



Sastrify.com

**GUIDE**

# Ultimate SaaS Procurement Guide 2023

“Well-negotiated SaaS contracts can reduce your spend by an average of more than 30%.”

– The Sastrify Team

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### Summary

# 11 Steps to Negotiate SaaS Contracts in 2023

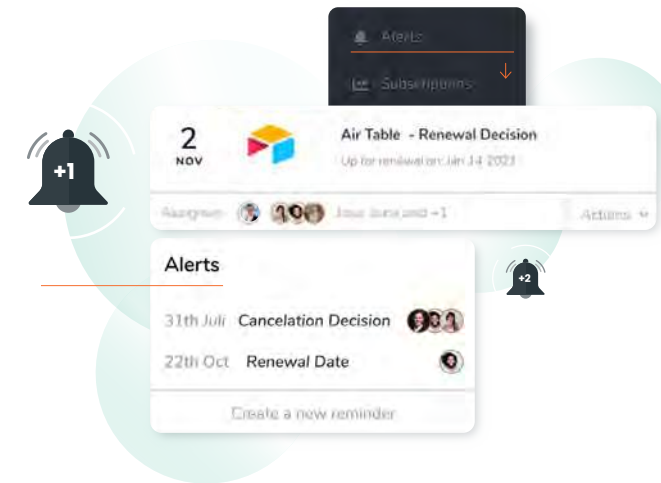
## **Do you feel like you're spending too much on SaaS tools?**

You're probably right. A lack of contract optimization is one of the biggest drivers of waste in any company's overall SaaS spend. But, when you look into how to negotiate SaaS contracts in 2023, you'll find that there are best practices and tools you can use to better optimize your spend and find savings.

At Sastrify, we work each day with companies that are searching for the right tools, negotiating new contracts, and working with vendors on renewals. Our experience gives us a unique perspective on the best ways to negotiate SaaS contracts in the current environment.

See below for 11 steps to negotiate SaaS contracts in 2023, and apply these steps when working on a new contract or renewing a contract with an existing SaaS tool.

## Step One: Stay Ahead of Schedule

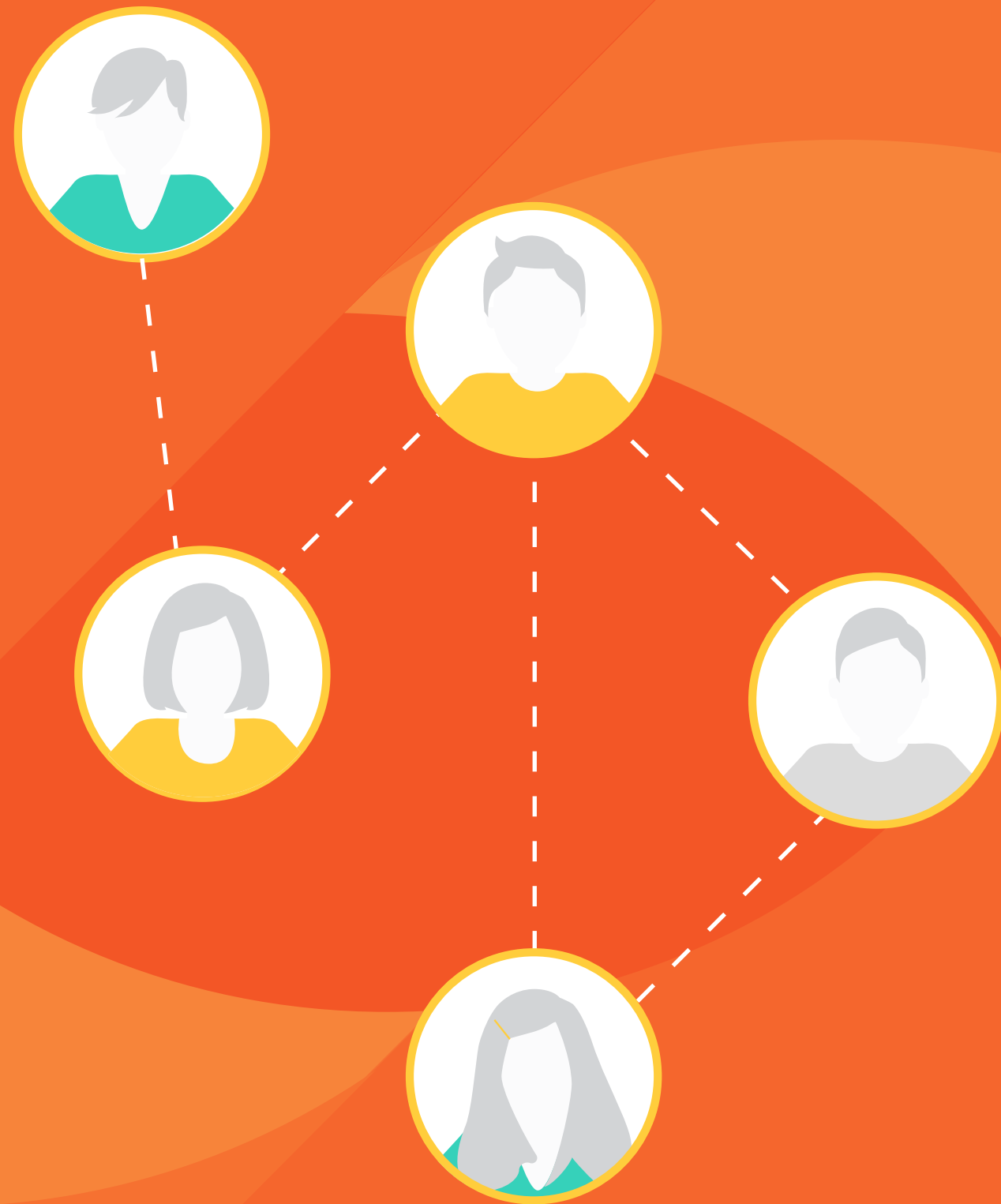


The Sastrify platform helps you to set automatic reminders, so you never miss an important date.

Never wait until the last minute to negotiate a SaaS contract. You need to stay ahead of schedule with your negotiation so that you're not forced to sign a contract that heavily favors the vendor. Give yourself the gift of time, and start thinking about SaaS negotiations anywhere from **3 months to as much as 1 year ahead of time**. In addition, know your cancellation period and how many days' prior notice are required before the contract automatically renews. Some companies rely on a vendor's account manager to remind them about renewal dates. This is a poor strategy, as vendors would prefer you to renew without negotiating at all. Knowing your cancellation terms so that you can stay ahead of schedule.

### What does the gift of time allow you to do?

It allows you to create a plan for your negotiation, to develop a list of goals that you want to achieve, and to line up an alternative SaaS tool in case your negotiations reach a dead end and you have to switch service providers. Of course, few companies want to make a switch and learn an entirely new tool. But, without having the credible threat of switching to the competition, you won't be able to successfully negotiate with your existing vendor.



## Step Two: Identify Your Team

Your SaaS contract negotiations should be carefully choreographed from start to finish, including the people who will play key roles in the negotiation. **Ideally, your side of a SaaS contract negotiation would include 2 parties:**



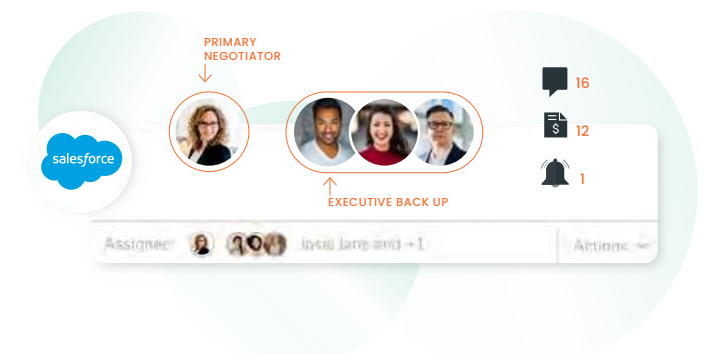
**1. Primary negotiator:** This is your point person, the one who's having the actual conversations, facilitating back-and-forth, and handling all correspondence.



**2. Executive backup:** The point person needs an executive backup who holds control over corporate processes and policies, and someone who has approval power of budgeting decisions.

In many cases, a procurement or IT lead will play the role of primary negotiator, and a COO, CTO or CIO will play the role of executive backup. These 2 team members can play off one another to secure the best possible deal for your company – in some cases taking a good-cop-bad-cop approach to negotiation.

The primary negotiator who is handling communication plays the role of the good cop, while the executive backup plays the role of the bad cop. The primary negotiator might say something like, "I really want to renew our contract, but our COO is worried about X, Y and Z." The X, Y and Z worries can then be leveraged to ask for concessions in the new contract.



The Sastrify platform enables you to link key people in your organization and foster collaboration

**Why is your negotiation team so important?** Remember that your vendor is going through contract renewals and negotiations all the time, so they have experience that you can't hope to replicate. By identifying a point person and an executive partner (and giving them plenty of time) for negotiations, you help level the playing field.



## Let us support you with your tools!

Hey there, you have been named a software tool admin within your company. We would like to support you to optimize your tool usage and save some cost.

Name of tool \*

Upwork

Do you plan any changes for this tool? \*

Upgrade plan, sunseting, adding new licenses soon, evaluate alternative tool, SSO needed, ...

Has the price been negotiated in the past?

- Yes  
 No

If it applies, when was the last time that you checked for inactive licenses / overconsumption?

- Checked regularly  
 More than 3 months ago  
 More than 6 months ago  
 Never

Send Support

## Step Three: Collect Requirements and Relevant Information

Long before you get into the nitty gritty of contract negotiations, decide exactly what you need from a given SaaS tool. That is, develop your list of must-have requirements.

**Where do you find this information?** Start by conducting research. Create a short survey of users to learn more about how they use the tool, how often they use it, etc. Then follow up on this quantitative data by having brief conversations with power users. Make sure you also talk to the department head or team lead who manages the people using the SaaS tool. Also, add to your list of requirements any details about your relationship with the vendor. **You'll want to answer questions like:**

**What's the budget for the renewal period?**

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**Are there any feature change requests from the users?**

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**When did the relationship start?**

(Which is important for loyalty discounts and creating a growth story.)

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**How have we negotiated with this vendor in the past?**

(Which is helpful in learning from past mistakes and successes.)

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**What are the actual cost drivers of using this tool and how will they develop over the next term?** (Which is needed data to determine the right levers to pull – the right carrot to dangle for the vendor's sales rep.)

These product-use details will be invaluable during the negotiation process. Without knowing how your team is using a tool, you can't have productive and meaningful conversations with the vendor.



## Step Four: Compare Features Across Tools

With a list of requirements in hand, it's time to start looking at the features available across different tools. You'll need to identify the SaaS products that offer the features your teams require, and then you'll need to analyze the cost of those features.

For example, support is a popular lever in SaaS negotiations. While one SaaS tool may provide the level of support you need in a low- or mid-level package, another may hold back the level of support you need in an enterprise-level package. At first glance, it's better to choose the tool that offers your required level of support in a low- or mid-level package. But keep in mind that everything is negotiable. You may be able to secure the level of support needed (live phone support, for example, instead of just email and chat) at the times needed (24 hours a day, 7 days a week, for example, rather than just during business hours).

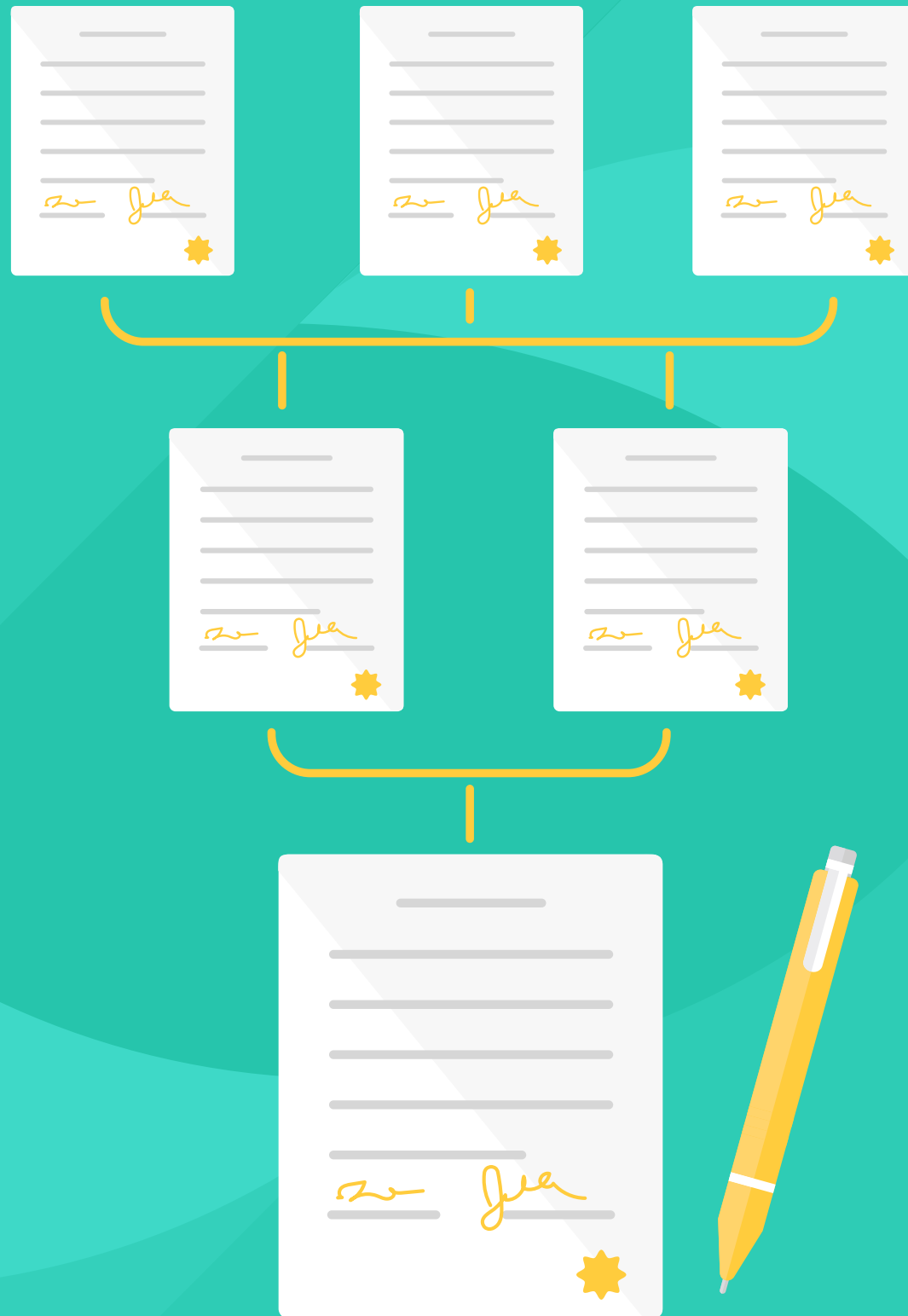
As you look for SaaS tools that offer the features you need, don't forget about a service level agreement – or SLA. SLAs typically govern reliability and uptime, and they provide you with protection when choosing a SaaS tool that is essential to the day-to-day operations of your business. Push your SaaS provider to include uptime assurances that are more than reasonable, and then hold them accountable after the contract is signed.

Searching for the SaaS tools that offer the features your company needs can turn into a lengthy, complex process.

**Keep things simple by focusing on these 4 questions:**

1. What features do we absolutely need?
2. What tools offer those features?
3. Should we pay more for the features we want?
4. What alternatives are available if we don't pay more for the features needed?

The answers to these 4 questions will help guide you to the best and most cost-effective choice for your business.

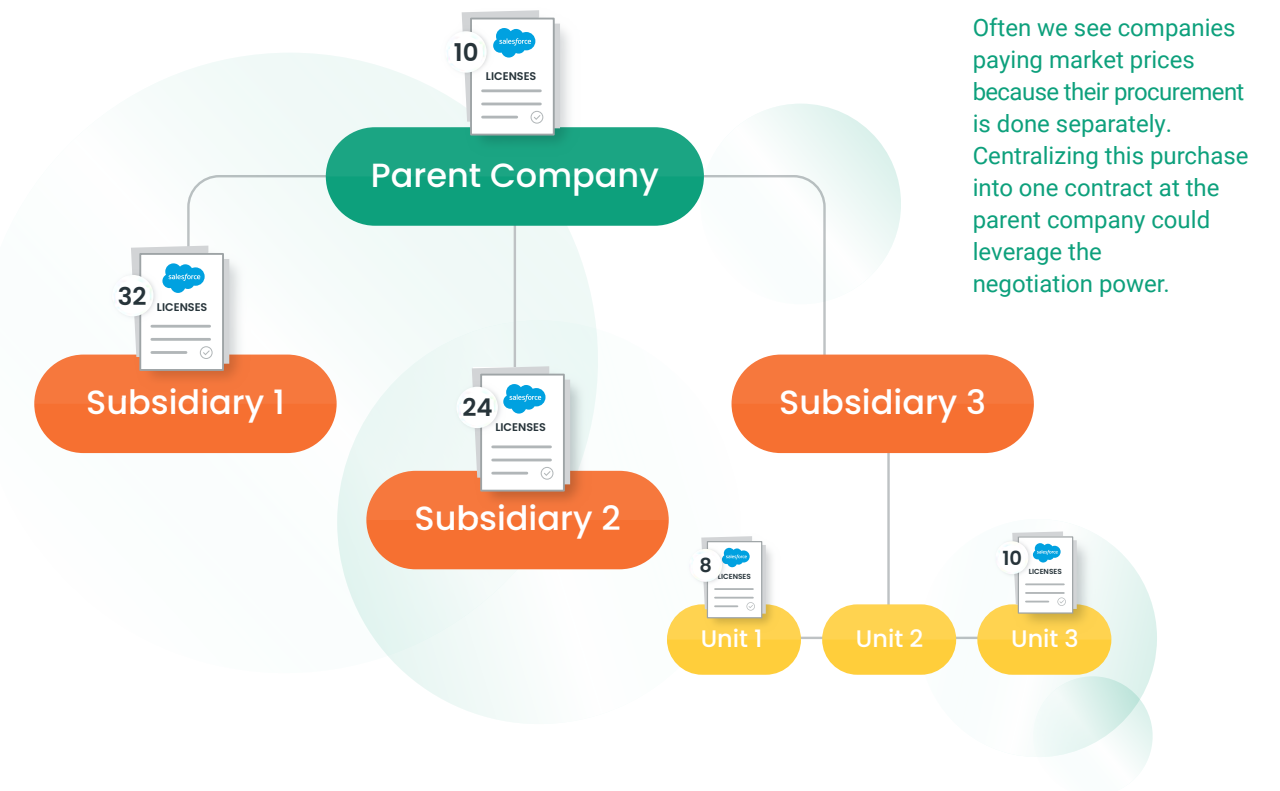


## Step Five: Pool Contract Volumes

### Does your company have more than one account with a SaaS provider?

This is a common problem, especially at larger companies with operations spread across multiple units or geographies. If you work at one of the many companies working with a vendor under multiple contracts, you're giving away bargaining power.

It's best to generate more volume by joining your licenses under just 1 or 2 contracts with a single vendor. Volume users can command better pricing and more concessions from SaaS providers. If you continue to operate under multiple accounts with one tool, you undermine your position.







## Step Six: Forecast Accurately

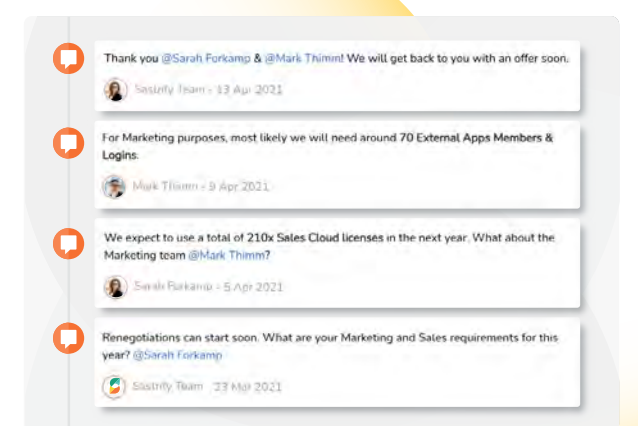
Before diving into contract negotiations, create a realistic, accurate forecast of how your team will use a SaaS tool. Based on the information you've already collected, you should know how many licenses you need, the features that users need access to, who will serve as tool owners, plus more. Use that information to create an accurate forecast for how you will use the product.

**Why is this important?** Ambiguity gives negotiating strength to the vendor rather than the client. When you forecast with a high level of accuracy, you're able to be specific during negotiations, which helps your company command better prices.

Also, remember that almost all SaaS tools will let you upgrade whenever you need to. Need more licenses? Need more features? No problem. Upgrades mean more revenue, which SaaS providers will always welcome.

### But what about downgrading as needed?

Some tools will let you scale up or down at any time, but others won't let you downgrade until the end of your contract – unless you specifically negotiate such flexibility. So don't worry about underestimating the number of licenses you need for a given tool, or the volume of usage. It's better to underestimate and upgrade than to overestimate and overpay.



The Sastrify platform allows you to keep the overview of all your negotiation requirements



## Step Seven: Check Your Contacts

In **Step No. 2 above**, you identified your own negotiation team. Now it's time to think about who will be negotiating for the vendor.



Who has been serving as your account manager?

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Is he or she still with the company?

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Are they likely to be the primary negotiator?

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Do you have a history of negotiating with this account manager? If so, what have you learned from those negotiations?

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How does this history inform your negotiation strategy this time around?

When you spend time planning to negotiate with a specific person, you're better able to anticipate their strategies and what they will offer. Anticipating what the vendor will do allows you to think through your response and subsequent steps.



## Step Eight: Prepare Your Carrots

Discounts are always available. You just need to dangle a carrot for the vendor's account manager that can serve as a trade-off for the price reduction. **If and when you're looking to pay less than a list price or a quoted price, pursue one of 2 primary types of carrots:**



To get a term discount, your company could opt to pay less for a 2- or 3-year contract rather than paying a little bit more and signing another year-long contract. SaaS providers like longer terms because they mean predictable revenue and lower costs – they don't have to pay a sales rep for an annual renewal.

Seek term discounts for SaaS tools that are essential to your business. That is, make sure you really want and need the tool before you commit to a longer term. And, even if you do opt for a longer term, try to negotiate an out clause that provides a measure of protection.

Seek loyalty discounts with SaaS tools with whom you have well-established, long-standing relationships. To sweeten the deal, pitch them on the idea of doing some co-marketing – like participating in a case study or providing a testimonial. If your vendor will not agree to a loyalty discount, try to negotiate price-increase limits for future years. It may not mean much in the moment, but you'll be glad those limits are in place when future years arrive.

There are other types of carrots, too, including referrals, co-marketing activities (like allowing the vendor to use your logo on their website), etc. Preparing your carrots ahead of time means that they are ready to deploy when you need them during the negotiation process.



## Step Nine: Develop a Strategy

At this point, you should have your negotiation team in place, plus a list of requirements compared to your existing license types. Now it's time to develop a strategy to use in the actual negotiations.

You need to have a rationale for any requests that you make. Simply saying "we want to pay less" is not a compelling message to send to your vendor. Develop a narrative around why you want to pay less. **For example, you could try any of the following:**

"We've been paying for significantly more licenses than we need."

"At the enterprise level, we're paying for a suite for additional features that we never use."

"We've looked at alternatives, and we can save a lot of money by switching to the competition."

**The simplest strategy is to decide on 1 thing – just 1 thing you want to accomplish in order to call a renewal a "success."** It might be the inclusion of a new feature, it might be a lower rate, it might be something else entirely. But, when you focus on just 1 thing, just 1 goal, you'll find yourself in a stronger negotiating position – and you'll find that the vendor is more likely to work you to achieve that single goal (rather than multiple).

**Also, think from the vendor's perspective.** You will go into the negotiation process with goals and so will your SaaS provider. Try to imagine what your vendor's goals will be so that you can plan for them. In most cases, SaaS providers will try to use negotiations to upsell or to pitch you on new solutions they've added to their product suite. Be prepared for these upsells and pitches, and find ways to use them to your advantage.



## Step Ten: Collect Real Offers

One of the approaches you can take is leveraging the competition to negotiate a better price. But, to leverage the competition, you actually have to generate competition by shopping around to find out what others are offering.


Almost all SaaS tools have competitors. Whether you're searching for HR software, enterprise-level hosting, CRMs or other tools, spend time getting quotes from alternatives before you get too deep into the negotiation process. You may have no intention of switching, but you need the credible threat of switching in order to get the best deal. Plus, you never know when you might find an alternative that truly is a better option if you never shop around.

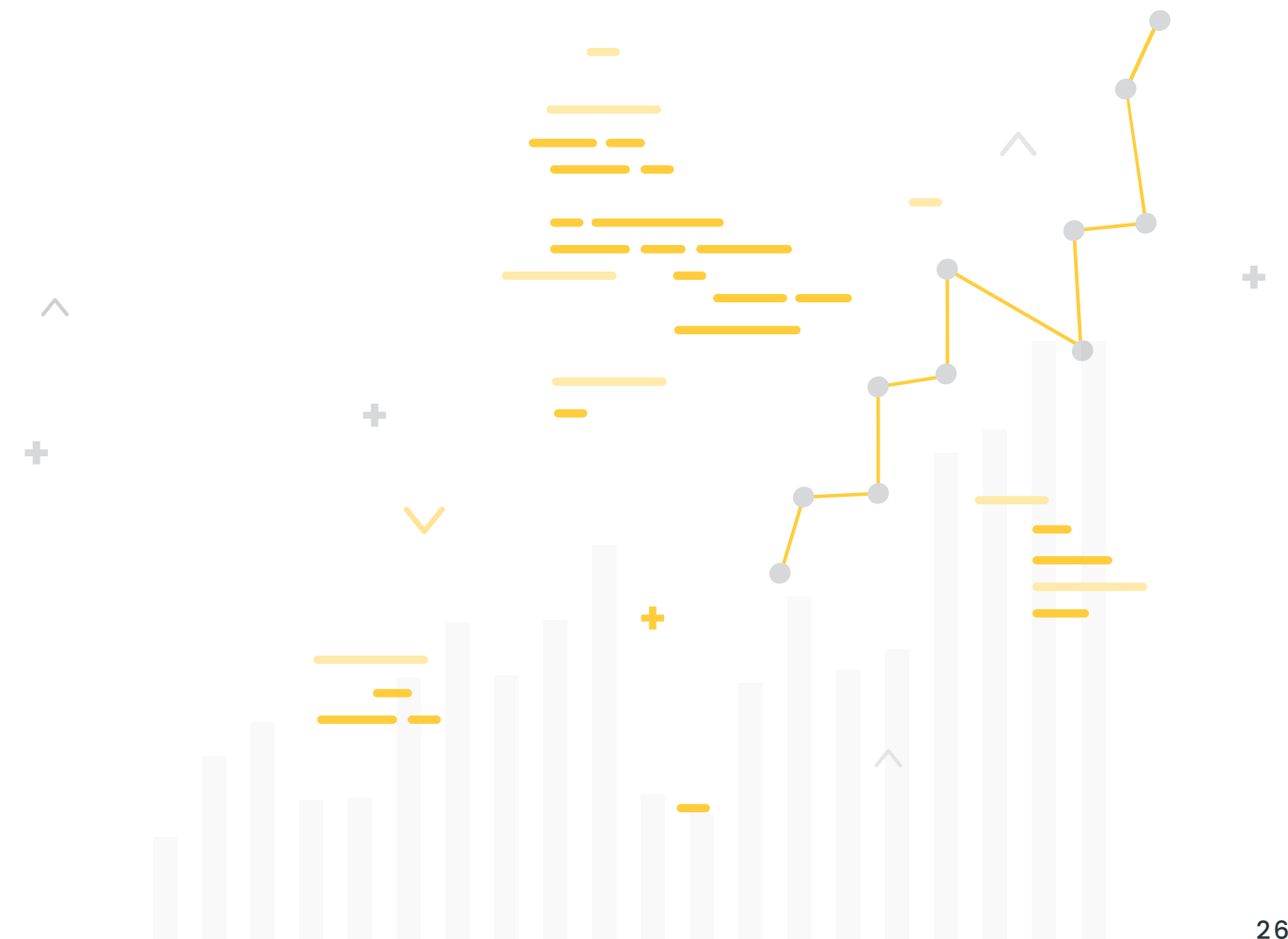
**Start the competitive research process early – typically 3–6 months before your contract renewal date.** This gives you time to understand the competition and the realistic alternatives to the SaaS tool you've been using. It may even be helpful to create a proof of concept of some tools, allowing you to test a particular use case and analyze return on investment.



## Step Eleven: Ensure Access to Critical Data

You should always own your data, no matter the SaaS tool. When you own your data, you can switch to a different SaaS provider whenever you need to, and you also protect your company in case your existing SaaS provider goes out of business.

 Put into your contract assurances of access to your data, and also be specific about how your data can be downloaded. SaaS tools commonly allow for downloads in various formats (CSV, HTML, XLSX, etc.). Just make sure that you have access in the format you prefer. This is essential – you cannot work with a tool that doesn't ensure your access to critical data.



# The SaaS Buyers' Guide Canvas

As you go through the negotiation process this time around, be sure to think about the next time. Include in your current contract a renewal process that will govern the next process. Many SaaS tools will try to get you into a contract with an "evergreen" renewal, which simply means your contract automatically rolls over. You should avoid these evergreen renewals, unless they are rolling you over at a steep discount.

No matter how you want to handle renewals next time, be sure the process is outlined in the contract. You don't want to leave it solely up to your SaaS vendor.

## 1 Stay Ahead Of Schedule



Know your cancellation terms and start preparing 3 months ahead of contract renewal.

TIME TO PREPARE: \_\_\_\_\_

RENEWAL DATE: \_\_\_\_\_

KEY CANCELATION TERMS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 2 Identify Your Team



Identifying key people in your team for negotiations will help level the playing field.

PRIMARY NEGOTIATOR: \_\_\_\_\_

EXECUTIVE BACK UP: \_\_\_\_\_

OTHER CONTACTS: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 3 Collect Requirements & Relevant Information



Know how your team is using their tools.

CONTRACT LENGTH: \_\_\_\_\_

BUDGET: \_\_\_\_\_

FEATURES: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 4 Compare Features Across Tools



Search for other tools that have the features you need.

KEY FEATURE	TOOL 1	TOOL 2	TOOL 3

## 5 Pool Contract Volumes



Group your licenses in one contract.

TOOLS WE CAN GROUP:

1: \_\_\_\_\_

2: \_\_\_\_\_

3: \_\_\_\_\_

## 6 Forecast Accurately



The more accurate you are, the better prices you will get.

RENEWAL LENGTH:

LICENSE TYPE	# SUBSCRIPTIONS

## 7 Check Your Contacts



Think about who will be negotiating for the vendor.

ACCOUNT MANAGER: \_\_\_\_\_

RENEWAL MANAGER: \_\_\_\_\_

OTHER: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 8 Prepare Your Carrots



What are you offering as a discount trade-off?

\* TERM: \_\_\_\_\_

\* LOYALTY: \_\_\_\_\_

\* OTHER: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 9 Develop A Strategy



What do you want to accomplish in this negotiation?

OUR GOALS:

1: \_\_\_\_\_

2: \_\_\_\_\_

3: \_\_\_\_\_

## 10 Collect Real Offers



Get quotes from alternative offers to add arguments for better prices

COUNTER-OFFERS:

1: \_\_\_\_\_

2: \_\_\_\_\_

3: \_\_\_\_\_

## 11 Ensure Access To Critical Data



How are we ensuring access to our data in case we decide to migrate to an alternative tool?

POSSIBILITIES:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_





## Summary: When in Doubt, Remember These 3 Ways to Save

As complicated as negotiations can be, there are really only 3 ways that companies can save money on the SaaS spend:



### Buy Cheaper:

Get a better price from your existing vendor or by switching.



### Buy Less:

Stop paying for unused licenses – only pay for the seats you need.



### Buy Better:

Right-size your plan to include only the features that your company uses.

The 11 steps listed above can serve as your roadmap for how to negotiate SaaS contracts in 2023. But, when in doubt, fall back on these 3 approaches to saving money and reducing your overall SaaS spend – without sacrificing the benefits your company needs.

### Get a Dedicated Procurement Team

Sastrify is the SaaS management platform that does SaaS procurement for you. We centralize your purchasing process, collect and consolidate relevant information, remind you of your renewal dates, provide a specialized team of SaaS buyers that handles negotiations, and use our experience to provide guidance on what is a fair price and what is not. The best part? We always deliver positive ROI. Guaranteed.



Let us help you so that you can focus on what matters most: your business.

Get in touch with us now!

[hello@sastrify.com](mailto:hello@sastrify.com) or [sastrify.com](https://sastrify.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

**\$20M+**  
Saved on  
software

Loved by hundreds of customers around the world:



## See how much you can save on SaaS Licenses

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