



# Mastering Cloud Economics: Effective Strategies for Managing Cloud Costs

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**SAP**insider

## In This Session

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- Strategy for Managing Public cloud costs
- Finops Governance Framework
- Key learnings of managing cloud operations



# Agenda

- Finops Overview
- Pillars of Finops
- Key learnings
- Next Steps



## Finops Overview

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# What is FinOps?

- FinOps, or Cloud Financial Operations combines financial accountability with agile operations to continuously optimise cloud spending.
- Main characteristics are:
- Enables organisations to enable fine grain cost management over the agile and variable spending possible in Cloud Architectures
- A Cultural practice, traditional finance models “suffocate” cloud agility.
- Maximizes variable cost models available in cloud platforms
- Typically, a centralised team
- Organic, it can change daily and be optimised monthly
- Is core to any operate service for any hyperscaler run systems

# Where most are today ... where best practice is today

From
<ul style="list-style-type: none"><li>• No Clear understanding of Cloud Consumption and costs</li><li>• Not making effective usage of Savings Instruments (RI's and Savings Plans)</li><li>• No mechanisms in place to measure efficiency and effectiveness of Cloud investments</li><li>• Cloud Cost Optimization not part of architectural decisions</li><li>• High risk of financial</li></ul>

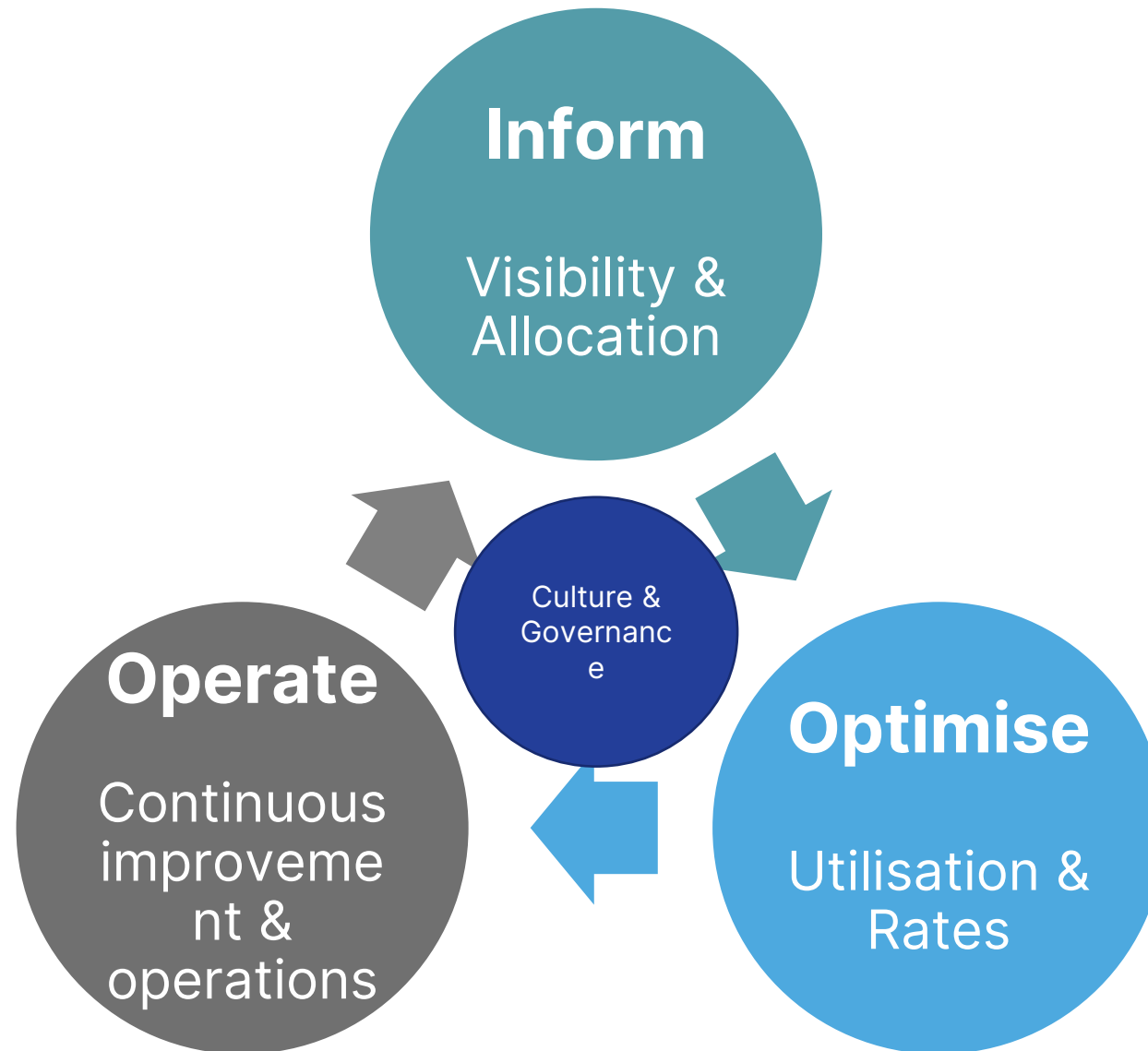


To
<ul style="list-style-type: none"><li>✓ Understanding your Cloud Usage and Costs</li><li>✓ Performance Tracking and Benchmarking</li><li>✓ Real Time Decision Making</li><li>✓ Cloud Rate Optimization</li><li>✓ Cloud Usage Optimization</li><li>✓ Organisational Alignment<ul style="list-style-type: none"><li><i>'Cloud cost optimization is everyone's business'</i></li></ul></li><li>✓ Architectural and Contractual optimization</li><li>✓ Institutionalized ongoing FinOps operation</li></ul>

# Types of FinOps Services

Service Type	Offering	Value Proposition
Onboarding and FinOps Review of Current Cloud Landscape (Rapid Review of Cloud Costs)	Service to estimate & review current usage patterns, baseline costs, reporting and analytics needs & highlight cost optimization opportunities	<ul style="list-style-type: none"><li>• Flexibility</li><li>• Assurance/ guidance</li><li>• Access to experts</li><li>• Use native AWS tooling</li></ul>
FinOps Standard	<ul style="list-style-type: none"><li>• Regular reporting on the Hyperscaler spend</li><li>• Tagging audits</li><li>• Savings plan and Reservation management</li></ul>	<ul style="list-style-type: none"><li>• Cost Management</li><li>• Cost Visibility/ Budget management</li><li>• Audit record</li><li>• Monthly cadence to drive cost optimization</li></ul>
FinOps Premium	<ul style="list-style-type: none"><li>• Performance tracking &amp; benchmarking</li><li>• Inform, Optimize, Operate</li><li>• Real time Management</li></ul>	<ul style="list-style-type: none"><li>• Real time visibility &amp; allocation</li><li>• Proactive utilization &amp; rates</li><li>• Continuous improvement &amp; operations</li></ul>

# FinOps Foundation (Inform-Optimize-Operate)



# FinOps Lifecycle

## FINOPS

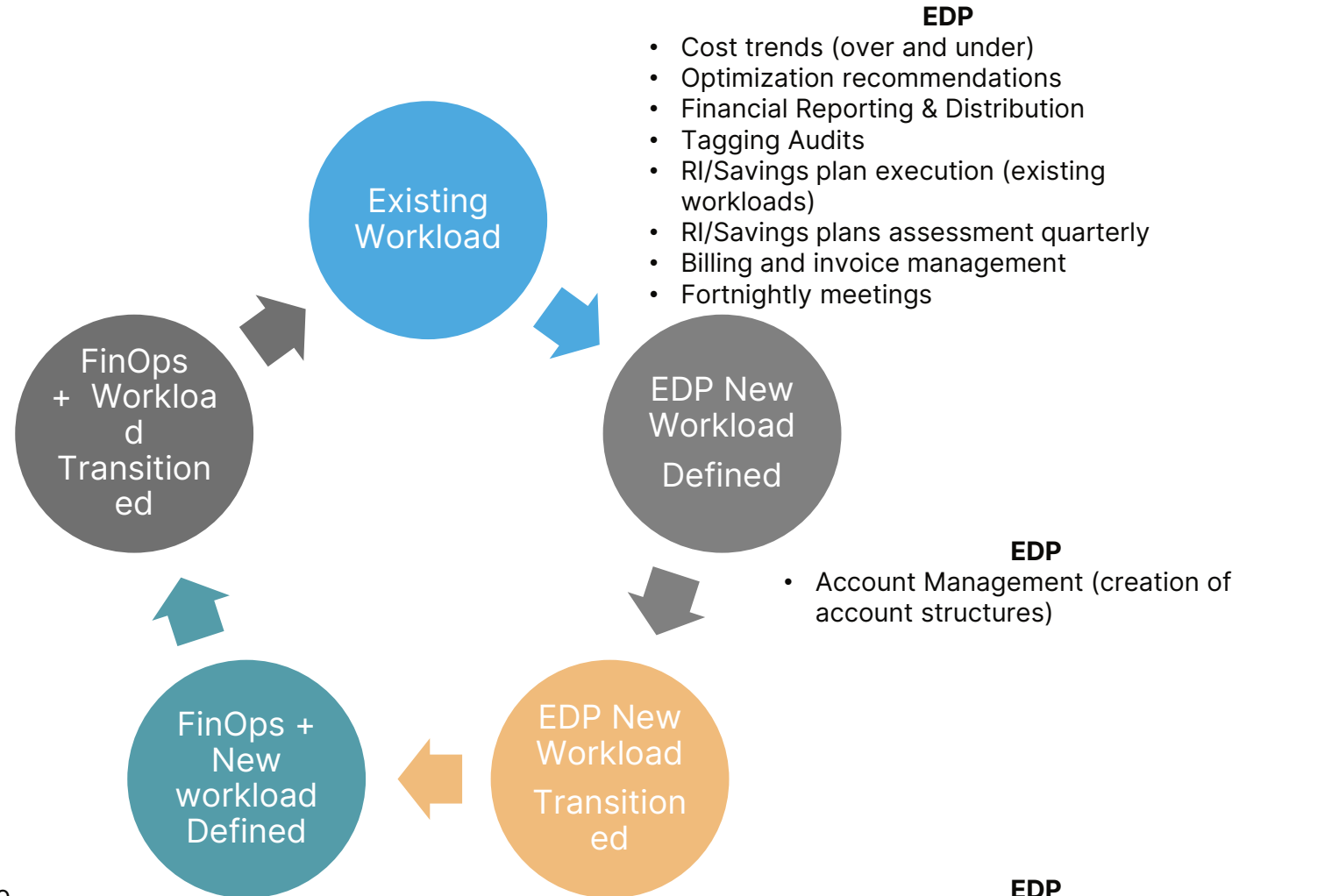
- **Establish** a governance framework for how new workloads will be assessed, estimated and transitioned into the EDP
- **Design** a financial approval method for new workloads and the transition out of redundant ones
- **Design** the new reporting framework for Billing Conductor to meet EQL requirements. Adjust this annually over the term as needed
- Meet monthly on forward face new spend estimate and project budget needs for EQL.
- Addition Quarterly meeting with LG Global FinOps lead on expected new AWS services that will have cost optimization efforts

## FINOPS

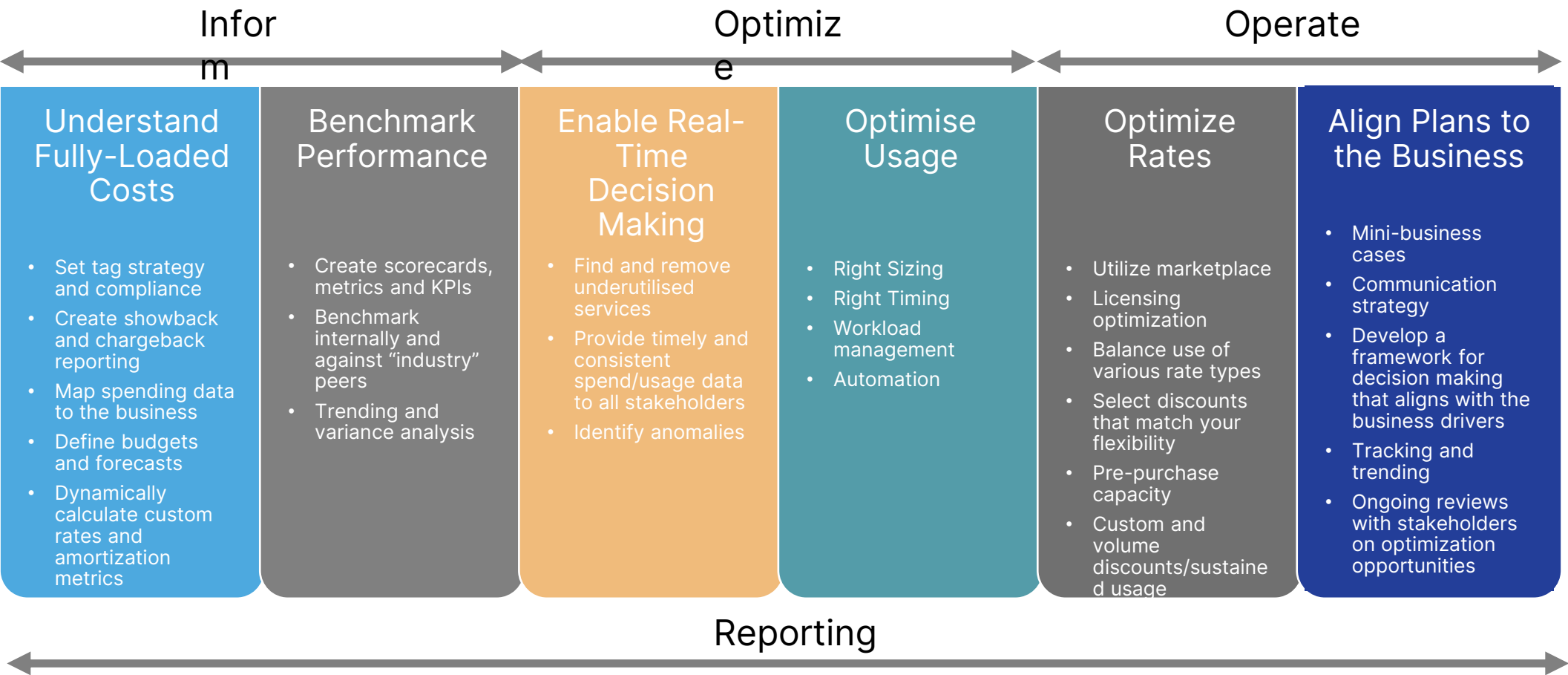
- Cost trends (over and under)
- Optimization recommendations
- Financial Reporting & Distribution
- Tagging Audits
- RI/Savings plan execution (existing workloads)
- RI/Savings plans assessment quarterly
- Billing and invoice management
- Fortnightly meetings

## FINOPS

- Tagging Strategy and Governance
- Tagging validation as part of transition to EDP management
- RI/Saving Plan Strategy and Governance
- RI/Savings plan execution
- Creation of new reporting dashboards / reports

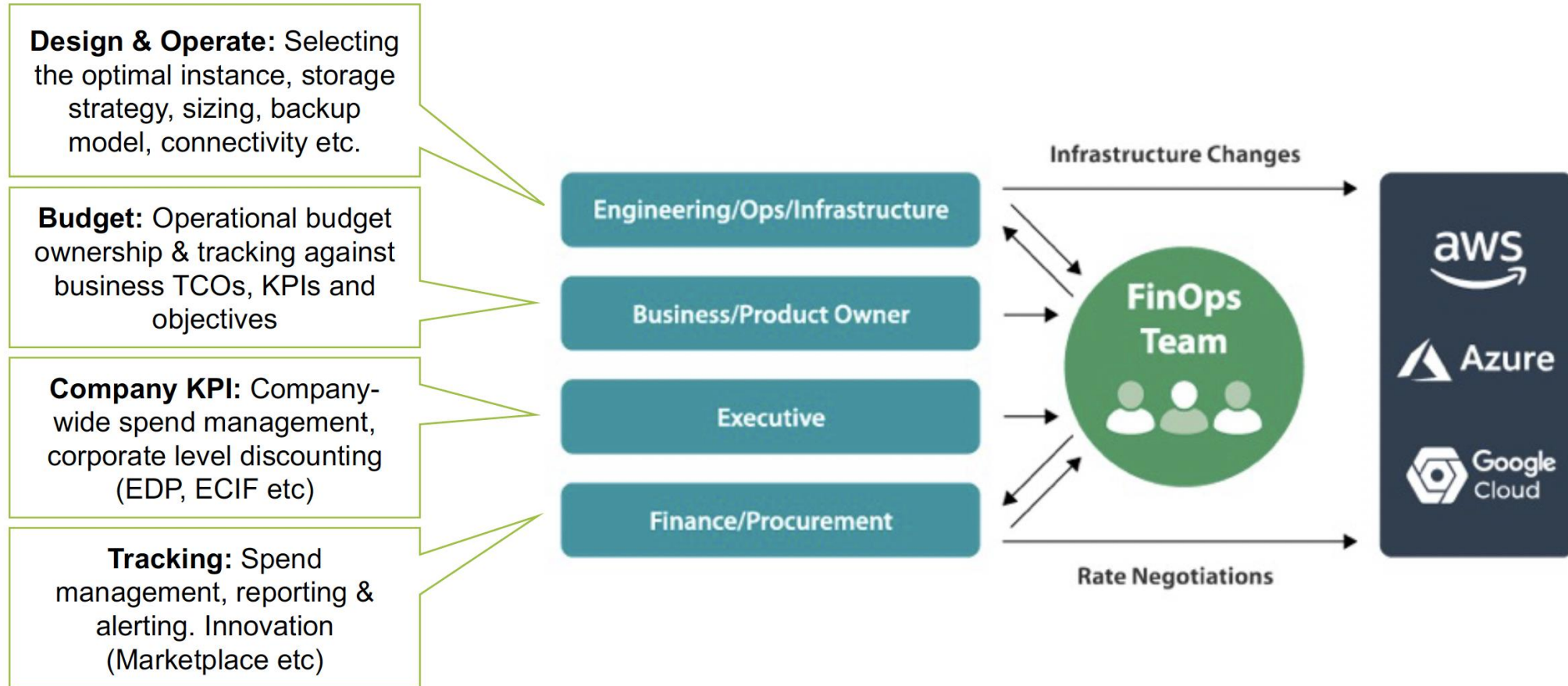


# FinOps | Capability Architecture



FinOps accountability encompassed all areas of IT operations from design to delivery and into operate. It's a continuous governance process that should be core to any IT workload and hyperscaler.

# FinOps | Main Actors



# The 5-Secrets of the Five Pillars of FinOps

## It's multiple discipline

- Reporting, Procurement, Architecture, Tooling

## Closeness to hyperscaler matters

- Need to understand commercial and

## Automation is the enabler

- Automation leads to increased insights, optimized cost and

## Tagging is everything

- If it isn't tagged, then it isn't managed

## Not just a periodic activity

- Involves constant monitoring and alerting



## Some Details of our FinOps Services (Post initial Cost review)

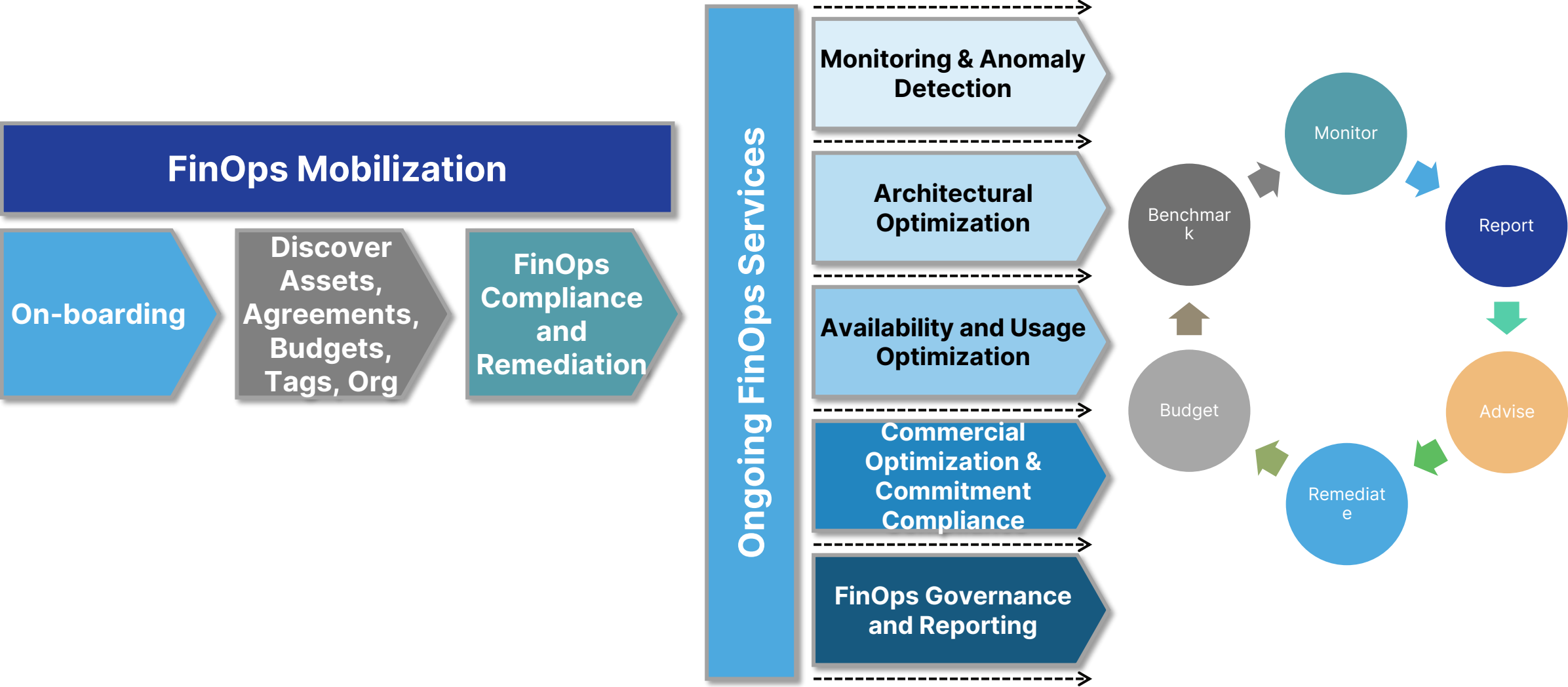
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## FinOps | Our Top 10 Learnings

1. FinOps is more a cultural vs technical change – operations required to evolve
2. Must ensure clear business and technical owners for every asset
3. >Monthly financial operational reviews required to optimize cost spend
4. Update your processes – Hosting derived process “Suffocate” cloud agility
5. FinOps is a dedicated governance role. Techies don’t self manage!
6. Storage optimization is the typical cloud overspend in Cloud landscapes
7. Ensure you have a rigorous Tagging Strategy & Governance Model
8. Alert frameworks are mandatory – event detection as it happens

# Lemongrass FinOps Engagement Overview

## FinOps Plus



# Sample FinOps SLAs and KPIs

<b>Cloud Financial Visibility SLAs</b>	<ul style="list-style-type: none"><li>✓ 90%+ of the environment with proper tagging in place</li><li>✓ &lt;20% of bill from untagged resources</li><li>✓ 95%+ of budget or cost anomaly alerts Reviewed and Actioned within 48 hours</li><li>✓ Actual cost &lt;=110% of Forecasted cost for Cloud Resources per team (Account) (estimate v actuals)</li></ul>
<b>Cloud Financial Visibility KPIs</b>	<ul style="list-style-type: none"><li>✓ Average price of compute per hour</li><li>✓ CSP Total spend as a % of total revenue</li></ul>
<b>Cloud Financial Optimization KPI's</b>	<ul style="list-style-type: none"><li>✓ Rightsizing savings percentage</li><li>✓ RI Coverage</li><li>✓ Savings Plan Coverage</li><li>✓ % orphaned EBS volumes</li><li>✓ % orphaned snapshots</li><li>✓ Aged snapshots</li><li>✓ Idle instances &lt; &amp; &gt; 30-days</li></ul>
<b>Architectural and Usage Optimization KPIs</b>	<ul style="list-style-type: none"><li>✓ Architectural recommendations made</li><li>✓ Usage recommendations made</li><li>✓ Architectural recommendations delivered</li><li>✓ Usage recommendations delivered</li><li>✓ Annual savings made</li></ul>

# Lemongrass FinOps Reports

- This FinOps Report shows an example customized FinOps dashboard for an organization with multiple business units and operating locations
- It is based Lemongrass Cloud Platform



## Next Steps



## Next Steps

Provide details of IAM requirements to enable initial landscape review – Lemongrass team

- This service is designed for new customers who are not receiving FinOps services from Lemongrass. The key deliverable of this approach is to tame your cloud bill and put you on the path for effective and cost-efficient cloud usage

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