![Livingstone Group logo]

Case Study | Global Retailer

Livingstone saves global retailer more than $30m with comprehensive cloud optimization, forecast and negotiation program

This global retail group operates thousands of stores across Europe, North America and Asia, as well as a number of thriving online businesses. Encompassing more than 20 brands, employing hundreds of thousands of people, and taking a highly active role in the M&A market, the group has vast, complex and constantly changing IT needs.

To make sure its portfolio of brands is agile enough to adapt to rapidly changing market conditions, the group is committed to migrating its software estate to the cloud. This program is well underway and, today, it is a major consumer of cloud-based services hosted in a Microsoft Azure environment.

While the benefits of migrating to the cloud are far-reaching and well-documented, the process does throw up a number of challenges for enterprises when negotiating new contracts or renewals.

Firstly, it can be difficult to calculate current cloud usage, and how this compares to licensing entitlement. This challenge is exacerbated by the complexity of cloud licensing, which can be open to interpretation.

Secondly – and perhaps an even bigger challenge – is how to forecast future cloud usage. Without accurate figures here, organizations enter into contract negotiations in a position of weakness. More often than not, they underestimate their requirements, thereby leaving leverage on the table and paying over the odds for their actual future consumption.

Cognizant of these challenges, the retail group was eager to partner with a specialist consultancy to help de-risk its Microsoft Azure contract negotiations, by pinpointing and optimizing its current cloud usage, accurately forecasting its future requirements and commercial outlay, and arming it with the intelligence required to secure agreeable terms.

> *"This retail client understands that, to be agile in the face of constantly changing market conditions, its IT infrastructure must be based in the cloud. Yet it also recognizes this approach introduces new & significant commercial risks."*
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> Cloud Practice Director, Livingstone Group

A best practice approach to cloud licensing

This retailer has a long-term relationship with the Livingstone Group, which acts as its Contract Optimization Partner, having led successful programs to right-size both its SAP and Microsoft software estates.

Ahead of this Azure contract renegotiation, the group turned to Livingstone's dedicated Cloud Licensing Consultancy Services team, which – leveraging the company's Cloud Optics platform – embarked on a comprehensive program to optimize its Microsoft Azure estate, calculate its future requirements, and provide actionable advice on how to tackle renewal discussions.

This program followed Livingstone's proven model:

Phase 1: Optimization

During this phase, the Livingstone team focused on auditing the group's current cloud usage to ensure it was fully optimized.

At a foundation level, this involved assessing each cloud server and instance to ensure the client was paying up-to-date prices. Cloud providers still issue catalogues on a regular basis, with advertised prices typically decreasing over time. Comparing actual expenditure against latest catalogue prices provides an immediate way to achieve value.

Next, the team undertook an exercise to assess whether employees were using all of the features included in the client's Microsoft Azure services agreements. Through this process, Livingstone was able to identify a number of areas where the client was over spec, and was able to make recommendations of where to reduce spend without compromising functionality or impacting utilization levels.

Livingstone also audited all of the client's virtual machines, providing advice on how workloads could be rationalized. Particular focus was paid to how these machines – and the services that run over them – were configured. For example, when cloud-based services are deployed in a commercial or production environment, usage costs are higher, yet many organizations have this as their default setting even when the services are only being used in a testing or R&D environment.

Livingstone's rich heritage in on-premise licensing also delivered considerable value during this optimization process. The team was able to advise the retail group of any dual-use rights, which would allow it to use existing on-premise licenses in the cloud. Furthermore, there were occasions when the client has secured discounts for on-prem software which weren't automatically honored when purchasing the same services in the cloud. By advising the client on how to take advantage of 'Bring You Own License' practices, Livingstone was able to pinpoint further areas for potential costs savings.

Phase 2: Forecasting Future Usage

Predicting future cloud usage is notoriously difficult. Many projections reflect what organizations want to spend (their budgets) rather than what they will actually use. One common trap, particularly with risk-adverse organizations, is to downplay forecasts in an attempt to limit expenditure. Often, this is counter-productive as the cloud services provider will be less generous with discounts on lower value contracts.

Another approach it to estimate future usage based on historical data, under the presumption that an organization's cloud usage will continue on a similar growth trajectory. Trend-based predictions such as these create a different kind of problem – they often overestimate what cloud services are required and could force organizations into signing contracts for services they won't ever need.

"For many enterprises, working out what cloud services they need now is hard enough; predicting what they'll require in three years' time is nigh on impossible, but this client was determined to understand its minimum & maximum spend commitments, & balance risk with commercial leverage."

Cloud Practice Director,
Livingstone Group

To remove the guess work and risk from this process, the Livingstone team, together with key stakeholders from the client's IT and procurement teams, followed a systematic forecasting process. This involved looking at the client's future business and IT plans on a granular, project-by-project basis, and then calculating the level of services required to deliver each of these projects.

The forecasts were broken down into different time periods. While it was possible to project usage in the first year of a new contract with a high degree of accuracy, greater flexibility was required when assessing subsequent years. Livingstone helped the client factor in this variability, thereby removing the risk associated with under- to over-estimating its future Azure requirements.

Phase 3: Empowering Contract Negotiations

By arming the retailer with accurate information about its current and future cloud requirements, Livingstone empowered the client's procurement team to derive maximum value from its contract negotiations with Microsoft.

Furthermore, the Livingstone team was also able to advise the client's procurement team on how to undertake these negotiations, for example, by explaining Microsoft's expected approach to commercial discussions regarding Azure, which discounts to ask for, the outcomes similar companies have secured, and more.

Multi-million Dollar savings secured

Livingstone's cloud licensing optimization program provided this client with savings of approximately $30 million.

Around one-third of these savings were delivered through the optimization program, and were a direct result of Livingstone ability to accurately predict the services the client would need throughout the course of the new three-year term. The remaining savings – $20million – came from the discounts the client was able to secure thanks to Livingstone's expert counsel and advice.

"After assessing these different commitment levels & careful analysis of all of the relevant risk factors, it was able to negotiate a contract delivering savings in excess of $30 million. This was an outstanding result, considering the overall contract size & commitment."

Cloud Practice Director,
Livingstone Group

Our vision is to be the leading independent, global provider of Software & Cloud Portfolio Management and optimization services for our clients and partners.

Providing the intelligence our clients use to govern their digital transformation journey. Optimizing their software portfolio to avoid unnecessary cost and risk, whilst driving value from their software and cloud investments throughout their lifecycle.

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