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REPORT

How to Buy & Manage SaaS During An Economic Downturn (2023)

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3 steps to buying & managing SaaS during an economic downturn

In 2023, most businesses are looking for ways to cut costs to meet the current economic climate. This trend coincides with increasing subscription prices from many SaaS (Software-as-a-Service) providers in recent months.

According to Sastrify data, the average SaaS stack exceeds **96** tools – so it makes sense to take a closer look and optimize spending.

Companies are considering the following topics as they look to increase efficiency across their SaaS tools:

1. How can we consolidate our SaaS tools?
2. Which tools are "nice to have" vs. "need to have"?
3. How can we rationalize our SaaS spending in budget discussions?
4. Should we reduce the size of our SaaS stack, downgrade packages, or switch to cheaper competitors?

These questions are why Sastrify has created a guide **to prepare your SaaS stack** for an economic downturn in 2023. This guide includes ideas for **quick wins** that can save tens of thousands of dollars with just a few minutes of work.

The state of SaaS usage — at a glance

96
Average number of SaaS tools per company (Sastrify)

$675 billion
Estimated global software spending in 2022 (Gartner)

1 to 6 Months
Average time it takes to negotiate a deal without a dedicated SaaS procurement team.

01

Create transparency in your SaaS stack

The first step in preparing your SaaS stack is to create transparency and uncover all the relevant information about your SaaS usage and spending. Most companies have attempted to gain transparency into their SaaS stacks in recent quarters in order to identify overspending. This process can be easier said than done without a dedicated SaaS procurement platform like Sastrify.

WHERE TO START: The best source of truth for an organization's SaaS stack is typically the Enterprise Resource Planning software (ERP). An ERP provides visibility into credit card spending as well as costs expensed. An ERP can often generate a high level listing of most of the SaaS tools being paid for.

From there, analyze your entire SaaS stack, sort it by cost, and uncover where most of your spending is going.

Bonus tip

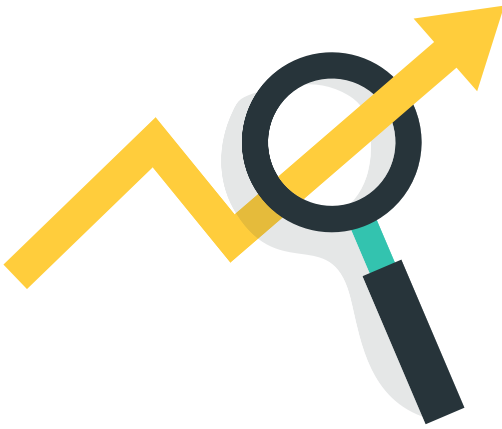
Choose someone on your team to clean up your SaaS accounts and identify unused licenses before moving forward with the other steps. Sastrify data shows a high frequency of wasted licenses. Sastrify recently supported a customer during an Asana renewal and found that 30% of their licenses could be eliminated before even entering negotiations. Those are huge savings!

To find unused licenses, navigate to your user statistics then download and sort by last login date. This provides a list of users who haven't logged in during a recent time frame. You can then reach out to the users and decide whether it still makes sense to pay for the license.

02

Use the 80/20 rule to prioritize

Once you have your full list of SaaS tools, we recommend focusing on the biggest budget items. Sastrify data shows that cost optimization in SaaS typically fits the 80/20 rule (also called the **Pareto Principle**). In this case, that means that 80% of your potential cost savings can come from 20% of your software stack.



On average, you'll want to look at your top 10 to 15 tools in terms of cost. These will be your biggest levers to impact the bottom line.

WHAT ABOUT THE OTHER TOOLS?

When using the 80/20 rule, there's a long tail – most of your tools fall outside the top 20%. An organization of 100 people might have 75+ SaaS applications on average. So, what about all those other tools? Can't we find cost savings there, too?

It is also important to cut down on long-tail spending. But those tools at the end – the ones you spend less on – don't have as much savings potential. When it comes to quick wins and cutting wasteful costs quickly, focus on the top 10 to 15 tools first.

03 Be proactive with negotiations

Once you've created transparency and selected the 10 to 15 tools you want to focus on, we recommend being proactive with your renewal negotiations.

Since SaaS vendors are also dealing with a downturn, they are focused on reducing churn and maintaining a loyal, successful customer base. This focus on customer success and retention means they're likely to be open to early renewal discussions.

Do you have any SaaS tools in the stack that you know you won't be dropping? Even if the renewal dates are months from now, you can **proactively ask for an early renewal**. Go to the supplier and see if you can receive additional discounts if you're willing to sign a longer commitment now. Since most vendors are trying to protect their recurring revenue, they are more willing to give extra discounts if you prolong the contract.

These early renewals can typically give you an immediate positive impact on cash flow, or at least a longer-term impact on the P&L.

Bonus tip

Need SaaS negotiation tips?
Check out our Negotiation Hub here.

Quick wins: Where to look for SaaS savings

As you optimize your SaaS stack to cut wasteful spending, there are a few specific areas where our Sastrify team often spots quick wins:

Everyday tools – Usage

Think of your everyday tools that everyone uses: Google Workspace, Microsoft, Salesforce, Slack, etc. The scale of these tools tends to grow quite quickly in organizations and they are often overlooked when it comes to optimization, since they are "need to have".

However, it would be a mistake not to closely examine these tools. For example, did you know that many customers pay list price for Google Workspace but could receive up to a 50% discount if they negotiated properly? Or have you checked whether the number of licenses still fits with your employee headcount plan? Always look closely at your everyday tools to ensure optimized spending.

Google Workspace Microsoft salesforce

Tech tools – Overage

When it's time to uncover savings opportunities, many tech tools are overlooked due to their complexity. However, because many of these have elements of usage-based pricing, they can create overage costs when there is a lack of proper forecasting.

Here's a real-world example of a quick win with a tech tool: If someone on the team takes a look at Datadog usage and spending every two to three months and adjusts the commitment as needed, that could cut the total cost of ownership by 30-40% by the end of the year.

DATADOG TWILIO segment snowflake

Payment tools – Terms

Finally, take a closer look at the SaaS tools involved with payments: e.g., Stripe, Chargebee, etc. Any software that touches your revenue offers a significant potential impact if you can negotiate for better terms.

stripe Chargebee

Quick wins: Specific SaaS tools with big savings potential

If you're looking for specific SaaS applications with high potential for cost savings, these are the 11 tools Sastrify customers saved the most on in 2022:

- AWS
- Google Workspace
- Segment
- Salesforce
- Auth0
- Zoom
- Asana
- Slack
- 1Password
- Microsoft Office 365
- Monday.com

Sastrify created a blog series to share the inside scoop on negotiating renewals or new contracts with some of the top SaaS tools on the market. Click the logos below to see specific guidance on each top tool below:

salesforce HubSpot zendesk TWILIO segment

DATADOG mixpanel DocuSign tableau

Supercharge your SaaS savings with Sastrify

As you've seen in this guide, just a few minutes of your time can already have an impact on preparing your SaaS stack for an economic downturn.

If you want to go all-in on SaaS savings, Sastrify is here to help.

With Sastrify, SaaS buyers can achieve major savings on their software subscriptions without any of the headache. Our SaaS procurement experts discover and negotiate the best prices on the market for SaaS licenses, and our automated platform gives businesses full visibility to forecast and optimize your SaaS stack.

4-5x
ROI on average

1.5
Months saved /year

$20M+
Saved on software

Loved by hundreds of customers around the world:

See how much you can save on SaaS Licenses

Get a free SaaS savings analysis