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GUIDE

The 2023 Sastrify SaaS Spend Management Guide

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Why 2023 is the year to get control of your SaaS spending

Software-as-a-service (SaaS) tools are used by over **99%** of businesses,[1] with the average SaaS stack exceeding **96** tools according to Sastrify data. With the uncertain conditions of the current market and so many organizations relying on these tools, 2023 is the year you need to nail down your SaaS procurement.

Our recent SaaS procurement market trends report covered 10 key trends to watch in the coming year, including increasing prices, more options for SaaS buying, the need to drive user adoption, and much more.

But without proper usage forecasting and analysis for your SaaS tools, it's hard to put these insights into practice to improve procurement outcomes.

That's why we at Sastrify wanted to bring you our top 8 tips for better SaaS savings in 2023. Read on to learn more, or watch our webinar on the same topic here.

The state of SaaS usage — at a glance

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

96 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/

8 tips for bigger SaaS savings

From Dominik Senk,
VP Operations & Procurement

01 Identify the primary cost driver (s)

Forecasting requires anticipation of the volume and the cost drivers for each tool. This becomes more complex as the number of cost drivers increases.

As an example, the primary cost driver for business SaaS platforms like Google Workspace or Microsoft Office 365 is usually the number of employees. For forecasting, you can determine this from HR and finance headcount forecasts.

A more complicated example could be a billing tool like Stripe or Chargebee, which charge a percentage of total revenue invoiced or a per transaction fee.

Other tools charge by number of servers monitored (Datadog); Monthly Tracked Users, or MTUs (Segment); or volume of data stored (Snowflake).

POSSIBLE COST DRIVERS

Google Workspace, Microsoft	Number of employees
salesforce sales cloud	Number of sales rep
stripe, Chargebee	Total revenue invoiced
DATADOG	Number of servers monitored
TWILIO segment	Monthly tracked users
snowflake	Amount of data stored

Sastrify tip

Good forecasting of your cost driver volume will always create benefits for your SaaS purchase.

02 Analyze past and current consumption and capture your business requirements

Once you've identified the cost drivers for your subscription, you need to get your volume numbers right. To start, look at your current contract (if you have one) and factors like:

- How much was committed last year?
- Were there any changes throughout the year *(e.g. upgrades, downgrades, purchases of a new plan, etc.)*?

A good contract management system (like Sastrify) will make it much easier to keep track of all your contracts and invoices when it comes time to forecast.

See how it works

You can typically find consumption information in the admin console for each tool. Also consider **simply reaching out to the vendor and asking them to send you an overview.**

Then, it's time to capture business requirements from internal stakeholders.
This can include areas such as:

FEATURES
Nice to have vs. need to have

SECURITY
Requirements for risk mitigation

USAGE ESTIMATES
Number of seats or plan level

Key stakeholders like the tool owner, end users, department heads, or admins should be able to give you a "best guess" and confidence level for what they estimate their needs to be. To reduce waste and unnecessary spend, it's worth challenging stakeholders on the requirements they communicate to ensure they are "need to have" – for instance, the features, plan, or number of seats they ask for.

Be sure to start this whole process at least three months in advance so you have time to analyze usage, talk to stakeholders, and forecast the numbers that you need.

Sastrify tip

Reach out to the vendor to ask for usage charts.

03 Identify (and eliminate) unused licenses

This is also the time to clean up your account and identify unused licenses before committing to anything for the renewal. This happens all the time: Sastrify recently supported a customer during an Asana renewal and found that 30% of their licenses could be deleted 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 should give you a list of users who haven't logged in since, for example, 3-6 months ago. You can then reach out to them and decide whether it still makes sense to pay for the license.

User name	Role	Last login
James Smith	User	12.08.2021
Kristie Evans	User	14.09.2021
Laura Huberman	User	01.02.2022
Garet Oswald	User	02.02.2022
Ernesto Silvestre	User	05.06.2022
Bill Bryton	User	05.06.2022
Astrid Ronda	Admin	13.08.2022
Michael Ferris	User	14.09.2022

Sastrify tip

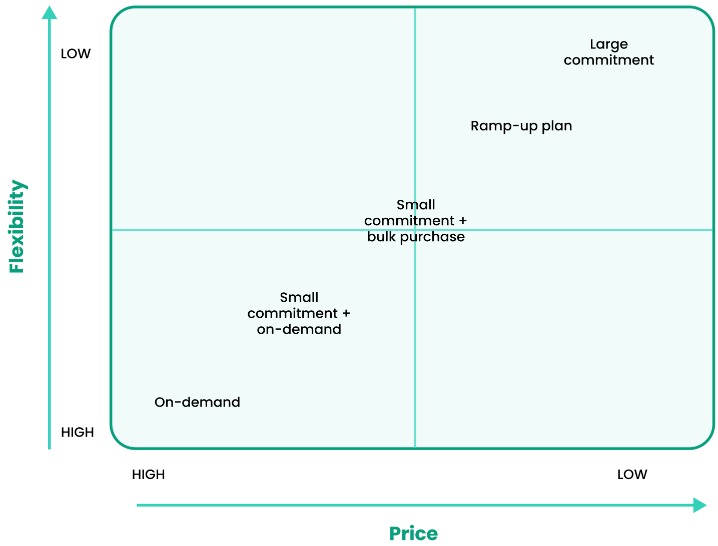
Find licenses that aren't being used in your user statistics and get rid of them if possible.

04 Commit for optimal unit price

Once you know the forecasted volume and how much you plan to purchase next year, you can leverage that information during negotiations.

It's no secret that committing higher volumes and longer time periods will lead to a better unit price or higher discount. This chart illustrates the relationship between flexibility and price when it comes time to negotiate.

The bottom left would be the typical on-demand case. For example, maybe you purchase a tool for the first time and opt for a monthly plan. But while this is very flexible – i.e. you can upgrade, downgrade, stop, or extend at any time – you will likely pay the list price. Getting a discount on a monthly plan is highly irregular (unless you have extremely high volume).



The other end would be the top right corner, where you make a large commitment. Here you'll definitely get the lowest price, but you also lose flexibility. Let's say you commit to a 3-year Salesforce contract and know you need 40 more licenses. If you commit to those upfront, you'll have the best argument for a good unit price; but once you commit, it's almost impossible to get money back if you don't hire those 40 new employees.

Between these two cases are other scenarios that involve a mix of flexibility and price. That might mean making smaller commitments and adding on as needed (on-demand or in bulk) or creating a ramp-up plan to add a specified number of licenses each quarter.

Sastrify tip

Consider a ramp-up plan with a conservative approach. For example, if you're only 70% sure that you'll add 10 licenses each quarter, commit to five licenses each quarter to benefit from a good unit price and then purchase on-demand or in bulk as needed.

05 Negotiate favorable overage rates

Especially for tools with usage-based pricing (UBP; sometimes called volume or consumption pricing), we have to consider some potential risks – like overages.

Let's consider the customer data platform Segment as an example. Segment charges by Monthly Tracked Users (MTUs) that visit your website or app. This chart depicts a Segment contract for a flat 150 MTUs throughout the year. As you can see, there are some seasonality peaks in Q2 and Q4, which will require the customer to pay overage. On average, this could be anywhere from 10-25% higher than committed pricing.

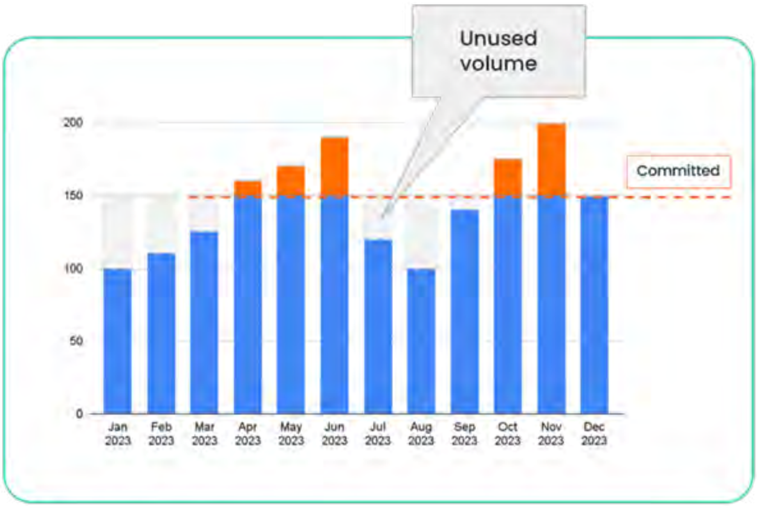
Sastrify tip

The goal is to cap your overage fees so you can be in control of your max spend at any time. Achieve this through better forecasting and negotiating (where possible).

06 Ask for rollover of unused volumes

The second risk with UBP is underutilization or over-commitment.

Here we have the same Segment example as the previous page. Just like avoiding overage charges, you also want to avoid committing too high just for the sake of a slightly better unit price. In this example we're talking about UBP, but the underutilization issue could apply across any cost driver: MTUs, licenses, storage volume, etc. In most contracts we see across vendors, unused volume is lost – it doesn't roll over to the next month.



Best practices to address over- or under-commitment:

1. Calculate your **best case scenario for volumes** considering seasonality and growth, then commit volumes on a quarterly or even monthly level.
2. Negotiate an **annual allotment** (one consumption level for the entire year). Once it's consumed, you can renew early (sales reps love this).
3. Negotiate **rollover of unused volumes** to next period. If the vendor won't allow this, then you can at least use it as a negotiation argument for a better price.
4. If you have zero predictability, start with **on-demand**. Once planning gets more accurate, start committing to a minimum or new minimum. And once growth really kicks in, start increasing your commitment levels.
5. Regularly check your volumes. If they show constant growth, try to **adjust commitment levels** so you'll pay less than purchasing on demand. Some tools (like Datadog) let you do this several times a year and even help you to identify those opportunities.

Sastrify tip

Get an annual allotment instead of a monthly allotment.

07 Negotiate step by step

Let's now consider what happens after SaaS forecasting when it's time to negotiate.

First: Always start by asking for something in exchange for a flat renewal (renewing the same contract). In other words, try to use loyalty and other arguments to ask for a discount for a flat renewal rather than offering up your "carrots" right away.

Then, use those carrots to see what else you can get. Ask questions like:

- What if I add 30 additional licenses next year? What would that do to my pricing?
- What if I commit to a two-year plan instead of a one-year plan? Would I get a bigger discount?

A few additional factors that might get you more discounts:

- Each additional year of commitment should get you a discount of roughly 5% to 15% on average.
- If the vendor is fairly new in your region – e.g. a US vendor expanding to Europe or vice versa – they're probably keen to get your logo for their website or to do a customer case study with you. Don't do it for free – get at least a 5% discount.

Sastrify tip

Ask your vendor to provide you with quotes for different scenarios, i.e. separate quotes for a small commitment, ramp-up plan, large commitment, etc. That way, you get full transparency on the possible discounts and can pick the best one for you to negotiate on.

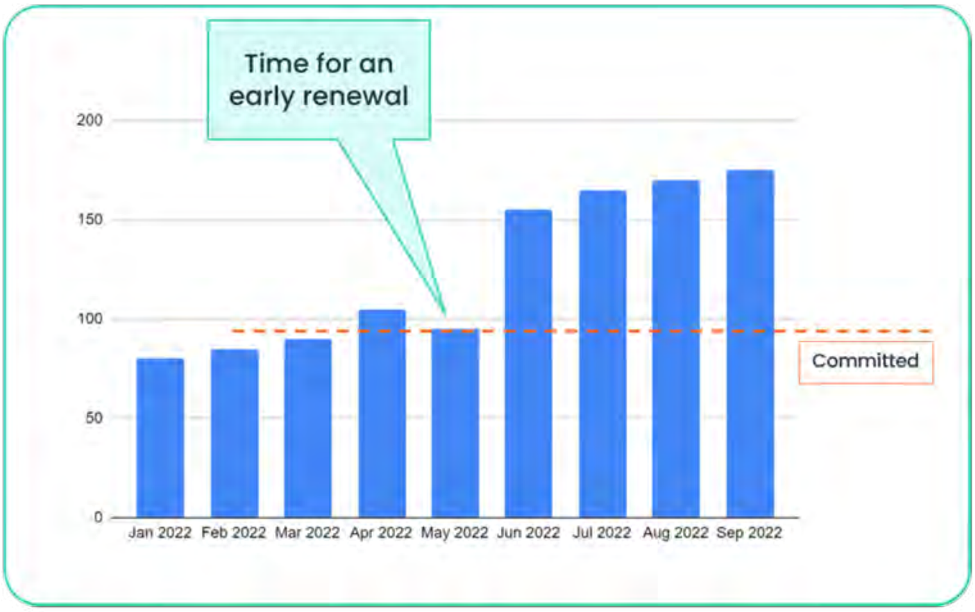
Check out our other virtual workshops on the topic of SaaS contract negotiation here

08 Monitor usage and regularly reevaluate

Forecasting became increasingly difficult during COVID, and we foresee it being tough again in these uncertain market situations.

So, our top **tip for the current situation**: If you're unsure, go with a conservative commitment into your next renewal. Eventually, if things get better and you see stability in your volumes (see chart), then do an early renewal.

When you do an early renewal, always try to time it with the end of the vendor's fiscal year. Every sales rep has both yearly and quarterly targets and they tend to be most generous with discounts when those deadlines are approaching and they need to hit their goals.



Sastrify tip

The ideal tool stack has all renewals nicely lined up to their respective vendors' financial year end. This isn't always the end of December or January, so try to Google it. If you can't find it, reach out to Sastrify.

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:

GORILLAS, sennder, Pitch, Billie, komoot, aontop, kaia health, PLEO, Y42, adidas RUNTASTIC

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