Sastrify

REPORT

2023

Sastrify SaaS Procurement Market Trends Report

TABLE OF CONTENTS

SaaS buying
at a glance

SaaS buying at a glance

Software-as-a-service (SaaS) is something almost every business on earth has in common. Over **99%** of businesses use **at least one SaaS tool**[1], and the average stack is much larger. According to BetterCloud's **2021 State of SaaSOps Report**, the average organization in 2021 used **110** SaaS apps, an increase of **38%** from 2020[2]. (This lines up fairly well with our internal data: Sastrify customers use an average of **96** SaaS tools.)

Behind every tool in a company's SaaS stack is a procurement process – complex, necessary, and likely requiring significant resources. What are the trends that matter most to help you buy SaaS effectively and efficiently in 2023? That's what we at Sastrify wanted to find out.

In this report, you'll learn:

1 The state of SaaS procurement today, including challenges for buyers

3 Expert procurement advice from thought leaders in the space

2 Ten top trends in SaaS procurement and what they mean for SaaS buyers

4 Trends that matter in SaaS procurement in 2023

The state of procurement — at a glance

99%
Share of businesses using at least one SaaS tool (BMC)

25,000
Estimated number of SaaS companies worldwide (Statista)

130
Average number of SaaS tools per company (Sastrify)

$675B
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.

1. BMC, 2021, *The State of SaaS in 2022: Growth Trends & Statistics,*
https://www.bmc.com/blogs/saas-growth-trends/
2. BetterCloud, 2021, *The 2021 State of SaaSOps Report,*
https://www.bettercloud.com/monitor/the-2021-state-of-saasops-report/
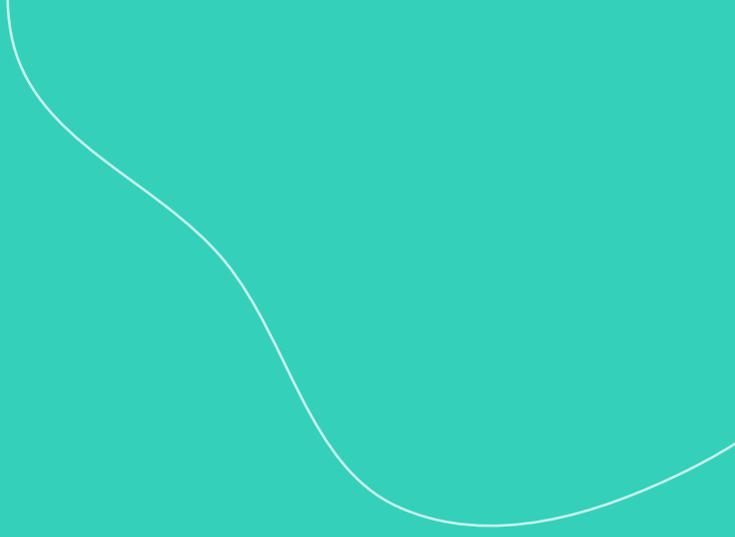
SaaS procurement trends in 2023

01

Companies are under pressure to operate more efficiently but are still heavily investing in SaaS

The current climate includes economic uncertainty and volatility for businesses worldwide. To navigate the choppy waters, some companies are reducing expenses across the board, including their SaaS spending. Companies that work with Sastrify are examining all of their SaaS contracts and removing over-usage and other wasted spending in order to maintain their tools while reducing wasted spend.

Companies aiming to become more efficient still need their SaaS tools to operate. According to Sastrify data, the **average number of SaaS tools per company is up to 96 in 2022**, with **average monthly spend increasing steadily since 2020.**

SaaS sourcing requires critical investments in capabilities and technologies. Procurement is now a major driver of overall product cost, determining the margin that can be achieved in the end. Players that can procure software at minimum cost and risk have a distinct competitive advantage.

130
average number of
SaaS tools per company

02

SaaS companies are increasing prices

Many SaaS companies have increased their subscription pricing in recent months, changing their contract terms to adjust to market conditions. SaaS buyers need to be aware of these changes, as well as how to get the best deals on their software for their growing business needs.

In December 2021, Gartner had predicted that the wide embrace of SaaS could lead to increasing costs.[3] The insight focused on the top 20 software vendors who are phasing out the sale of new perpetual licenses, which Gartner predicts will cause software ownership, operations, and support costs to increase by up to 35% by the end of 2025.

Sastrify's SaaS experts have named two main reasons for the higher prices:

1 Inflation and increased labor costs

In Europe, annual inflation was 9.1% in August, up from 8.9% in July. US inflation hit a peak of 9.1% in June[4] – the highest since November 1981. (Inflation in the US did slow slightly to 8.3% in August but is still far higher than other years.)

This inflation triggers an overwhelming amount of money in many areas, but labor is a key one here, as that's the main input factor for every tech (e.g. SaaS) company. So even as layoffs ripple across the economy, labor costs overall remain high, and are likely one cause of the price increases.

2 Push for retention

For any SaaS business model, retention – and especially Net Revenue Retention (NRR) – has always been the most important metric. With all the volatility from inflation, a potential recession, and plunging valuations, these companies value retention even higher, and are likely using price increases to get existing customers to commit to longer contracts.
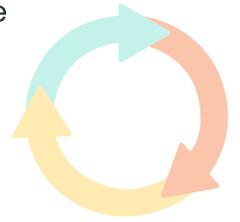
Sastrify tip

> *"Take a moment to think before agreeing to a 'discount' or change to your billing. I'd recommend any SaaS buyer only commit to a longer contract if they actually get better prices than their current ones, not simply to prevent a price increase."*
>
> — Sven Lackinger, Sastrify co-founder and CEO

3. Gartner, 2021, Predicts 2022: SaaS Dominates Software Contracting by 2026 — and So Do Risks, https://www.gartner.com/en/documents/4009001

4. Trading Economics, 2022, *United States Inflation Rate,* https://tradingeconomics.com/united-states/inflation-cpi

03

Companies have more options for buying SaaS

SaaS companies currently have many routes-to-market, meaning business leaders have more choices available to them when it comes to buying software:

VENDOR (direct)

LOW-TOUCH/ SELF-SERVE MARKETPLACES

TRUSTED IT SHOP

HIGH-TOUCH/ VALUE-ADD MARKETPLACES AND RESELLERS

ETC.

While the increase in SaaS buying options gives more power to the buyer (and specifically the procurement function), it also complicates the process of choosing where to buy each tool.

Sastrify

"This vast number of options to buy software increases the big challenge for business leaders: choosing the best place to buy from. While the product they are buying is mostly the same in any of the options, the difference relies on everything that sits around the product. This is where resellers will be trying to differentiate themselves – so pay attention to what they're offering."

— **Sergio Chavez, Global Head of Partnerships & Reselling**

The proliferation of marketplaces:

4 million

Monthly visitors to
the Microsoft Azure
marketplace

1.5 million

Subscriptions
transacted in the
AWS marketplace

3X

Growth in SaaS
sales on Google
Cloud marketplace

Sastrify

04

Buyers are leveraging resellers to benefit from group buying discounts

Software resellers bring together small and midsize SaaS buyers to leverage the power of collective bargaining with vendors. If a major SaaS provider has the opportunity to sell to a larger group of prospective customers all in one place, they'll be more likely to agree to discounts and preferential conditions for the customers served by the reseller.

The seller wins more customers and each of those customers wins a discount they likely couldn't have achieved on their own. This is a win-win for everyone in the SaaS ecosystem.

EXAMPLE IN PRACTICE

Sastrify is a reseller of leading SaaS products such as Google Workspace, 1Password, Asana, Zendesk, and Datadog. When customers buy these software solutions from Sastrify, they know they'll get the **best price and terms in the market** as our team of specialists collectively negotiate with vendors on behalf of a larger group of customers.

05

The fast-paced world of SaaS is becoming more sophisticated and specialized

The SaaS landscape has fierce competition. To compete to win, vendors are going down one of two paths:

The sophisticated, all-in-one tool:

These are the companies that continually add functionalities and seem to do everything in their field. They're hoping to pick off customers from smaller competitors (or even acquire competitors) and continue broadening their offering.

The specialized, hyper-niche tool:

These SaaS solutions are aiming to be the best in their very specific subset of the market. Rather than going broad and adding new functionalities, they're more likely to go deep and add features that enhance their particular offering.

The dynamics of the SaaS industry – difficulties switching, cost of renewal, etc. – creates barriers for effective software procurement. However, rapid improvements in SaaS create significant sources for competitive differentiation.

06

SaaS pricing models are shifting with an increase in usage-based pricing (UBP)

The traditional ways of selling software are evolving. While most companies used to simply sell licenses – and many still do – there are many other pricing models that impact the modern process of SaaS procurement.

All SaaS businesses offer some kind of subscription model. Buyers pay monthly or annually, with the amount depending on the specific type of subscription pricing.

For example, some use a hybrid of licenses and subscriptions with customers paying for a certain number of "seats" (users) each month.

Others use an all-encompassing subscription fee structure (i.e. you pay $1000 per year to use the SaaS tool as much as you want).
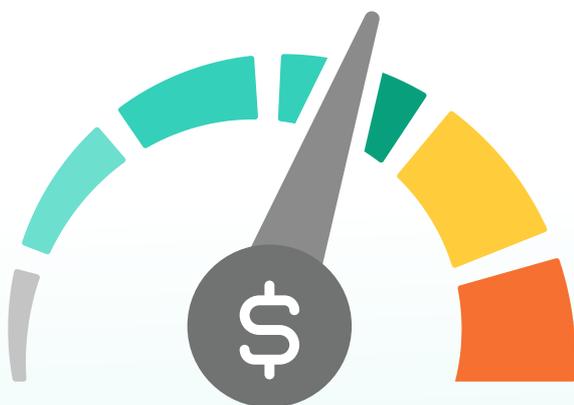
These are just two of many examples. But one up-and-coming pricing model that's been a hot topic of conversation this year is **usage-based pricing (UBP)**. This model is exactly what it sounds like: pricing based on usage or consumption of the software. "Usage" could be calculated from just about any metric: number of emails sent, volume of data stored, number of API calls, etc.

UBP is being talked about more because an increasing number of SaaS companies are starting to implement it as their pricing model, either with an entirely usage-driven approach or some sort of hybrid.

What to understand about usage-based pricing as a SaaS buyer

1

It's tying your price to your own success

Typically, a business using UBP will tie their pricing to a value-driven metric. That means that when you use more (and pay more), it's because you're also achieving more success as a business.

2

It's not as predictable, but you can still forecast

Some SaaS buyers struggle with UBP because it doesn't give you a set price in advance. But this also means you won't waste money on services you didn't actually use. Work with your finance teams (and your SaaS vendors) to build effective forecasting so it can be a win-win.
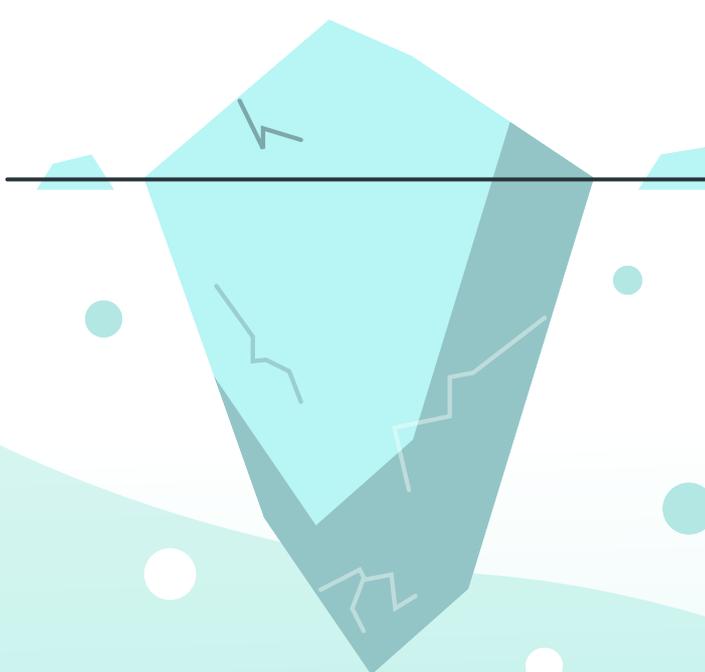
3

There is still room to negotiate

While UBP does mean more control for the end user (since the price is based on their usage), there is still an important role for procurement teams. It's possible to get favorable custom deal terms – for example, by negotiating additional discounts for a spend level commitment. To monitor variable cost with UBP, your business can also cap a price to avoid any expensive surprises from high consumption. A price cap means your business will restart contract discussions with vendors if it reaches a certain cost.

07

Achieving value beyond savings

It's important for businesses to be focusing heavily on cost savings when choosing a SaaS tool.

Cost savings are the visible part of the iceberg, but not the only relevant measurement of overall value. Other things to consider that are important for both the procurement team and the overall organization include vendor relationship management, stakeholder interaction, governance, time savings, compliance, and risk management.

Cost savings

Vendor relationship management

Stakeholder interaction

Governance

Time savings

Etc.

08

Driving user adoption needs to be a priority

User adoption is paramount to **ensuring your team is effectively utilizing the tools purchased.** This is why procurement teams are focusing more and more on driving user adoption. Business leaders today need to ensure they align with their teams on new tools rather than forcing a new piece of software on workers who won't use it.

Stakeholder buy-in is especially key at fast-growing companies. It's crucial that all stakeholders – leadership, end users, and procurement – are aligned before purchasing a new tool and starting the implementation process. This should also help to gain a better understanding of the organization's requirements and desired features for their SaaS tools.

Sastrify tip

"Once you have a contract in place, make sure to get the most out of your subscription. SaaS companies usually have a Customer Success Team in place. In most cases, this doesn't cost extra and can really support user adoption — for example, discovering 'hidden gems' within the tool itself. A deep understanding of how a specific tool works leads to optimized usage, higher user satisfaction, and potential extra savings."

— Katja Rickert, Team Lead Purchasing

09

Considering total cost of ownership vs. software price

As businesses become more price sensitive, it's crucial for leadership and procurement teams to consider the total cost of ownership (TCO) for software – e.g. implementation, team involvement, user adoption, support, etc. – versus simply the monthly subscription price of the tool.

● EXAMPLE IN PRACTICE

Your team buys ERP for $800k per year. On top of that, there's the cost of implementation (maybe 10-40% of the ERP cost). You might use a 3rd party (e.g., KPMG, Accenture) to do your implementation or implement it internally, requiring you to appoint a project manager and build a team for three to six months.

Just like that, **the total cost of ownership for your ERP went from $800k to $1.5 million,** not to mention the surplus cost of poor implementation. Maybe this is still within budget for your company, but it's crucial to consider the TCO of any new software your team is considering before signing the contract.

ERP
$800K/year
+

COST OF IMPLEMENTATION

3rd PARTY FOR IMPLEMENTATION

PROJECT MANAGER & TEAM

=

ERP
$1.5M/year
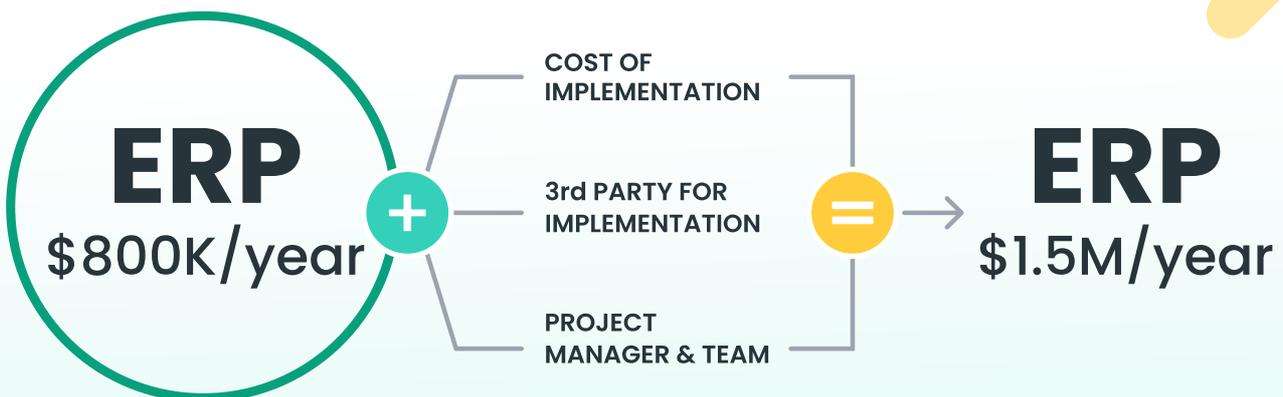
10

Buyers are saving big on top tools

While some prices are increasing and some budgets are decreasing, one thing is for certain: Organizations with significant SaaS knowledge like Sastrify are achieving significant savings — 25 percent on average — on many of the top SaaS tools out there.

But achieving these savings takes time, expertise, and resources:

Sastrify tip

"*These days, increasing knowledge in software procurement is crucial for companies to gain competitive advantages. Most organizations worldwide have inadequate teams and procurement methods: Siloed procurement function prevents the flow of info needed for assessment; or poor processes and tools expose organizations to effort-intensive negotiations; or lack of SaaS expertise and benchmarking data leave companies with too many unknowns. While organizations and procurement teams are renegotiating SaaS contracts every 2-3 years, Sastrify is doing it every 2-3 weeks on behalf of our customers.*"

— Alex Dussurgey, Head of Procurement

11 Top SaaS Tools Sastrify Customers Save Big on

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

Get started with Sastrify

With Sastrify, SaaS buyers can achieve major savings on their software subscriptions — loved by hundreds of customers around the world.

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 optimize your SaaS stack.

4-5x
ROI on average

1.5
Months saved /year

$26M
Saved on software

Loved by hundreds of customers around the world:

GORILLAS sennder Pitch Billie komoot

Aontop kaia health PLEO Y42 adidas RUNTASTIC

See how much you can save on SaaS Licenses

Get a free SaaS savings analysis