



The State of FinOps in Telecom 2022

Survey report by
Amdocs Cloud Operations Services



The key findings



Annual CSP cloud service and usage investment has surged to over \$37.9 USD



By deploying cloud FinOps, two-thirds of CSPs reported a noticeable difference in their ability to optimize or reduce costs



Over half of CSPs' actual cloud spend was somewhat higher than predicted, while a further 36% said it is significantly higher than predicted

Doing cloud right to extract value

Whether private, public or hybrid, cloud uptake amongst CSPs has climbed significantly over the past few years – a trend that will only continue as demand for cloud-based FinOps services increases, driven by intense competition and the pressure to reduce costs.

While these challenges, together with the need to more rapidly bring offerings to market and improve the customer experience, are pushing organizations towards greater, more optimized cloud usage, it's not the cloud that's the main issue. Rather, it's about finding ways to exploit the opportunity to derive real business benefit.

One option is to take an internal approach, which essentially means consuming the organization's own increasingly scarce resources to exploit the cloud. The other – which CSPs are increasingly choosing to embrace – is to adopt an external Managed Services Provider (MSP) model. This is because it offers them access to a wider skill set, control via SLAs and greater agility – all of which are key to FinOps.

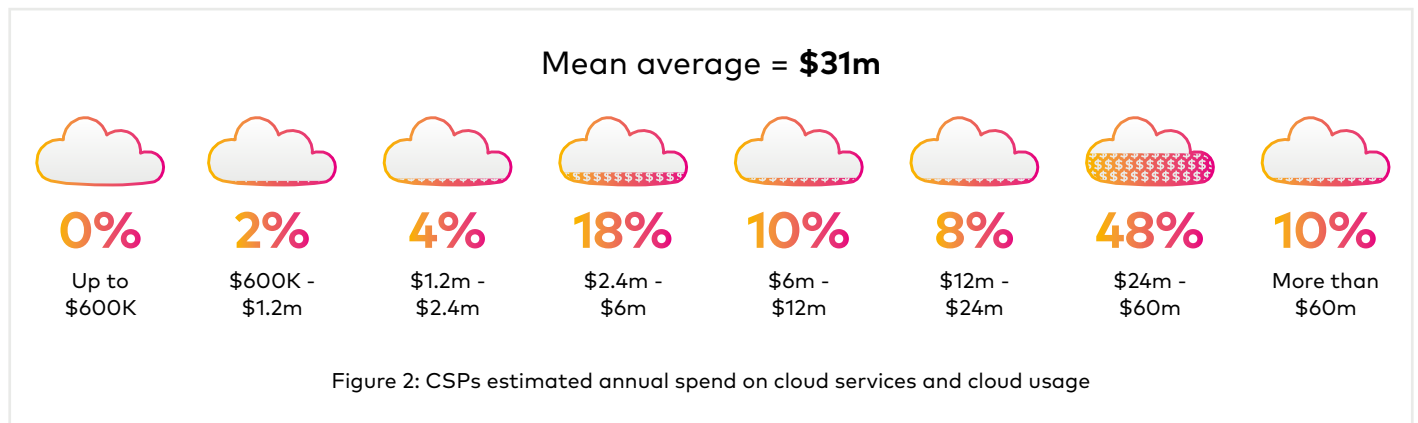
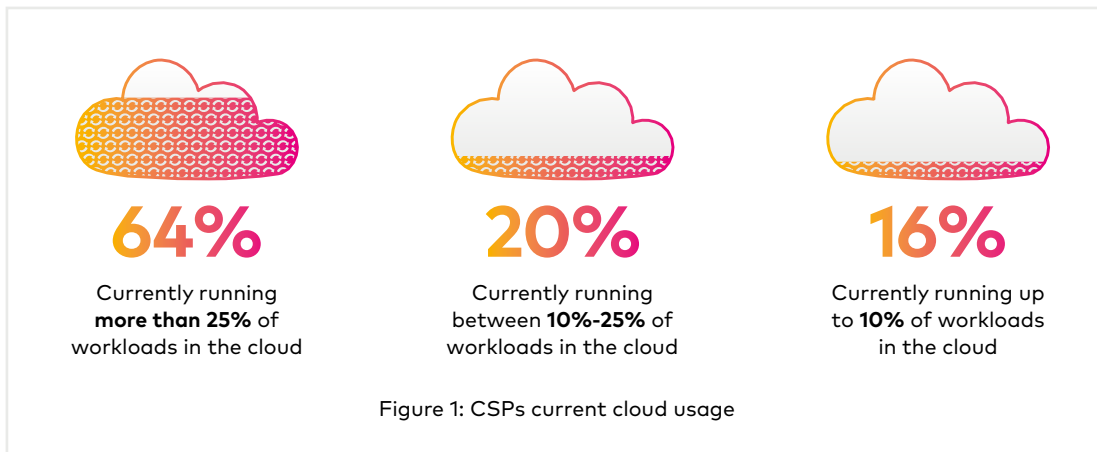
This Amdocs-sponsored study highlights the major trends and challenges for the CSP community as it comes to grips with the need to fully exploit the cloud in the race to build an efficient FinOps strategy, while at the same time, negotiating other competitive hurdles like ARPU, customer demand and OTT newcomers.

Who did we ask?

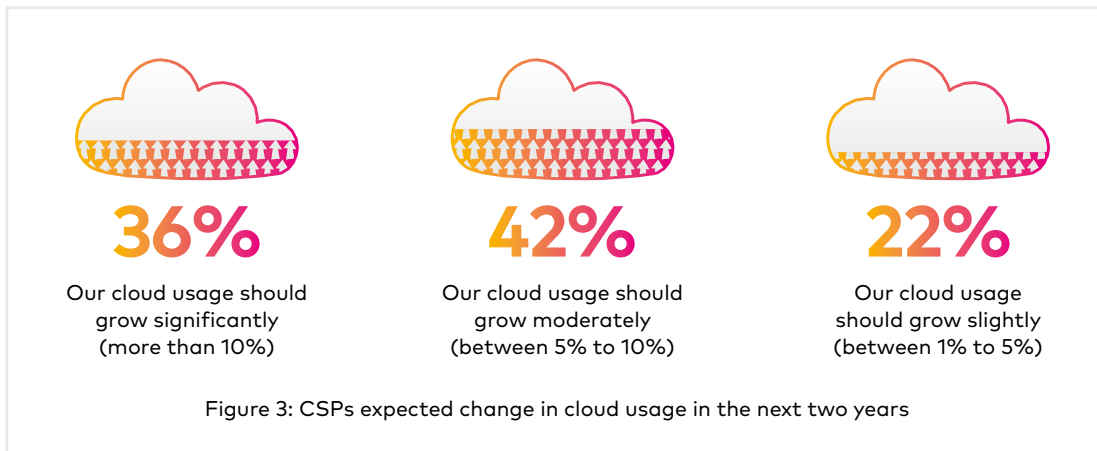
In April and May 2022, Coleman Parkes Research questioned 50 senior decision makers in Tier 1, Tier 2 and major MVNO CSPs across the globe about their cloud uptake, views and FinOps approaches. Key respondents included CTOs, CIOs and heads of FinOps.

Significant, yet underestimated investment

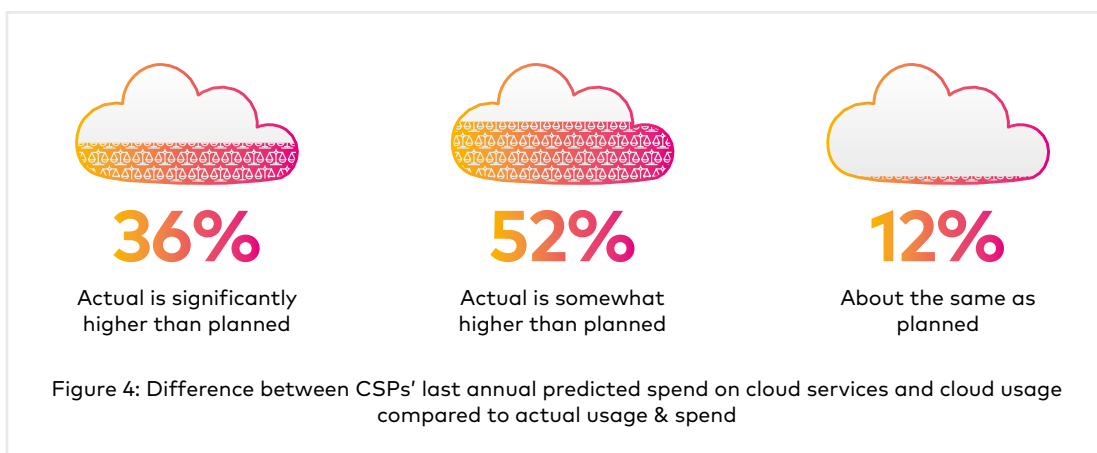
Respondents demonstrated a strong commitment to cloud usage, with almost two thirds reporting they're running more than a quarter of their workloads in the cloud (Figure 1). In addition, investment levels were high with an average estimated spend on cloud services and usage running at over \$31m annually: 58% of CSPs invested over \$24m and 10% were spending more than \$60m (Figure 2).



And cloud usage is set to grow greatly over the next two years, with 36% reporting significant (greater than 10%) growth and a further 42% suggesting growth will be moderate (1% – 5%) (Figure 3). Not a single CSP predicted a decline in cloud usage.

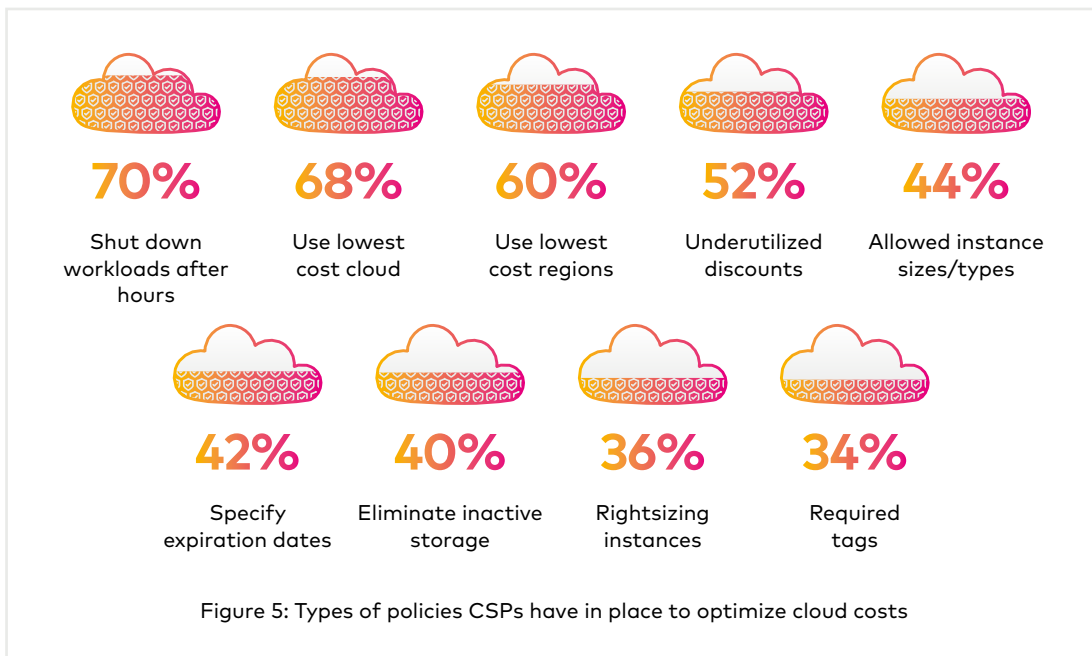


Yet CSPs are seemingly unable to predict cloud spend when compared to what they're actually investing. While this may be about an inability to accurately forecast or budget, it's more likely because they're underestimating the impact of cloud, as well as the potential speed of change when implementing a cloud-based solution. Whatever the reason, it's clear their commitment to the cloud is increasing, with 36% reporting annual spend significantly higher than they predicted, and a further 52% saying it was somewhat higher (Figure 4).



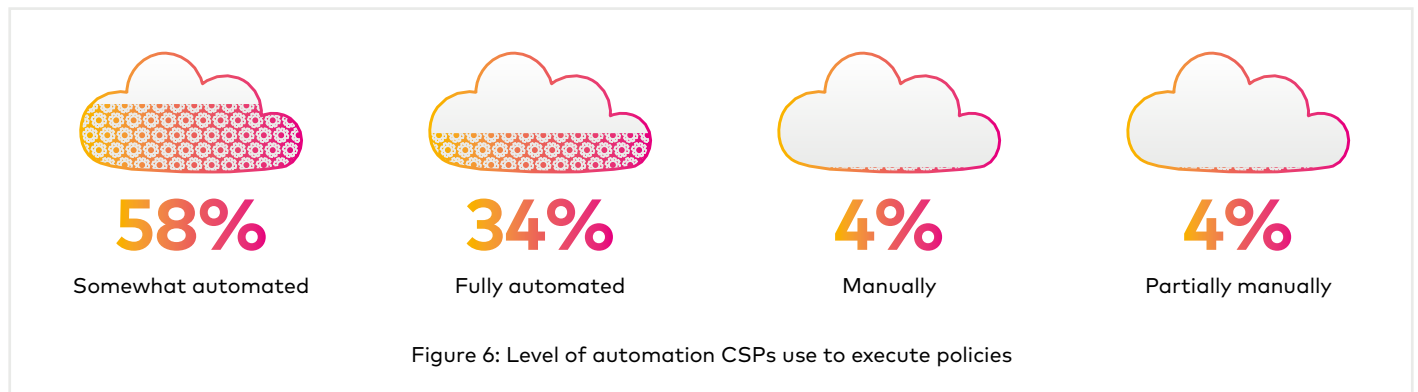
The right policy

CSPs already have a wide range of policies in place to optimize cloud costs. The two most common are shutting down workloads after hours, followed by using the lowest cost cloud provision (effectively selecting the cloud provider based on the lowest cost). (Figure 5)



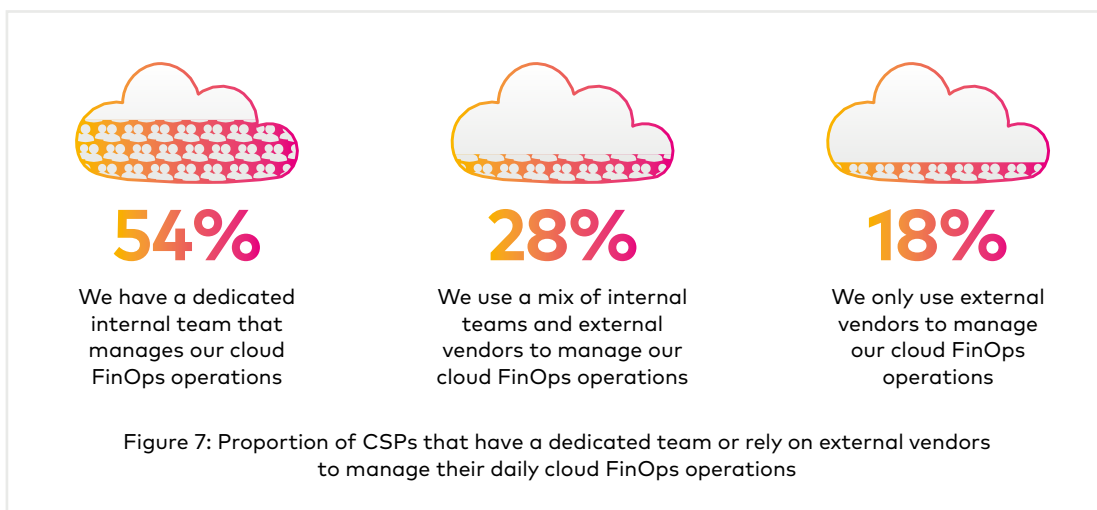
...and automation

Clearly, the extensive use of policy is having a positive effect on cloud cost optimization. Yet it could have been even greater if the level of manual intervention was reduced. In fact, only 34% of CSPs reported their policies are fully automated, while 58% say they're somewhat automated. By introducing more automation, CSPs can achieve better optimization, as well as better cost and cloud management. (Figure 6)



Who's running CSPs' Cloud FinOps?

While MSP activity is high when it comes to general cloud usage, CSPs are still largely opting for an internal approach to cloud FinOps solution management. 54% say they have a dedicated internal team that manages their cloud FinOps operations and only one in five uses external vendors only (Figure 7). Given the benefits CSPs are seeing in using external MSPs, it's surprising we're not seeing more CSPs choosing to reap the many benefits of an MSP-focused operational model for FinOps.



When adopting an MSP-model, the most popular cost structure employed by CSPs is to pay for professional services and the percentage of consumption (applicable to 62% of CSPs), while only 1 in 10 currently pays for professional services only.

Overall however, the survey found cloud FinOps solutions are making a considerable positive impact, with two thirds (Figure 8) reporting noticeable improvements in their ability to optimize or reduce costs and only 2% saying they saw no impact at all.



The managed services approach to Cloud FinOps

Current trends show that as cloud uptake continues its steep upward trajectory over the coming two years, MSPs are set to play a major role in enabling CSPs to optimize costs and reduce cost wastage, while providing all necessary technical capabilities to scale up quickly.

Yet the level of automation with respect to policies that help optimize cloud costs and increase operational efficiencies will also need to increase. In cloud-based FinOps specifically, we can expect a greater move to MSPs to achieve this.

Finally, with consumer spending already showing signs of slowing due to increasing inflation, and as CSPs begin to feel increased pressures from competition, cloud-based FinOps will play a more prominent role in optimizing business operations. The benefits will be seen in greater cost reduction, freeing funds for further investment and enabling a better customer experience.





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