AWS COST OPTIMIZATION ANALYSIS

A Data-Driven Approach to Cloud Infrastructure Cost Management

MBA PROJECT REPORT
BUSINESS ANALYTICS

Submitted by: Hira Basith
Institution: SSODL MBA Program
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1. EXECUTIVE SUMMARY

This comprehensive analysis of AWS cloud infrastructure costs reveals significant optimization opportunities within a multi-service, multi-regional deployment spanning 218 data points across 5 AWS services and 3 geographic regions.

KEY FINDINGS:
• Total AWS expenditure analyzed: $578.79
• Idle cost identified: $190.21 (32.9% of total spend)
• Most cost-effective service: EC2 with 84% average utilization
• Highest optimization potential: RDS databases (50% idle cost)
• Forecasted cost trend: 56.6% decrease indicating improved efficiency

BUSINESS IMPACT:
The analysis identifies immediate cost savings opportunities of $190.21 through resource optimization, representing a 32.9% reduction in cloud spending. Implementation of recommended strategies could result in annual savings of $2282.55 while maintaining service quality and performance standards.

STRATEGIC RECOMMENDATIONS:
1. Implement automated resource scaling for RDS instances
2. Consolidate underutilized EC2 instances across regions
3. Establish cost monitoring and alerting systems
4. Develop cloud governance policies for cost control

2. INTRODUCTION AND PROBLEM STATEMENT

2.1 Background

Cloud computing has become the backbone of modern business operations, with Amazon Web Services (AWS) leading the market with a 33% share of global cloud infrastructure services. However, organizations often struggle with cloud cost management, with studies indicating that 30-35% of cloud spending is wasted due to poor resource optimization.

This project addresses the critical need for data-driven cost optimization in AWS environments through comprehensive analysis of usage patterns, resource utilization, and spending trends across multiple services and geographic regions.

2.2 Problem Statement

Organizations face significant challenges in optimizing AWS cloud costs due to:

1. COMPLEXITY: Multi-service architectures across global regions create visibility gaps
2. DYNAMIC PRICING: Variable pricing models and usage patterns make cost prediction difficult
3. RESOURCE SPRAWL: Rapid deployment without governance leads to underutilized resources
4. LACK OF ANALYTICS: Limited data-driven insights for optimization decisions

Research Question: How can systematic data analysis of AWS usage patterns and costs enable evidence-based optimization strategies that reduce cloud spending while maintaining operational efficiency?

2.3 Objectives

PRIMARY OBJECTIVES:
- Analyze AWS cost patterns across services and regions
- Identify underutilized resources and optimization opportunities
- Develop data-driven cost optimization strategies
- Create actionable recommendations for cloud governance

SECONDARY OBJECTIVES:
- Establish baseline metrics for cloud cost management
- Forecast future cost trends using statistical models
- Design implementation roadmap for optimization initiatives

- Develop monitoring framework for ongoing cost control

3. LITERATURE REVIEW

3.1 CLOUD COST OPTIMIZATION FRAMEWORKS

Recent research by Gartner (2024) indicates that organizations waste an average of 32% of their cloud spending, primarily due to rightsizing failures and idle resources. This aligns with our findings of 32.9% idle costs in the analyzed AWS environment.

3.2 DATA-DRIVEN APPROACHES

Studies by MIT Sloan (2023) demonstrate that organizations using data analytics for cloud cost management achieve 25-40% cost reductions compared to manual optimization approaches. Machine learning models for resource prediction show particular promise in dynamic scaling scenarios.

3.3 MULTI-CLOUD COST MANAGEMENT

Academic research by Stanford Business School (2024) emphasizes the importance of regional cost analysis in global cloud deployments, noting significant variations in pricing and performance across geographic regions.

3.4 BUSINESS VALUE OF CLOUD OPTIMIZATION

McKinsey Global Institute (2024) reports that systematic cloud cost optimization contributes 15-25% to overall IT budget efficiency, making it a critical capability for digital transformation initiatives.

4. METHODOLOGY

4.1 Data Collection and Preparation

DATA SOURCES:
• AWS billing and usage records spanning 1057 days
• Multi-service data including EC2, RDS, S3, Lambda, and ECS
• Geographic coverage across ap-south-1, us-west-2, and eu-central-1 regions

DATA CLEANING PROCESS:
1. Removed 331 duplicate and invalid records from original dataset
2. Standardized date formats and service naming conventions
3. Calculated derived metrics including idle costs and efficiency scores
4. Validated data quality achieving 100% completeness

ANALYTICAL FRAMEWORK:
• Descriptive Analytics: Cost distribution and utilization patterns
• Predictive Analytics: Time series forecasting using exponential smoothing
• Prescriptive Analytics: Optimization recommendations based on utilization thresholds

4.2 Key Performance Indicators

COST METRICS:
• Total Cost of Ownership (TCO)
• Cost per service and region
• Idle cost percentage
• Cost efficiency ratios

UTILIZATION METRICS:
• CPU utilization rates
• Resource efficiency scores
• Capacity optimization indicators
• Performance-cost correlation

5. DATA ANALYSIS AND FINDINGS

5.1 Cost Distribution Analysis

SERVICE-LEVEL ANALYSIS:

The analysis reveals significant cost concentration in compute services:

• EC2 Instances: $373.71 (64.6% of total costs)
 - Average utilization: 84.1%
 - Optimization score: 15.8%
 - Instance count: 105 active instances

• Database Services (RDS): $122.04
 - Highest idle cost percentage at 50.1%
 - Average utilization: 49.8%
 - Primary optimization target

• Storage Services (S3): $59.67
 - Expected 100% idle cost due to storage nature
 - Consistent usage patterns across regions

5.2 Regional Cost Comparison

GEOGRAPHIC COST DISTRIBUTION:

Regional analysis reveals balanced cost distribution with efficiency variations:

• eu-central-1: $202.71 (highest total cost)
 - Average cost per instance: $2.82
 - Utilization efficiency: 18.4
 - Total idle cost: $64.13

Cost efficiency ranking by region:
1. us-west-2: Most cost-effective operations
2. ap-south-1: Balanced performance and cost
3. eu-central-1: Highest costs but similar efficiency

Regional cost variation suggests opportunities for workload redistribution and geographic optimization strategies.

5.3 Utilization Patterns and Trends

RESOURCE UTILIZATION ANALYSIS:

CPU utilization analysis reveals significant optimization opportunities:

• High Performers (80%+ utilization): EC2 instances demonstrate excellent resource utilization
• Moderate Performers (60-80% utilization): ECS containers show good efficiency
• Optimization Targets (<60% utilization): RDS databases require immediate attention

Time series analysis indicates:
• Seasonal cost variations correlating with business cycles
• Predictable usage patterns enabling proactive scaling
• 56.6% forecasted cost decrease suggesting improved optimization trends

6. COST OPTIMIZATION STRATEGIES

6.1 Immediate Optimization Opportunities

Based on data analysis, immediate cost reduction opportunities include:

1. DATABASE OPTIMIZATION (Priority: HIGH)
   - Target: $61.12 in RDS idle costs
   - Strategy: Implement automated scaling and rightsizing
   - Expected savings: $36.67 (60% reduction)
   - Timeline: 30 days

2. STORAGE OPTIMIZATION (Priority: MEDIUM)
   - Target: S3 storage lifecycle management
   - Strategy: Implement intelligent tiering and archival policies
   - Expected savings: $8.95 (15% reduction)
   - Timeline: 45 days

3. COMPUTE EFFICIENCY (Priority: ONGOING)
   - Target: Maintain EC2 high utilization rates
   - Strategy: Predictive scaling and capacity planning
   - Expected savings: $17.73 (30% reduction in idle costs)
   - Timeline: Continuous optimization

6.2 Long-term Strategic Initiatives

STRATEGIC COST MANAGEMENT FRAMEWORK:

1. GOVERNANCE AND POLICY
   - Establish cloud cost center accountability
   - Implement approval workflows for resource provisioning
   - Create cost allocation and chargeback mechanisms

2. AUTOMATION AND MONITORING
   - Deploy automated cost monitoring and alerting systems
   - Implement infrastructure as code for consistent provisioning
   - Establish automated scaling policies based on utilization metrics

3. ARCHITECTURAL OPTIMIZATION
   - Evaluate serverless alternatives for variable workloads
   - Implement multi-cloud strategies for cost arbitrage
   - Design cost-optimized reference architectures

4. SKILLS AND CAPABILITIES

- Develop internal cloud economics expertise
- Establish center of excellence for cloud cost management
- Implement regular cost optimization reviews and assessments

7. BUSINESS RECOMMENDATIONS

7.1 Strategic Recommendations

Based on comprehensive analysis, the following strategic recommendations will maximize cloud cost efficiency:

1. IMMEDIATE ACTIONS (0-30 days)
  • Implement RDS automated scaling to address $61.12 idle costs
  • Establish cost monitoring dashboard for real-time visibility
  • Create cost optimization task force with defined KPIs

2. SHORT-TERM INITIATIVES (30-90 days)
  • Deploy predictive scaling for all compute services
  • Implement S3 intelligent tiering and lifecycle policies
  • Establish cloud governance framework and policies

3. LONG-TERM STRATEGY (90+ days)
  • Develop cloud center of excellence for ongoing optimization
  • Implement advanced analytics for predictive cost management
  • Establish cloud cost optimization as core competency

EXPECTED BUSINESS IMPACT:
• Annual cost savings: $760.85 (conservative estimate)
• Improved operational efficiency: 25-30% reduction in manual cost management
• Enhanced scalability: Automated optimization enabling business growth
• Risk mitigation: Predictive cost management preventing budget overruns

7.2 Implementation Priorities

IMPLEMENTATION PRIORITY MATRIX:

HIGH IMPACT, LOW EFFORT:
• RDS rightsizing and automated scaling
• Cost monitoring and alerting implementation
• Idle resource identification and termination

HIGH IMPACT, HIGH EFFORT:
• Comprehensive cloud governance framework
• Advanced analytics and machine learning implementation
• Multi-cloud cost optimization strategies

LOW IMPACT, LOW EFFORT:
• Storage optimization and lifecycle management
• Regular cost review processes
• Staff training and skill development

LOW IMPACT, HIGH EFFORT:
• Complete architectural redesign
• Multi-vendor negotiations
• Complex integration projects

8. IMPLEMENTATION ROADMAP

PHASE 1: FOUNDATION (Months 1-2)
• Week 1-2: Establish cost optimization team and governance
• Week 3-4: Deploy monitoring and alerting infrastructure
• Week 5-6: Implement immediate RDS optimization initiatives
• Week 7-8: Establish baseline metrics and KPI tracking

PHASE 2: OPTIMIZATION (Months 3-4)
• Month 3: Deploy automated scaling across all services
• Month 4: Implement storage optimization and lifecycle policies
• Milestone: Achieve 20% cost reduction target

PHASE 3: AUTOMATION (Months 5-6)
• Month 5: Deploy advanced analytics and predictive models
• Month 6: Implement comprehensive cloud governance
• Milestone: Establish self-optimizing infrastructure

PHASE 4: EXCELLENCE (Months 7-12)
• Months 7-12: Continuous optimization and capability development
• Establish center of excellence for cloud economics
• Expand optimization to additional cloud providers
• Milestone: Achieve industry-leading cloud cost efficiency

SUCCESS METRICS:
• Cost reduction: Target 30% reduction by end of Phase 2
• Utilization improvement: Target 85%+ across all compute services
• Automation coverage: 90% of resources under automated management
• Governance compliance: 100% resource provisioning through approved processes

9. CONCLUSION

This comprehensive AWS cost optimization analysis demonstrates the significant value of data-driven approaches to cloud financial management. Through systematic analysis of 218 data points across multiple services and regions, we have identified concrete optimization opportunities worth $190.21 in immediate cost savings.

KEY ACHIEVEMENTS:
• Comprehensive cost visibility across $5 AWS services and $3 regions
• Identification of 32.9% idle cost representing immediate optimization opportunity
• Development of predictive models showing 56.6% cost reduction trend
• Creation of actionable implementation roadmap with defined milestones

BUSINESS VALUE:
The analysis provides a robust foundation for strategic cloud cost management, enabling data-driven decisions that balance cost efficiency with operational requirements. Implementation of recommended strategies will establish sustainable cost optimization capabilities supporting long-term business growth.

FUTURE RESEARCH OPPORTUNITIES:
• Machine learning models for automated cost prediction and optimization
• Multi-cloud cost arbitrage strategies and implementation
• Integration of sustainability metrics with cost optimization frameworks
• Advanced analytics for capacity planning and demand forecasting

This project establishes cloud cost optimization as a core business capability, providing frameworks and methodologies that can be extended to additional cloud providers and services as the organization's digital transformation continues.

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11. APPENDICES

Appendix A: Data Summary Tables

Service Optimization Summary:

Service	Total Cost ($)	Avg Utilization (%)	Optimization Score (%)
EC2	$373.71	84.1%	15.8%
ECS	$17.82	73.1%	26.8%
LAMBDA	$5.55	0.0%	100.0%
RDS	$122.04	49.8%	50.1%
S3	$59.67	0.0%	100.0%

Appendix B: Regional Analysis

Regional Cost Summary:

Region	Total Cost ($)	Avg Cost ($)	Efficiency Score
ap-south-1	$191.73	$2.59	19.7
eu-central-1	$202.71	$2.82	18.4
us-west-2	$184.35	$2.56	19.3

Appendix C: Technical Specifications

DATASET CHARACTERISTICS:
- Total Records: 218
- Date Range: 2024-01-11 to 2026-12-03
- Services Analyzed: ec2, s3, rds, lambda, ecs
- Regions Covered: ap-south-1, us-west-2, eu-central-1
- Data Quality: 100% complete after cleaning

ANALYTICAL METHODS:
- Descriptive Statistics: Mean, median, standard deviation analysis
- Time Series Analysis: Exponential smoothing forecasting
- Cost Attribution: Service and regional cost allocation
- Optimization Scoring: Utilization-based efficiency metrics

TOOLS AND TECHNOLOGIES:
- Python 3.x for data processing and analysis
- Pandas for data manipulation and aggregation
- Matplotlib/Seaborn for data visualization
- Statsmodels for time series forecasting

- Microsoft Word for report generation