



# FinOps – Plug your value leakages in cloud

Everest Group Perspectives

September 2024

# There is a mismatch in enterprise expectations from cloud adoption and the reality

**55%** of enterprises believe that COVID-19 pandemic has resulted in an increase in hurried cloud adoptions

**What enterprises expect**



High returns on cloud investments



Greater focus on business innovation



Reduction in technical debt



Flexibility in using cloud services

vs.

**67%** of enterprises believe that they are not able to realize expected level of value from cloud

**The reality**



Costs overruns during cloud migration and operations



Non-realization of business objectives



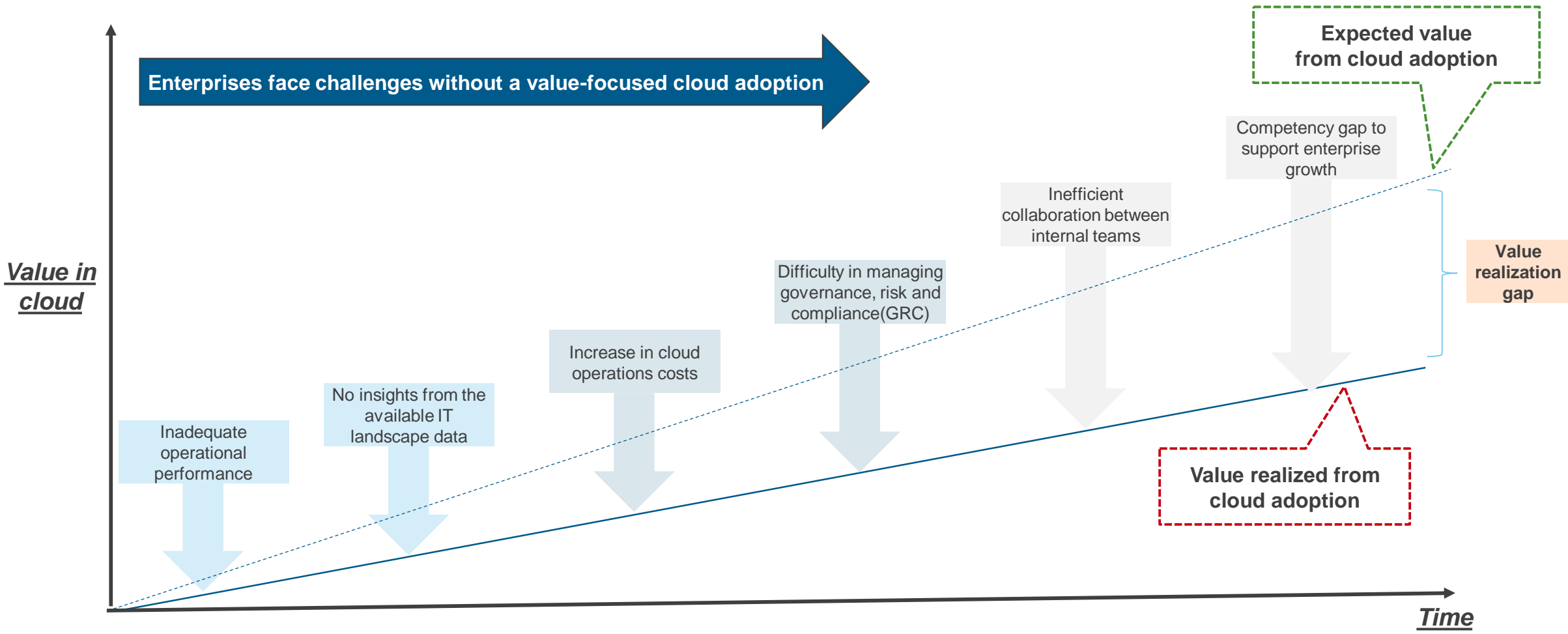
Industry non-compliance risk



Inadequate operational performance

Source: Everest Group (2022)

Not realizing cloud value is a complex interplay of multiple parameters; enterprises are increasingly dissatisfied by those



# Growing need for cloud cost optimization is driving an increased adoption of FinOps practices, reflected by a rising CAGR for the FinOps market

**37%<sup>1</sup>** of organizations experience more than 30% of their cloud spend getting wasted

## Key challenges driving FinOps adoption:



Lack of cost ownership and accountability across teams



Growing complexity in multi- and hybrid cloud management



Lack of insights from available cloud landscape data



Lack of accurate forecasting and budgeting practices

**US\$6.5 BN**

**Global FinOps market size (2023)**  
32-36% CAGR (2024-25)

- **63%<sup>1</sup>** of organizations dedicate more than **7%** of their cloud spend towards FinOps-focused initiatives
- **58%<sup>1</sup>** of cloud economics and FinOps spend is from small to mid-market enterprises (< US\$5 Bn revenue)

FinOps for cloud cost visibility

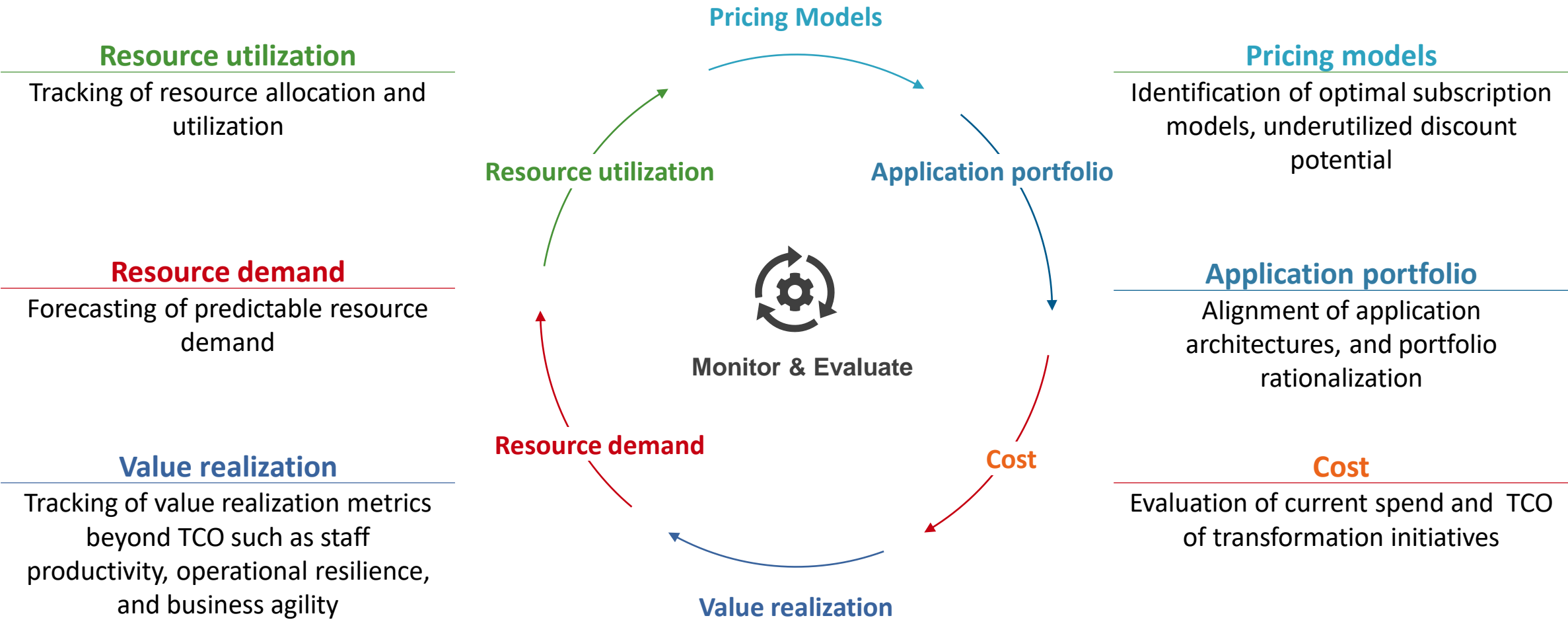
FinOps for cloud cost management

FinOps for business value from cloud

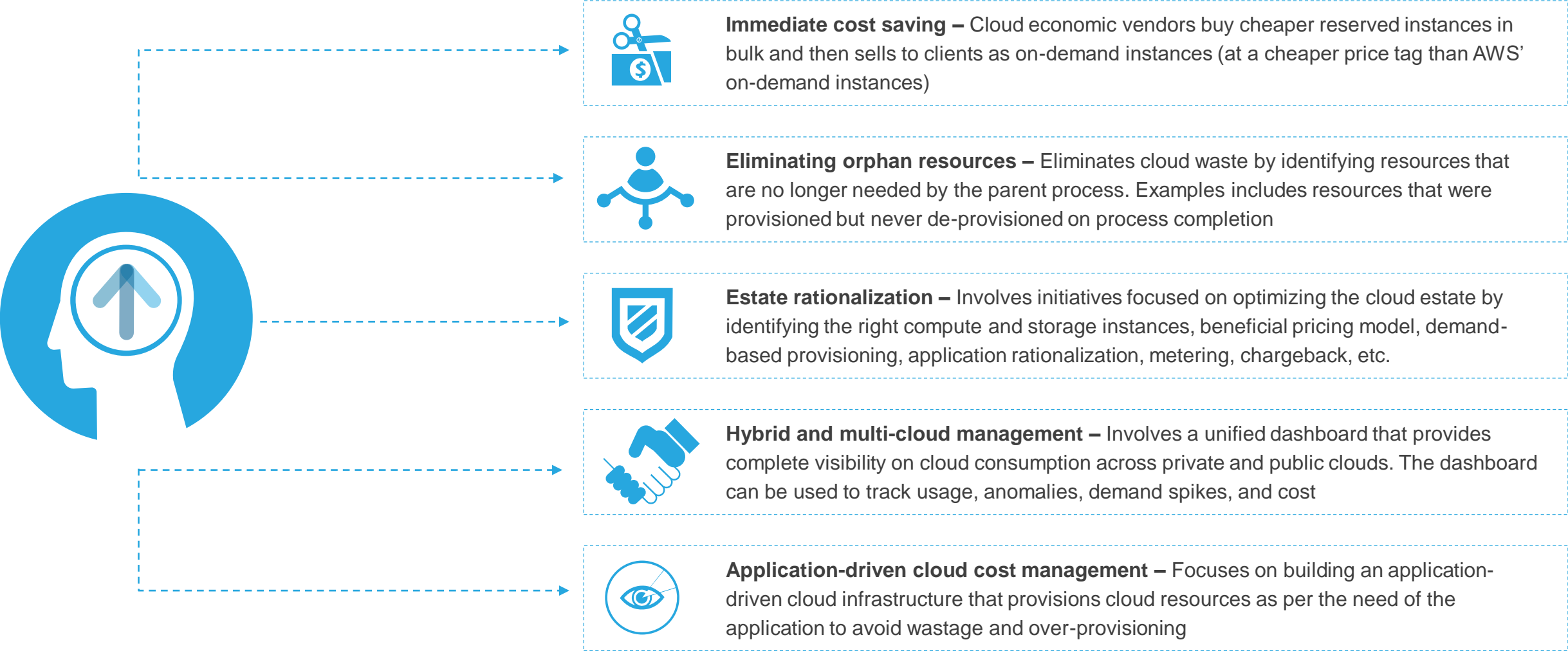
<sup>1</sup> Based on Everest Group's survey with 450 organizations globally  
Source: Everest Group (2024)

# Investment in cloud economics solutions can lead to a 20-30% (or more?) cost reduction in cloud cost


























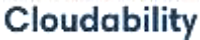




















## Key features of a cloud economics solutions:



# Key sell themes of cloud economics solutions



# As enterprises look to optimize cloud cost, investments activity in cloud economics solution is high

Company	Platforms supported	Cumulative amount raised	Key investors
 <b>turbonomic</b>	     	US\$150 million	General Atlantic, Bain Capital Ventures, Highland Capital Partners, and Globespan Capital Partners
 <b>CloudHealth</b>	   	US\$86 million	Kleiner Perkins, Sapphire Ventures, Scale Venture Partners, .406 Ventures, and Sigma Prime Ventures
 <b>CloudCheckr</b>	  	US\$67 million	Level Equity Management
 <b>OpsRamp</b>	   	US\$58 million	Morgan Stanley Expansion Capital and Sapphire Ventures
 <b>spot</b> by NetApp	  	US\$53 million	Highland Europe, Intel Capital, Vertex Ventures, Vertex Ventures Israel, and PICO Venture Partners
 <b>Cloudability</b>	  	US\$40 million	Founders Fund, Foundry Group, Trinity Ventures, and Walden Venture Capital
 <b>HYPERGRID</b>	   	US\$29 million	HighBar Partners and Atlantic Bridge
 <b>DivvyCloud</b>	    	US\$29 million	Providence Strategic Growth and RTP Ventures
 <b>CloudBolt</b> software	    	US\$27 million	Insight Partners

- Morgan Stanley Expansion Capital, Naya Ventures, Bain Capital Ventures, and Providence Strategic Growth are the recent investors for cloud management platforms
- Turbonomic, CloudHealth, and CloudCheckr are the most funded start-ups in this space
- Most of the recently funded cloud management platforms provide support across AWS, Azure, and GCP clouds

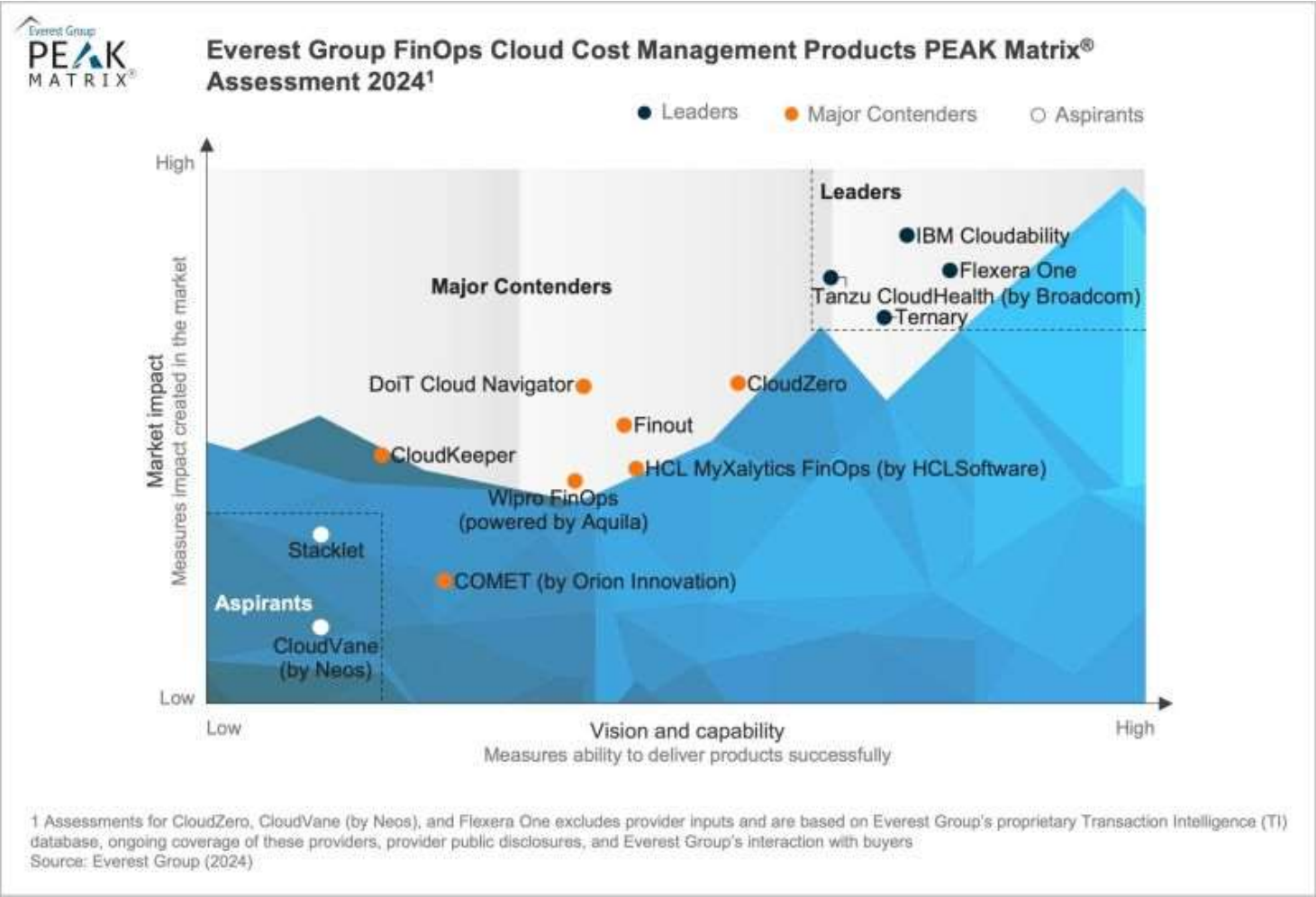
Source: Funding disclosures of start-ups, PE, VC fund houses; Everest Group (2020)

Beyond the fundamental investments, constant evolution in the FinOps landscape would require service providers to continuously capitalize on newer opportunities in order to maintain the competitive edge





















- 1** FinOps decision-making has gotten diverse involving IT, finance, and management teams; addressing the needs of everyone will become critical
- 2** Enterprises expect an end-to-end valuable proposition from third-party FinOps providers primarily in the areas of RI management, consulting, and MSP support
- 3** Guaranteed savings along with stronger and more consistent services plan will lead to long-term success in the FinOps market
- 4** Automation is expected to gain more prominence in the next few years, resulting in Automated RI management becoming a key ask
- 5** Enterprises are increasingly opting for hybrid cloud environments. Management across the entire cloud environment is going to be key in the next few years



Everest Group has assessed FinOps cloud cost management products to assist enterprises in selecting right FinOps tools and optimizing their cloud expenditures



# FinOps market has various offerings that are well-suited to serve unique enterprise needs

Type of FinOps providers	What they offer	Illustrative logos
Reseller	Helps organizations in reducing cloud bill through discounted cloud offerings by reselling and offering better payment terms and efficient billing management through value-added services	  
RI/SP management provider	Providers that improve coverage of cloud resources through RIs and embed automation in managing RIs	  
Consulting and Managed Service Provider (MSP)	Helps organizations in optimizing cloud consumption by conducting well-architected reviews on cloud setup and managing ongoing operations to keep usage and costs under control	     
End-to-end FinOps capability and offering provider	An end-to-end FinOps provider offers comprehensive FinOps services covering consulting and advisory, RI/SP management, and visibility across the organization's cloud environment.	  
Visibility and recommendation provider	Providers that help in cloud cost visibility, optimization, and automated savings by analyzing usage patterns and recommending actions; help organizations control spending and improve financial governance across cloud environments	  
FinSecOps provider	A new area within the FinOps market that provides cost and usage visibility, right sizes cloud services, and enables cost performance tracking, while embedding security across the organization	 

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