and cost optimization initiatives."

Riley says that when a major cloud project gets put on hold, it's important to go back to the provider and either renegotiate the terms of the deal, or else get credits back for the services of which they no longer have need. Otherwise, Riley says, companies end up committed to paying the vendor according to the original project timeline.

Another option, Riley says, is to look into consolidation. Most cloud vendors approach business on a case-by-case basis, but a company that has multiple deals with the same provider should ask about combining them into one larger deal. That could help streamline the project, and potentially even result in some kind of discount, Riley says.

Explore cloud provider discount programs, but make sure you evaluate any money you're wasting first.

Cloud providers offer discounts to customers who make commitments to a minimum amount of spending. Amazon Web Services, for example, [last year introduced a discount model called Savings Plans](#) for customers who make a one- to three-year commitment. Microsoft Azure and Google Cloud have similar discount programs.

These programs can be attractive ways to save money, Flexera's Weins said, but customers have to be careful to avoid the common pitfall of committing themselves to more cloud capacity than they actually need. It behooves customers to carefully consider how much storage and computing power they actually need, and only sign on to a discount program at that level.

Riley further notes that these kind of cloud commitments often bundle together various services, which in turn have minimum usage and licensing requirements. Unless the agreement specifically makes provisions for reducing those minimums later, Riley says, it's very hard to tweak those contracts to keep up with your needs.

Another way to reap some discounts is to make sure that you're running the right software on the right cloud. Oracle's flagship database software, for instance, often costs more to license to run on non-Oracle clouds, Weins said. Similarly, it's often cheaper to run Windows on the Microsoft Azure cloud than on AWS or other platforms, she said.

Vendors giving more flexibility

Different vendors are offering different levels of flexibility amid the pandemic, too.

Leading platform Amazon Web Services, for instance, isn't offering very much flexibility at all, Riley said: They set a price, and they're sticking to it. He said that while some customers have had some success in renegotiating their AWS contracts, pulling it off is entirely dependent on who you know.

"Any flexibility they're seeing is predicated on relationships. I can't emphasize this enough," Riley said.

And Microsoft customers have had some success with swapping some aspects of their contracts, Riley said. If customers want to expand their use of collaboration tools like Microsoft Teams, but scale down their use of other products, Riley said, Microsoft has shown some flexibility.

Amazon Web Services and Microsoft did not comment at the time of publication on their approach to cloud contract flexibility.

On the other hand, SAP has demonstrated a high degree of willingness to work with its customers.

"SAP has been very transparent and forward-thinking in this regard, setting up committees at a regional level to provide relief to its customers," Riley said.

SAP says that it encourages customers to reach out so that it can support them as needed.

"This is an unprecedented shared experience that we're going through with our customers in real-time, and our focus is on always doing right by them," SAP said in a statement.

The conversation around flexibility and cutting costs could be a big opportunity for Google Cloud, Riley suggests. As the third-place player in the cloud market behind Amazon and Microsoft, Google could make this a part of its sales pitch to customers.

"Whoever is looking to gain market share, there is a real opportunity here for someone to step up and take away minimum restrictions and allow for flexing up," Riley said. "Commit to pricing transparency and not bundling deals. There is absolute opportunity here for organizations to take a different point of view and use that as a competitive advantage moving forward."

In response to an inquiry from Business Insider, Google Cloud pointed us at a [recent official blog post on how customers can optimize their cloud costs](#).

Evaluating cloud spending should be a continuous process — and it creates an opportunity for the cloud provider most flexibility.

Optimizing cloud spending isn't something companies can do just once. Companies should build a process for continually assessing cloud needs, Weins said.

"I use the analogy of kid's toys — you put them away and 20 minutes later, toys are all over the floor," Weins said. "You have to really think about it as a continuous process and level automation otherwise you are going to keep picking up the Legos."

Going forward, Riley expects customers will start requiring more protections and flexibility when they sign a deal, giving the latitude to allow them to scale down their usage as needed.

"Looking forward, do I think this pandemic and situation customers are in will force a change in business practices," Riley said. "There's a high degree of resolve around doing so."

Below is the full statement from an SAP spokesperson:

The COVID-19 pandemic is challenging all of us – our colleagues, customers, and partners – to work, collaborate, and communicate in different ways. What has remained the same is our commitment to our customers' success. While this pandemic has created some new hurdles for our customers, it's an opportunity for us to be more creative, define new ways to work together, and have deeply empathetic conversations with our customers.

This is an unprecedented shared experience that we're going through with our customers in real-time, and our focus is on always doing right by them. We encourage customers to reach out to us so that we can support them as needed.

Got a tip? Contact Rosalie Chan via email at rmchan@businessinsider.com, Signal at 646.376.6106, Telegram at [@rosaliechan](https://t.me/rosaliechan), or Twitter DM at [@rosaliechan17](https://twitter.com/rosaliechan17). (PR pitches by email only, please.) Other types of secure messaging available upon request.

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