Latest 451 Research Cloud Price Index™ Reveals a 74% Saving by Using Multiple Cloud Providers

*New report gives buyers and sellers insight into the savings that can be made by shopping around for the cheapest services for each part of a Web application*

NEW YORK, NY - November 19, 2015 – In the latest quarterly update to the Cloud Price Index™, released today, analyst firm 451 Research details the savings that cloud buyers can make by shopping around for the cheapest services for each part of their Web application. Instead of using a single cloud provider to deliver an application, buyers who mix services such as compute and storage from multiple providers can make substantial savings.

The analysis reveals that if cloud buyers mix and match services and make long-term commitments to their providers, they can make substantial savings, starting at 58% for a small application. For a large application, the savings could be 74%, which, over three years, equates to a total cost saving of $23,000 per Web application.

451 Research’s Cloud Price Index is designed to give enterprises and service providers insight into the cloud pricing landscape so they can make more informed decisions when buying and selling cloud services. Like a consumer price index, 451 Research’s Cloud Price Index is made up of a basket of goods, but in this case, it is a specification of the services required to operate a typical Web server application including compute, storage, databases, management and more. This latest CPI service is now available in North America, and will be launched in Europe, Asia and LatAm in early 2016. The analysis will also be extended to cover private clouds in 2016.

“The CPI shows it is possible to achieve substantial savings by using multiple providers; however, we believe the complexity of dealing with various providers offsets any advantage at this time. Technically, there is no reason why applications can’t be architected across multiple clouds, but the potential challenges organizations face include latency between datacenters, managing different GUIs and APIs, invoicing, documentation, and support functions. As a result, we believe most users would prefer to pay a premium for an integrated solution from a single provider,” said Dr. Owen Rogers, Research Director of 451 Research’s Digital Economics Unit.

“Through this analysis, we believe we have identified a tremendous opportunity for providers to bring a retail-model discipline to cloud service selection and creation,” Rogers added. “For example, providers could offer decision engines to help enterprises choose the best-value mix of services to suit their needs, and then integrate and manage these services as a managed offering.”

To determine the lowest-price mix of services, 451 Research’s Digital Economics Unit surveyed 26 cloud providers, representing 85% of the US cloud market, as part of its regular quarterly pricing update. For each service within its basket of goods, 451 Research analysts chose the cheapest cloud provider and added costs of bandwidth, using data collected in October 2015.
The chart above shows the average monthly price for each of 451 Research’s baskets of goods, representing typical large and small application use cases, for both on-demand and best-case pricing. Best-case pricing takes into account savings achieved as a result of negotiation, long-term commitments or volume discounts. The chart also shows the cheapest price for delivering the whole application using a single provider and the cheapest price achievable using multiple cloud providers.

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