



# The IT Leader's Guide to Software License Management

8 Tips to Measure Usage,  
Maximize Efficiency,  
and Drive Adoption



# 8 Tips to Measure Usage, Maximize Efficiency, and Drive Adoption

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# Introduction

## SaaS has changed the way companies must manage software licenses

On-premises software once ruled the business world. Today, SaaS is king.

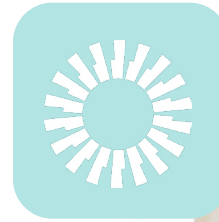
SaaS is fundamentally different from on-premises software. For starters, unlike on-premises software, SaaS lives in the Cloud and is owned by the vendor. In addition, SaaS is subscription-based with varying pricing models and is often purchased without the involvement of IT. Finally, while optimization efforts for on-premises software are focused on making the most of what you pay for, SaaS optimization is focused on adjusting as your needs change.

One thing is for certain: the future of software is SaaS.

The International Data Corporation (IDC) reported that SaaS spending overtook on-premises software spending for the first time in 2022. And in 2023, SaaS comprised 60% of software spend. Furthermore, Gartner predicts that the majority of the top 20 software vendors will phase out perpetual licenses entirely by the end of this year, a shift that's expected to increase costs for businesses by at least 35%.

The shift to cloud-based subscription software introduces new complexities. However, the principles of effectively managing licenses remain the same.

How can IT leaders more effectively manage their software licenses in the age of SaaS? In this guide, we'll share eight practical tips IT leaders can implement to measure usage, maximize efficiency, and drive SaaS adoption.



**In 2023, SaaS  
spending comprised  
60% of software spend**

Source: IDC

# Software License Management in the Age of SaaS

Organizations thought they had license management figured out. However, the shift to SaaS has introduced new challenges related to license management. A solid SaaS management strategy is key.

## Managing SaaS Licenses is a Critical Pillar of SaaS Management

SaaS management is a holistic business practice that incorporates many components. License management is one of those key components.

Software license management encompasses the full lifecycle of a SaaS license.

This includes:

- Provisioning licenses
- Managing user access
- Ongoing reclamation of unused licenses
- Rightsizing software

## Varying Licensing Models Add Complexity

For any given business challenge, there are dozens of SaaS applications that promise to solve it. So it's probably not surprising that there are more than 21,000 applications in the world. Hundreds of these applications (or thousands if you're a large enterprise) live right within your tech stack.

To further complicate matters, there are several models that are common with SaaS.

- **User-based:** Each person who uses the tool gets their own license; you typically pay for an agreed upon quantity of licenses.
- **Usage-based:** the company pays for the consumption of the product, for example, using the software for a certain number of transactions, hours, etc. Typically, there are price thresholds based on your usage.
- **Flat rate:** You pay a single platform fee for any number of licenses or usage levels.
- **Tiered:** The price of the app increases as you add more features; you may have licenses at different tiers (i.e., Zoom) with different license quantities, features, contract terms, etc.
- **Freemium:** Free to use but with limited features and users; There's an option to upgrade the subscription to a paid version with more features.

The sheer number of applications — combined with different licensing models and pricing structures — makes managing SaaS more complex than perpetual licenses.

P



The average organization has

291

applications in its SaaS portfolio





## Software License Management Eliminates Waste While Reducing Costs

Achieving Goldilocks with SaaS licensing is challenging. If you have too many licenses, you'll have a lot that go unused. And the cost of those unused licenses adds up. Consider the fact that 44% of licenses go unused every month, which equates to an average of \$17M in wasted spend annually.

On the other hand, if you have too few licenses, your employees might not have the tools they need. If that's the case, you may incur overage fees if you add licenses mid-contract.

Or, your employees might just take matters into their own hands. Today, one in six employees expense SaaS. These employee-led purchases account for just 6% of spend — but a whopping 37% of applications. These rogue licenses are a source of hidden costs and risks.

In addition to wasting money on unused licenses, you're likely spending too much on them. Today, companies spend an average of \$4,600 on SaaS per employee, or \$50 million annually in total SaaS spend. Gartner predicts that by 2026, companies without centralized SaaS management will be overspending by 25%. That means your \$50 million in SaaS spend should only actually be \$40 million.

Software license management is key to reducing license waste and curtailing unknown and unnecessary costs. You use what you pay for and pay for what you use — no more, no less.



# 44%

of SaaS licenses go unused every month, which equates to an average of \$17M in wasted spend annually

# 1 IN 6

employees expense SaaS

# 25%

of companies are predicted to overspend without centralized SaaS management in 2026

Source: Gartner

## Tracking Your Software Licenses

Tracking software licenses is the first step in optimizing usage and adoption. With that in mind, here are two practical tips to improve the way you track your software licenses.

### Tip #1: Get Full Visibility into Your SaaS Inventory

Before examining your licensing, you must first take an inventory of your entire SaaS portfolio. After all, you can't manage what you can't see.

While several methods exist to discover all SaaS at your organization, an AI-powered approach is the most accurate. An

**“Visibility is really important. If you think that you know everything just by looking at spend, you’re probably wrong.”**

**-Shravya Ravi, software asset management leader at LinkedIn**

AI-powered model uses machine learning to uncover and categorize your current SaaS stack and detect new added applications. This is critical, as SaaS portfolios are extremely dynamic. At the average organization, eight new applications are added each month.

If your organization has single sign-on (SSO) or a CASB, these are effective supplemental discovery sources to give you a complete picture of your SaaS stack.

Once you've shed light on all SaaS, it's essential to keep all key application data — from billing terms and entitlements to spend and payments — centralized in a single system of record. This single source of truth will be essential for effectively managing your software licenses.

### Tip #2: Centralize License Tracking and Usage Data

Today, many companies use spreadsheets to track their software. However, this approach is manual, time-intensive, and prone to error. Often, you must log in to each app or reach out to each vendor to get the usage data you need to make decisions. And spreadsheets tend to get outdated as soon as they're updated.

**“You build that spreadsheet out, it is going to be incorrect and inaccurate before you’re done even collecting all the data.”**

**-Steve Gentry, CISO**

In order to effectively track software licenses, you need a technology that automates discovery and data aggregation. A dedicated SaaS management tool is the ideal solution.

Direct integrations into your SaaS management platform are the most clear-cut way to get the usage data you need to manage your licenses effectively. But it’s not the only way. There are other ways to synchronize data between systems, including:

- Direct and SSO integrations
- API
- Secure mapping and transferring of usage in bulk

## Managing and Optimizing Your Software Licenses

Effectively managing and optimizing your software licenses requires three things:

1. Visibility into critical application data, such as provisioned vs. available licenses, license types, usage, and renewal dates.
2. Access to price benchmarking gives you leverage during renewal negotiations to help you get the best price.
3. Tracking cost avoidance and realized savings as a result of your optimization efforts.

New Connection: Lucidchart

Progress: ✓ Credentials ✓ Import File 3 File Mapping

**Automatic**  
This will create a secure file path in S3 for you to drop a recurring file. Upon delivery, the job will automatically begin.

**Create File Mappings**  
Next, let's set up and verify your file mappings.

Imported File: Lucidchart\_Usage.csv

View	Source Field	Source Example	Zylo Field	Data Type
<input type="checkbox"/>	Email Address	jsmith@klowd.io	Email*	Text
<input type="checkbox"/>	Last Active Date	8/4/23	Last Activity Date*	Date
<input type="checkbox"/>	Documents Edited	391	Custom Field	Text
<input type="checkbox"/>	Document Views	1331	Custom Field	Text

\*Email and Last Activity Date are Required

Back Next





A SaaS management tool will surface optimization recommendations. Your company-wide business objectives will determine how you prioritize these optimization recommendations. However, organizations typically start with their highest-dollar applications or IT-owned birthright applications like G-suite or Microsoft 365. Often, these are also an organization's most costly apps.

Let's look at a few tips to help you manage and optimize your software licenses more effectively.

### Tip #3: Establish Foundational License Management Practices

Organizations must take the time to develop license management practices and processes. These practices must address three key areas:

#### 1. Ensure employees have access to the right tools and licenses

At the very minimum, you should have processes in place to ensure new employees have access to the right tools and are provisioned with the right type of licenses. In addition, be sure there's a process in place to revoke licenses and access to apps when employees leave the company. It's an important way to mitigate security risks.

#### 2. Ongoing license hygiene

Keep your environment clean by reclaiming licenses from employees who haven't used a tool in the last 30 or 60 days. In addition, downgrade licenses for users who have access to premium features but aren't using them. For example, if a user has a Zoom license but hasn't hosted a meeting over 40 minutes in the last 30 days, there's an opportunity to downgrade that user to a free (Basic) license.

Practicing ongoing license hygiene doesn't have to be time-consuming. A SaaS management platform has automated workflows that simplify reclamations and downgrades.

Remember: communication is key. Notify users of a license downgrade or reclamation in advance. In addition, ensure those users know how to request a license (or upgrade their existing one) if their needs change in the future.

**"When it comes to licenses, the reality is not everyone needs a certain type of license."**

**-Chris Asing, Head of IT at Redis**

The following users will be deprovisioned


26 Inactive Users

● Inactive ● Active

⊗ Adam Taylor	adam@klowd.io
⊗ Andy Benzo	andy@klowd.io
⊗ Daniel Martinez	mark@klowd.io
⊗ Laura Wood	laura@klowd.io
⊗ Alex Fowler	alex@klowd.io

Deprovision

**LICENSE REQUEST**

 Alex Fowler, your Zendesk license is being requested due to inactivity.

Return License

Keep License



**“If you consider a workflow we use in Zylo, being able to access the information and automate the sending of emails to make sure we’re re-harvesting the right licenses from the right people, it saves me hours.”**

**-Samantha Griffin, Senior Software Asset Manager at Genesys**

### 3. Seasonal use licenses

Some users may only need a tool at a specific time of year. For example, an accounting firm may employ contractors from January through April who need access to the firm’s software tools. When that season closes, it’s an opportunity to reharvest and reassign those licenses to someone else.

### Tip #4: Rightsize Licenses at Renewal

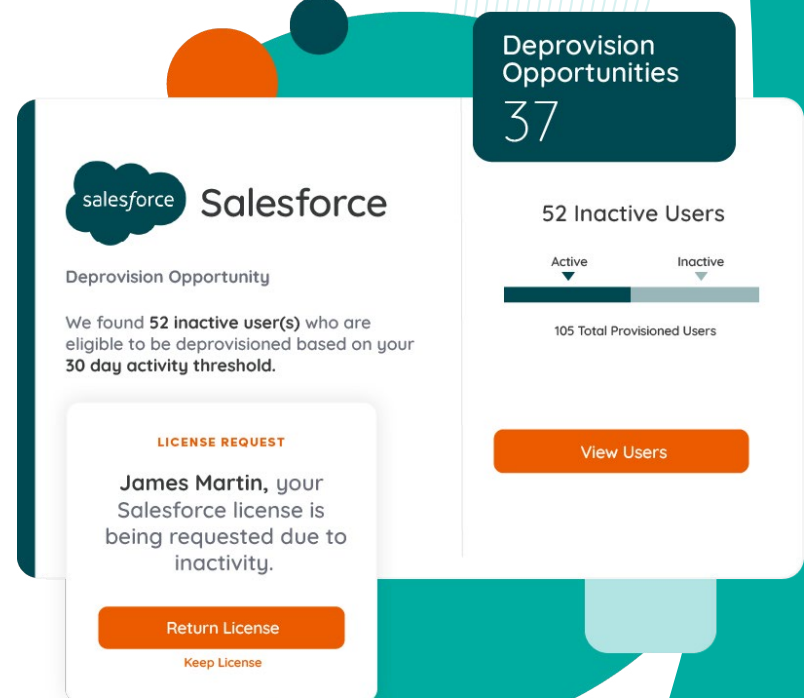
On average, 44% of licenses are unused. If you’re not at 90% utilization, there’s room for optimization.

#### Analyze Usage Data

Examine usage data to determine your licensing needs. But before your analysis, be sure to reclaim any unused licenses, so you have a better idea of what you’re working with.

If you see an app with a low utilization rate, dig deeper. Remember: there may be more than meets the eye. For example, on the surface, it may appear that only 20% of licenses are being used. But that could be because the entitlement was based on the total number of employees rather than the number of employees using the application.

**If you’re not hitting 90% utilization, that’s an indicator there’s room for optimization.**



## Prepare for Renewal Negotiations

While regular maintenance is key, it's good practice to examine your license needs prior to a renewal negotiation. Doing so ensures you're not getting more licenses than you need — and it helps provide leverage for improved pricing.

For example, consider AbbVie, a company whose goal is to reduce any shelfware and address new demand. The IT team at AbbVie adopts a usage threshold of 50% as a starting point when deciding what and how to optimize. For instance, AbbVie rightsized its Zoom subscription at renewal, going from a three-year term with 30,000 licenses to a one-year term with 7,000 licenses — which amounted to a \$1.2M cost reduction.

**“If you find that you’re using far less than what was purchased, it is certainly an opportunity to reduce that spend.”**

**-Renee Turco, Technology Asset Manager at AbbVie**

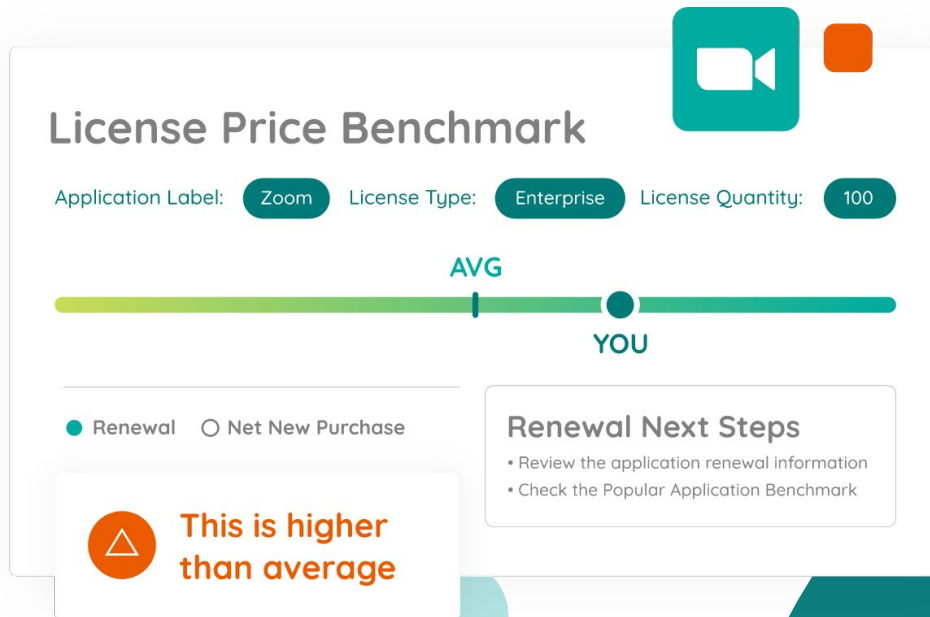
## Tap Into Price Benchmarking

Take advantage of price benchmarking to understand how your current pricing or the vendor's proposed pricing compares to other, similar offerings. Price benchmarking is often a feature of a SaaS management platform.

Benchmarking gives you quantitative data to inform decisions rather than relying on anecdotal data from your peers. That way, you can come to the table with what you're actually using — as well as a good idea of whether the pricing is a good deal for a company of your size. This is a credible place to start conversations with your vendors.

**“With benchmarking information, we quickly found we weren’t getting an awesome deal and were over-market. We secured a 15% discount across the two-year deal.”**

**-Tara Kalkwarf-McGee, Vendor Management Office Manager at SADA**



12 New Applications

**9%**▲

More than your cohort



## Tip #5: Make the Most of Approved Tools

Of course, you want to get the most value from the SaaS tools you own. When optimizing the usage of your approved tools, there are a few areas you'll want to address.

### 1. Duplicate subscriptions

Let's say an employee or team buys a license outside of your corporate contract, unaware that they could have used an available license you already have. The more often this happens, the less efficiently you use licenses you already have.

For example, your sales team may have bought five Dropbox licenses. But the organization already has an enterprise-level subscription with 100 licenses. There are 40 unused licenses that the sales team could have used.

If you have multiple instances of the same application across different areas of the business, consider rolling them up into a single contract.

### 2. Subscriptions of unapproved tools

Employees may be going off and buying tools independently when the organization already has licenses to a tool with similar functionality. Again, this is another example of not making the most of the licenses you already have for vetted tools.

One powerful way to avoid this problem is to leverage a library of your approved software applications, often referred to as an application catalog. That way, employees can see what's available and request the licenses they need.

### 3. Users have access to multiple apps with similar functionality

In some cases, employees have access to numerous tools that do the same thing. For example, let's say you pull up all of your project management applications and find you have ten separate tools. What's more, 100 users have access to three or more of those applications.

When users have access to apps with similar functionality, it hinders collaboration and productivity. Plus, you're likely wasting licenses. While rationalizing your portfolio isn't specifically license optimization, it is a way to maximize the use of your licenses among fewer tools.

Your SaaS management platform can help you understand how many users can access multiple tools with the same functionality. The platform can also help you determine if a user needs a given license or if you should consolidate onto a more standard tool.





# Governing Your Software to Drive Efficient Use of Licenses

Solid governance helps you eliminate security blindspots, spot shadow IT, reduce rogue software purchases, and create a culture of good SaaS stewards. It also helps reduce SaaS sprawl. More employees are using fewer tools, which enables you to use licenses more effectively.

There are also some key ways good governance specifically benefits your software license management efforts.

- IT can see and monitor license utilization for all applications
- Employees can easily find and get the tools they need
- Tools are in alignment with business needs
- Software licenses are used efficiently

Let's dig into some tips to help you more effectively govern your software to drive efficient use of licenses.

## Tip #6: Standardize Your Tools

Curate a library of approved tools. This will ensure employees can find and access the necessary tools to do their jobs.

In addition, rationalize your portfolio. This will allow you to remove redundancies and software that's not driving value for your business.

Finally, rightsize contracts at renewal to ensure you have the right quantity of licenses to meet your needs. Not too many, and not too few.

## Tip #7: Establish Processes and Policies for Software Acquisition

A solid approval process will help your business prevent unauthorized spending now and in the future. This will help curb SaaS sprawl and get more employees on fewer apps. Consider the following best practices when establishing your software acquisition processes and policies.

### 1. Follow a governance framework to guide your strategy

'Freedom with a Framework' provides the best of both worlds. Employees are free to choose their own SaaS, which creates harmony and boosts satisfaction. But at the same time, there are measures in place (guardrails, if you will) to keep your organization compliant and secure.

### 2. Establish a review board to vet potential new purchases

Include cross-functional stakeholders like IT, security, legal, procurement, and line of business leaders.

### 3. Set expense reimbursement limits or prohibit purchasing by expense altogether.

This will eliminate — or, at the very least, dramatically cut back — on shadow IT.



## License Management Success Story

The Adobe team has established over 400 preferred standard titles, **reduced from more than 2,600 software titles.**

Its rationalization and license management efforts resulted in **\$60M in cost savings** and avoidance.

**The establishment of an enterprise application store** created a better experience for employees.

[Learn More](#)

## Tip #8: Communicate Your Policy With Employees

Establishing your governance policies is a critical step. But so, too, is ensuring everyone across the company knows what those policies are, why they're in place, and the role they play.

Be a partner in the procurement process, rather than a roadblock. Make it clear that acquiring applications comes with the expectation that things are done the right way for efficiency and compliance.

Finally, ensure your employees know about your application catalog or software store and how to access it. The application store lets employees know what business tools are available to them and allows them to request those tools in a frictionless way.

**Zylo really gave us a good baseline of being able to see and predict all the SaaS. Again, being able to understand, what is being used where? How much money is being spent? What has been approved? What has not been approved? How many users are there? All of that.**

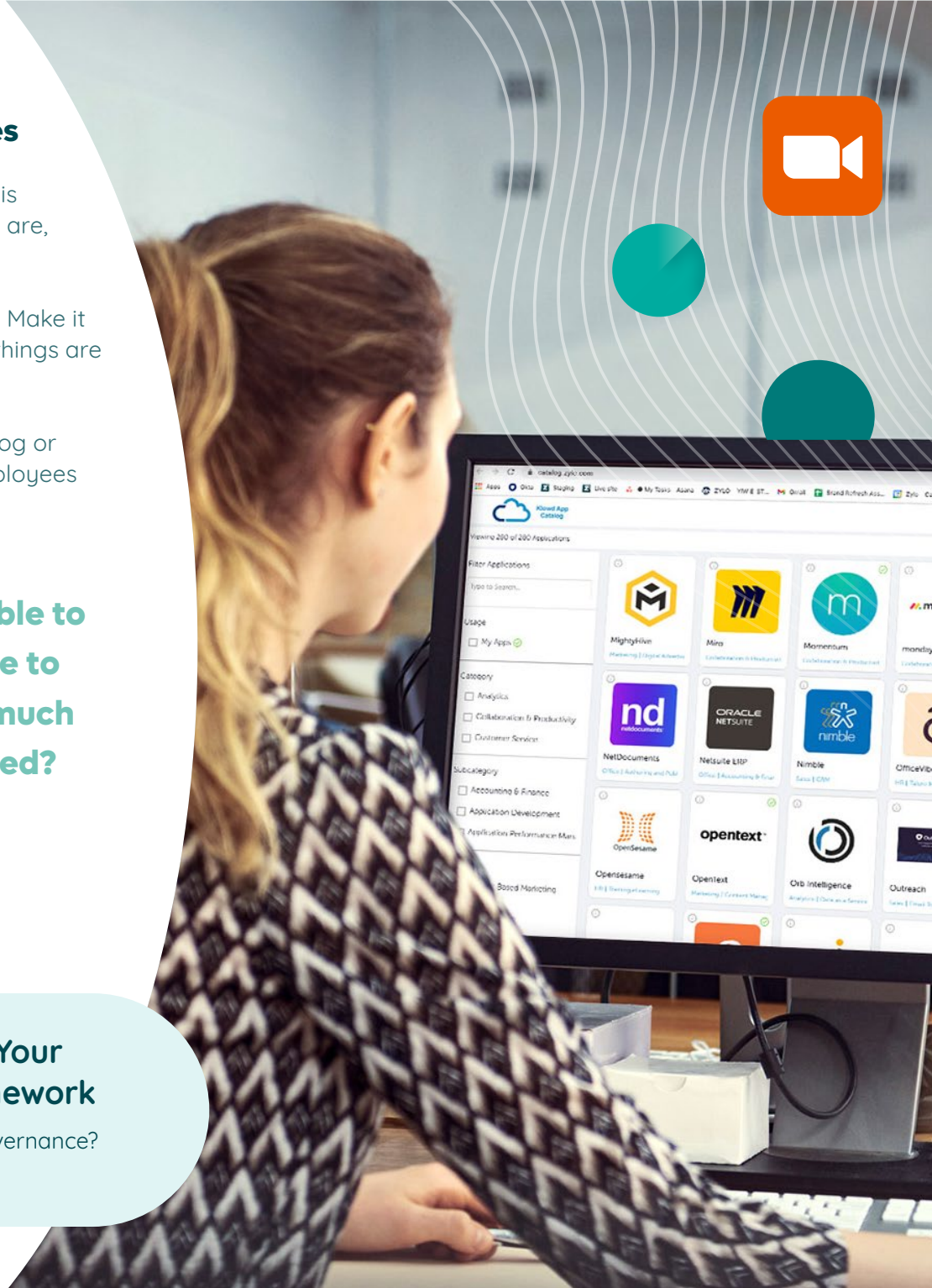
**-Gürkan Berkan, Director of IT Compliance, Coupa**



### Your Guide to Evolving Your SaaS Governance Framework

Ready to take a deep dive into governance?

[Download Your Copy](#)



# Measure Usage, Maximize Efficiency, and Drive Adoption

Today, SaaS is essential to the operations of just about every business. But the shift from on-premises to SaaS has also introduced some significant challenges, from overspending to license waste to shadow IT — just to name a few.

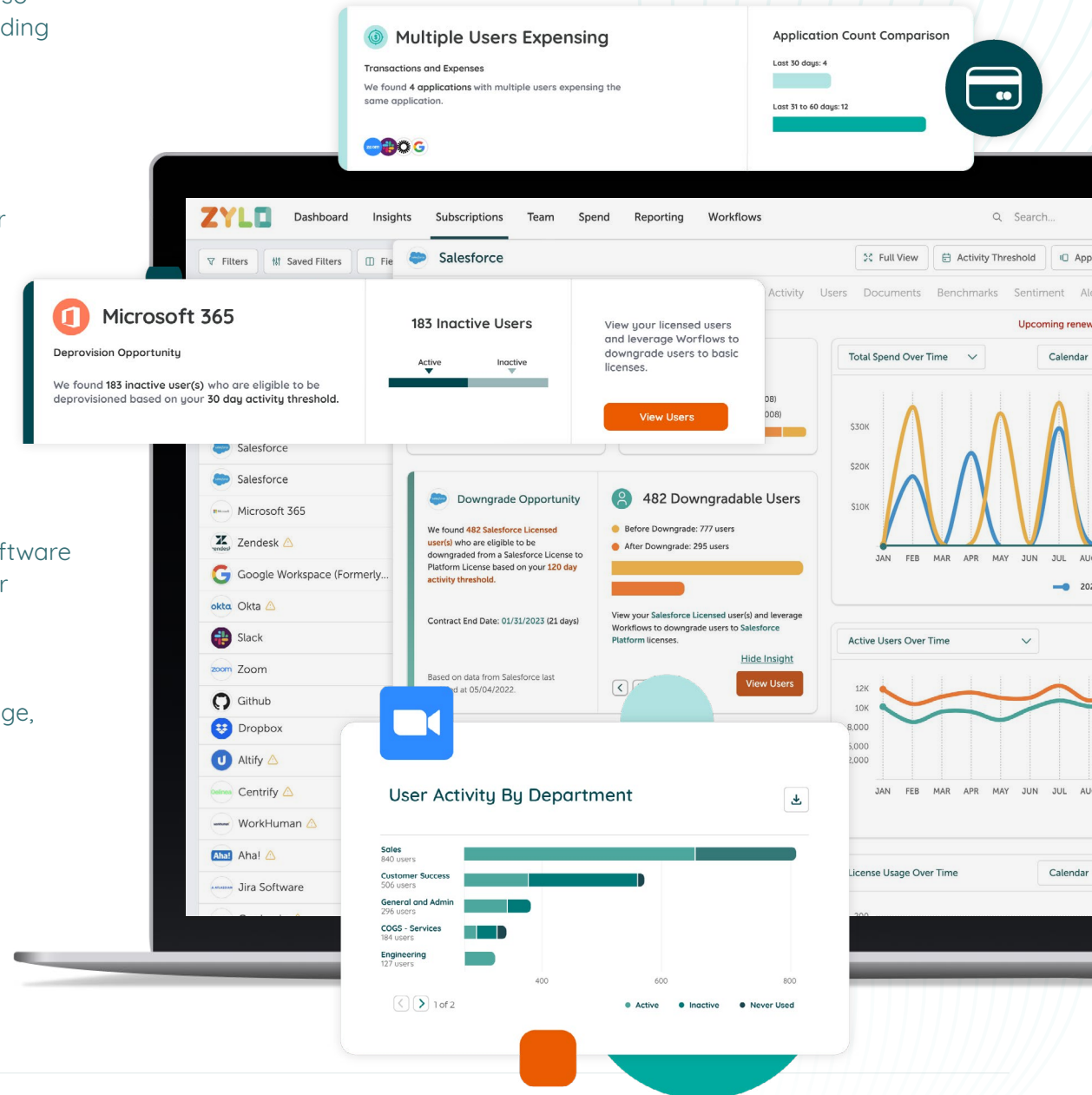
Increasingly, IT teams are adopting a comprehensive platform to manage their software licenses.

With Zylō's software license management solutions, your business can:

- **Get a 24/7 centralized view of SaaS usage across your entire company.** No need to waste time in individual admin panels. Everything you need is in one place.
- **Rightsize and reclaim licenses.** Reduce shelfware in minutes rather than months.
- **Consolidate your SaaS stack.** Determine which software best fits your business — and ditch what's no longer needed.

See firsthand how Zylō's software license management solutions empower businesses like yours to measure usage, maximize efficiency, and drive adoption of SaaS.

[Request your personalized demo today](#)





# License Management Resources

Are you ready to see how leading organizations effectively manage software licenses and eliminate waste? Check out these top license management resources that are popular among IT leaders:



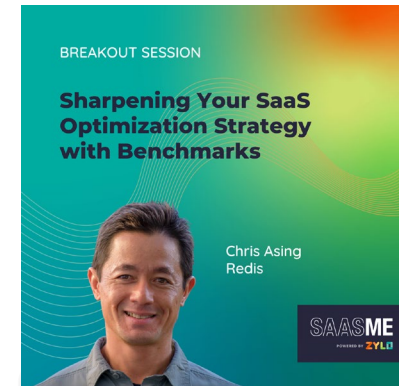
**Adobe Unlocks \$60M  
in Cost Savings and  
Avoidance**

[Learn more](#)



**AbbVie Eliminates  
Waste with Laser  
Precision**

[Learn more](#)



**Redis Achieved  
90% Software License  
Optimization**

[Learn more](#)



## About Zylo

Zylo is the enterprise leader in SaaS Management. Companies such as AbbVie, Adobe, Atlassian, Coupa, Doordash, Intuit, Salesforce, and Yahoo leverage Zylo's AI-powered platform and unparalleled professional services to fuel centralized SaaS inventory, license optimization, and renewal management.

With more than 30 million SaaS licenses and \$33 billion in SaaS spend under management, Zylo is fueled by more data than any other provider. Only Zylo's enterprise SaaS management platform delivers comprehensive and continuous visibility into your SaaS inventory alongside prescriptive insights and workflows that empower you to manage and optimize licenses and complex renewals. Alongside the platform, Zylo offers a suite of professional services to drive cost savings and avoidance through SaaS negotiations and manage your SaaS system of record with best-in-class strategy and execution to drive ROI and free up resources.

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