The Complete Guide to SaaS Management for Procurement Leaders

Four steps to take to effectively manage SaaS
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INTRODUCTION

The Day-to-Day Life of a Procurement Leader Isn’t Easy

As a procurement leader, you’ve got your work cut out for you. Your entire organization depends on you to identify and acquire solutions that address their unique challenges. And at the same time, you’re expected to consistently identify cost savings opportunities.

SaaS Growth Has Changed the Way You Do Business

The rise of software-as-a-service (SaaS) has likely caused a big shift in the way you do your job.

SaaS is a fairly new concept, but it’s one that’s quickly grown in popularity. According to Bessemer Venture Partners’ State of the Cloud 2020 report, just 10 years ago the entire market capitalization of the public cloud industry was just under $40 billion. In 2020, that number surpassed $1 trillion.

And it seems that growth won’t slow down any time soon. In 2020, SaaS spending grew 14% among Zylo customers, while application quantity grew by 9%. In fact, we’ve found that on average, companies today maintain a whopping 651 SaaS applications!

There are a number of reasons why organizations are making the shift from on-premise software to cloud-based solutions. Chief among them are:

- Lower per-solution cost
- Simple implementation
- Ability to test before purchasing
- Enhanced security
- Seamless scalability
- Business continuity
- Agility, speed, and innovation

On average, organizations maintain 651 SaaS applications.

And by now, the right SaaS applications have likely become essential to the success of your organization.
SaaS Presents Unique Challenges

But managing SaaS can be a headache for procurement leaders.

SaaS is easy to acquire, which means these applications are often purchased by the business units or individuals who deem them necessary — without the involvement of IT and procurement. In fact, IT controls 42% of the cost of SaaS applications — but only 25% of the number of applications.

Because SaaS is frequently purchased by individual business units and employees, it’s common for procurement teams to lack visibility into application spend and usage. And let’s face it: It’s impossible to effectively manage something you don’t know exists.

Now’s the Time to Effectively Manage SaaS

SaaS might seem like a thorn in the side of procurement leaders — but it’s here to stay. The good news is, with the right strategy, SaaS management can be a whole lot easier.

Does the thought of developing a better SaaS management strategy seem overwhelming? It doesn’t have to be. We’ve created this eBook to guide you every step of the way.

Throughout this eBook, we’ll explore four steps you need to take to effectively manage SaaS throughout your organization. You’ll walk away knowing exactly what actions you need to take to overcome the common challenges of SaaS management — and emerge with an effective strategy that sets your entire organization up for success.
Discover All SaaS Applications at Your Organization

Your entire SaaS management strategy depends on your ability to have full visibility into the applications your organization uses. After all, you can’t manage or optimize contracts if you don’t even know they exist.

Underestimating the Full Extent of SaaS Inventory is All Too Common

Unfortunately, it’s quite common for procurement teams to be completely unaware of the existence of SaaS applications. Today, companies maintain an average of 651 SaaS applications. But on average, enterprises underestimate how many SaaS applications they have by two to three times!

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But why does perception differ so wildly from reality?

The days of the IT department buying and managing all software at an organization are long gone. Today, business units and employees make up 58% of SaaS spending and 75% of SaaS inventory.

It’s never been easier for teams — and even individuals — to purchase SaaS applications. Often, it just takes a quick swipe of a credit card. So it’s not surprising that one in four employees expense SaaS. And while expense transactions represent just 7% of total SaaS spending, they account for more than half of SaaS applications in an organization.

When departments and individuals purchase their own SaaS applications, procurement has no visibility into a huge chunk of their organization’s SaaS spending. And that’s a big problem.

Average SaaS Ownership Mix

<table>
<thead>
<tr>
<th>By Spend</th>
<th>By Number of Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>54%</td>
<td>33%</td>
</tr>
<tr>
<td>42%</td>
<td>25%</td>
</tr>
<tr>
<td>4%</td>
<td>42%</td>
</tr>
</tbody>
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Business Units | Employees | IT

It’s essential for procurement professionals to gain visibility into

- What applications are in use at your organization
- How much applications and subscriptions cost
- Which teams (or individuals) have purchased each application

“It’s never been easier to acquire and purchase software as an employee: Swipe a credit card and you’ve got a subscription.”

— Hugh Drinkwater, Head of Procurement, Carta
Discover and document contract details for each SaaS application

It’s critical to understand what applications your organization has, how much they cost, and which teams (or individuals) have purchased each one. But how exactly do you go about uncovering that information?

Procurement records, Cloud Access Security Brokers (CASBs), or manual tracking via financial reconciliation can help you uncover the SaaS applications your organization has. This gives you a starting point to then find contract details for each application.

But this manual approach is time-consuming, leaves a lot of room for error, and must be continually updated as applications enter and leave active use in the organization.

That’s why a growing number of procurement teams are leveraging SaaS discovery and management tools — such as Zylo — to better manage SaaS purchases. As the name suggests, these tools make it easy to discover and document contract details for every SaaS application in use at your organization.

Document contract details in a system of record

Once you’ve discovered an application in use at your organization, it’s time to document the contract or agreement details in a system of record or collaborative record-keeping tool.

Each organization takes a different approach to documenting contract details, ranging from low tech to high tech. For example, some organizations use manual spreadsheets to keep track of all SaaS contract details. But spreadsheet-driven record-keeping relies on manual curation — and information quickly becomes outdated. After all, new applications enter and leave active use regularly.

As many as 10 new SaaS applications enter use every month in the typical organization.

Instead, many organizations opt to use a SaaS management platform that provides them with a continually updated system of record. That way, Procurement, IT, and line of business (LOB) purchasers can all use this as the one, always updated source of truth for all SaaS-related actions and decision-making.

“Zylo delivers a bottoms-up type of discovery. By following the dollars, every application bought is discovered. Because buyer information is delivered with each application, optimization can begin at the source: the purchaser.”

— Ryan Johnson, VP, Operations and Enablement, Keap
Regardless of the method you use, here are nine of the key contract details to include in your system of record:

- **Start date**
  This is also referred to as the commencement date or the effective date.

- **End date**
  The contract may refer to this as the renewal or termination date.

- **Termination notification length**
  This information frequently appears in the termination section of SaaS agreements.

- **Total contract value**
  The combination of all financial commitments for each SaaS subscription across business units.

- **Total quantity of licenses and types of licenses**
  Typical SaaS purchases come with an assigned number of licenses that can be allocated throughout an organization. There are often different license types, such as standard and premium.

- **Billing frequency**
  How often billing will occur.

- **Consumption metrics, billing units**
  Any unit of value that commands pricing and has a predetermined limit or capacity.

- **Other line-item details**
  This could include quantity of licenses, unit price per license, license allocation, and other details.

- **Data handling and regulatory compliance**
  What happens to data if your organization chooses to sever ties with the SaaS provider.
During step one, you discovered which team or individual purchased each application in use at your organization. Now, it’s time to make it a priority to build relationships with these purchasers. Doing so is essential to more effective collaboration.

**Misalignment between procurement and business units is common**

Procurement professionals and business units are often at odds. Business units often feel there’s too much red tape necessary to acquire the tools their teams need to be successful. At the same time, procurement professionals find themselves frustrated that business units often circumvent established processes and procedures when acquiring and managing SaaS applications. And that puts the entire business at risk.

**Open the lines of communication to increase visibility, security, and value**

At the end of the day, though, alignment between procurement and business units is key to effective SaaS management. So be sure to keep the lines of communication open with application purchasers. This ensures:

- Standard intake processes are respected
- Implementation is successful
- Costs are minimized
- The business gets the best value for its investment in SaaS
STEP 3  Identify Savings Opportunities

As a procurement professional, one of your key responsibilities is to provide savings insights to the business. Once you’ve gained visibility into SaaS applications and who has purchased each one, it’s much easier to leverage data to identify these insights — and save your company a whole lot of money.

There are Proven Ways to Keep SaaS Costs Under Control

What are some concrete, proven ways you can contain SaaS costs and reduce wasted spend at your organization? Let’s explore three of the most effective strategies.

1. Rightsize licenses to ensure you’re only paying for what you need

The unfortunate reality is that your organization is probably paying for unused — or underused — licenses. Maybe all members of your marketing team get a license for your marketing automation software — but a handful of the team members never use the product after their first week on the job. Or perhaps all of your employees are given full licenses for your video conferencing software. But many of those employees don’t use the features of a premium license; they’d do just fine with a free or less expensive license tier.

Paying for unnecessary SaaS licenses is an extremely common problem. Zylo research found that a staggering 38% of SaaS licenses go unused in a typical 30-day period.

In a given 30 day period, 38% of SaaS licenses go unused.

What’s more, it’s an expensive problem. The average company spends $4,000 per employee per year on SaaS — and a third of licenses are unused. That means a company with 1,000 employees is wasting an average of $1.5 million on unused and underused SaaS licenses!

Once you’ve identified all SaaS applications at your organization, though, you can work to ensure you’re only paying for the licenses you actually need. Application usage data can help you identify license waste.

2. Consolidate duplicate subscriptions

Oftentimes, business units and individuals purchase their own SaaS applications — without consulting your team. So the chances are good that multiple individuals and teams at your organization have purchased the exact same app. For example, your product development team...
might purchase a messaging application — without knowing that your accounting team already uses the exact same tool.

Once you have a clear picture of what SaaS applications your organization has, it’s easy to find those duplicate subscriptions. You can then combine the duplicates into a single subscription — and potentially save your organization a lot of money.

3. Reduce functionally redundant applications

Chances are, your organization pays for multiple applications with very similar capabilities. For example, you might have 10 training applications used by teams throughout the organization.

By gaining visibility into all applications at your organization, you can determine whether you have multiple applications with nearly identical functionality. Then, you can leverage usage data to eliminate these redundant applications.

Let’s go back to our previous example of an organization using several training applications. If you worked for that company, you could leverage usage data to understand which of the training applications are used most frequently. Then, you could solicit input from employees to understand how each is being used. For example, a training application used by the human resources team might be leveraged in a completely different manner than one used by the sales team. Of course, you’ll also want to factor in cost. Usage data, user feedback, and costs will help you determine which applications to keep — and which to eliminate.

Your teams will still have the functionality they need to be effective — and you’ll save your company a lot of money, while reducing risk.
Step 3  Identify Savings Opportunities

The Right Data and Tools Drive Cost Savings Opportunities

Clearly, there are effective ways to save money on SaaS. But the right tools and data are essential to identifying and acting on them.

If you’re managing SaaS manually, it is challenging to be effective. Of course, knowing what SaaS applications you have is an important first step. But how can you identify opportunities — and then take action on them in ways that are effective and impactful? You probably don’t have the time (or the right access) to run usage reports for every single SaaS tool your organization uses. After all, the average company maintains 651 SaaS applications!

When you partner with a SaaS management platform, though, it’s a lot easier to find data-driven savings opportunities — and then act on them. Some of these tools even automate processes that can lead to big savings.

A common place to start rightsizing is with widely used applications such as web conferencing. For example, let’s say you’re a Zylo customer, focused on rightsizing licenses. Zylo sources utilization data on an ongoing basis to help you identify those who have premium Zoom video conferencing licenses — but aren’t using them to the fullest. If a user has been inactive for a certain amount of time (or if they voluntarily give up their license), you can deprovision them. Then, that license can go to someone who will actually use it — or, you may have the opportunity to cut down on the number of licenses you pay for. In addition, you may have users that have full licenses — but they only need the functionality of a free or less expensive license tier. Identifying these users is another opportunity to save money.
Step 4  Proactively Manage Renewals

At most companies today, SaaS renewals are a daily occurrence. In fact, in 2020, the average company experienced three SaaS renewals per day! That’s a 70% increase from the previous year.

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It’s Challenging to Anticipate SaaS Renewals

With this high volume, it can be difficult to anticipate renewals. As such, you may often find yourself scrambling at the last minute to gather the information you need to meet a renewal deadline. The result? Hasty renewal decisions that aren’t based on data. You may be renewing applications you shouldn’t be, or you might not be negotiating as much as you could be.

A Proactive Approach to Renewals is Essential

It’s key to start taking a more proactive approach to renewals. Now that you’ve gained visibility into your organization’s SaaS portfolio, that’s a whole lot easier to do.
Develop a SaaS Renewal Calendar

Be sure to develop a SaaS renewal calendar; it’s the foundation of a proactive renewals approach. This calendar should include all key information about your SaaS agreements, including renewal dates and negotiation periods. Typically, this information can be found in the original agreement or purchase contract for each application.

With this calendar in place, you’ll have plenty of notice about upcoming renewals. That’ll give you the opportunity to pull the data you need and partner with the application purchasers you’ve worked hard to build relationships with. And that means you’ll be well positioned to make informed renewal decisions that are in the best interest of your company.

Partner with a SaaS Management Platform

Manually creating a SaaS renewal calendar by adding reminders to your calendar is an option. But it’s a big undertaking — and leaves a lot of room for error.

However, if you partner with a SaaS management platform like Zylo, you always have access to an up-to-date calendar with all of your SaaS renewal dates and notification periods. You can also receive alerts when renewal dates are approaching. This prevents unintended automatic renewals — and gives you the time you need to plan informed renewals. You can then use data to determine whether or not to renew. If you decide to renew, you can leverage usage data to negotiate more favorable pricing or terms.
Six Key Actions for SaaS Management

The right SaaS applications are essential to your business. But the ease with which SaaS is acquired presents some unique challenges to procurement professionals.

Based on our experience implementing SaaS management for hundreds of companies, here are six actions to take that will positively impact your ability to effectively manage SaaS at your organization.

1. **Discover All SaaS Applications in Use at Your Organization**
   At many organizations, SaaS is grossly underestimated. On average, organizations underestimate how many SaaS applications they have by two to three times.

   You can’t effectively manage SaaS if you don’t even know what you have. So it’s essential to get full visibility into the applications your organization maintains, their associated costs, and which team or employee has purchased each one.

2. **Document Contract Details in a Central Location**
   Once you’ve gotten a complete picture of all the SaaS applications in use at your organization, document all key contract details in a single system of record. This will serve as the single source of truth for all SaaS actions and decisions that’s updated in real-time.

3. **Collaborate with Application Purchasers**
   You might find yourself at odds with SaaS purchasers. But collaboration is key to effective SaaS management. Make it a priority to build relationships with these people — and keep the lines of communication open at all times. Doing so will increase visibility, security, and value for everyone involved.

4. **Identify Cost Savings Opportunities**
   SaaS is easy to acquire. It’s also easy for SaaS costs to get out of control. But there are many effective strategies that can help you cut costs and risk. Rightsizing licenses, consolidating duplicate subscriptions, and reducing redundant applications with similar functionality are all effective ways to save your company a lot of money.

5. **Adopt a Proactive Approach to Renewal Management**
   The average company experiences three SaaS renewals per day. It can be challenging to anticipate each and every one of these renewals. That’s a problem. Surprise renewals are risky because they lead to hasty, often expensive renewal decisions.

   Start taking a more proactive approach to renewal management. The first step is to develop a renewal calendar that alerts you when renewal dates and negotiation periods are approaching. That way, you’ll have plenty of time to gather the information you need and collaborate with the right application purchaser to make smart, data-based renewal decisions.

6. **Partner with the Right SaaS Discovery and Management Platform**
   There’s never been a more important time to effectively manage SaaS at your organization. But the average organization maintains 651 applications, which makes manual management time consuming and inefficient.

   Instead, consider partnering with a SaaS discovery and management provider. These vendors ease the burden of SaaS management and make it easier for you to control costs and risks — while still providing employees with access to the SaaS applications that make them effective.
Zylo’s mission is to provide employees with easy access to the SaaS applications that make them effective, while controlling the costs and risks of SaaS.

Zylo identifies and reduces redundant applications, duplicate expenditures, and underutilization of SaaS applications to optimize spend, reduce operational burden, and manage renewals proactively. With the industry’s leading SaaS application catalog, Zylo is paving the way for compliant and optimized self-service SaaS.

To learn more about how the Zylo SaaS management platform empowers businesses to manage the entire lifecycle of SaaS, visit zylo.com/demo.