ZYLO

The Practical Guide to Rationalizing, Rightsizing and Renewing SaaS

Optimizing your investments in SaaS with the 3 R's of SaaS Management

Table of Contents

INTRODUCTION

SaaS continues to grow

These days, just about all knowledge workers depend on the right SaaS applications to do their jobs well. So it's no surprise that investments in SaaS are growing.

In 2020, SaaS spending grew 14% among Zylo customers. And today, companies have an average of 651 SaaS applications.

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This growth isn't going to slow down anytime soon. Gartner predicts that cloud-based subscription software will be a $120 billion market in 2021.

Unmanaged SaaS growth leads to unnecessary costs and risk

In and of itself, SaaS growth isn't a problem. After all, SaaS can drive productivity and business value. But at most organizations, less than 25% of SaaS applications are purchased or managed by IT. Instead, most SaaS is bought by teams and individuals throughout the company, which leads to unmanaged growth. And this unmanaged SaaS growth creates uncontrolled costs and increased risk.

Rationalizing, rightsizing, and proactively renewing SaaS are proven to cut costs

The good news is, it's very much possible to take control of your organization's SaaS growth. Here at Zylo, we recommend a SaaS management approach that includes these three proven strategies:

- **Rationalize** your SaaS purchases along with your goals

- **Rightsize** licenses according to need

- **Renew** only when it makes the most sense

Sound complicated? It doesn't have to be. This guide provides an overview of each strategy, as well as practical checklists that can help you optimize your SaaS investments through rationalization, rightsizing, and proactive renewal management.

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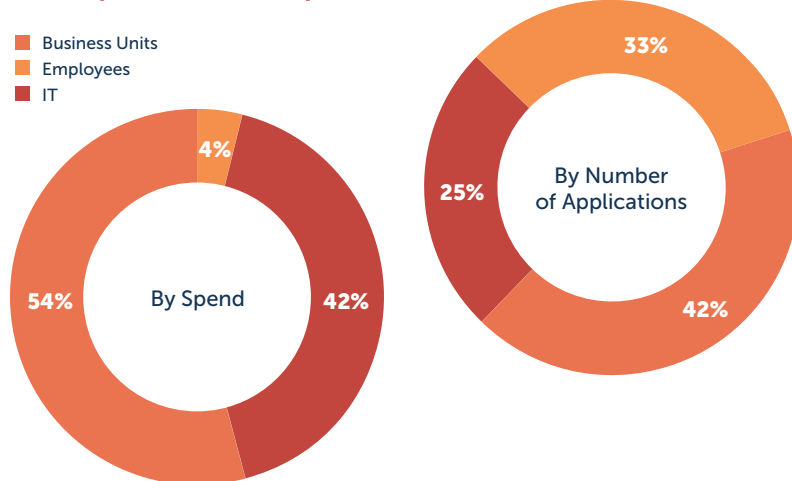
Rationalize

There was once a time when all software spending at an organization was funneled through IT procurement or sourcing. But that's no longer the case.

Today, IT controls just 42% of SaaS spending — and a mere 25% of application quantity. What's more, one in four employees expense SaaS.

Here's the thing: applications purchased by teams and individuals often fly under the radar. The result? On average, most organizations underestimate how many SaaS applications they have by two to three times. This is a large (and growing) problem, as it puts the entire organization at risk.

SaaS Spend Ownership

- Business Units
- Employees
- IT

By Spend: 4%, 54%, 42%

By Number of Applications: 33%, 25%, 42%

The first strategy of SaaS management is to rationalize your current SaaS purchases and licenses. This starts with discovering and cataloging your full SaaS inventory — from enterprise licenses approved by the CFO to the rogue applications purchased by teams and individuals throughout the company. And be sure to discover all the applications employees have acquired through free trials, as most will automatically charge a credit card on file once the trial is over.

Once you've gained full visibility into your entire SaaS portfolio, you can more effectively:

- Monitor the flow of onboarding new applications and offboarding old applications.

- Reduce applications that have the same function.

- Identity if the same application has been purchased multiple times in your organization (it's more common than you think!) and combine into one subscription.

NextRoll, a marketing technology company, decreased the number of employees who expensed SaaS application purchases by 48%. > Find out how.

SaaS Rationalization Checklist

Start rationalizing your SaaS technology stack with this checklist.

✅ **Establish your baseline SaaS inventory**

Take stock of what SaaS applications you currently have in place, whether controlled by IT or not.
This process requires you to:

- Discover all applications, including those acquired through a free trial.
- Determine cost and support accountability by business unit, team, or employee.
- Categorize each application appropriately.
- Set up tracking for renewals.

✅ **Curate a catalog of best in class SaaS**

Narrow down the SaaS tools you want to use across the organization — and then communicate that across teams. You will need to:

- **Identify and eliminate duplicate subscriptions.** Determine if the same application is being paid for multiple times in your organization and combine these duplicates into one license agreement. You may be able to leverage greater purchasing power to negotiate better rates and terms with the vendor.
- **Identify and reduce redundant applications.** Identify if you have applications in use with nearly identical functionality, and then reduce these redundant applications.

✅ **Identify and eliminate non-business critical tools.**

If you can't tie a SaaS application to a specific business outcome or team process, it could be time to retire it.

✅ **Reduce applications and subscriptions tied to headcount.**

Shadow IT can be a real threat to effective SaaS management, so having clear guidelines on what SaaS applications employees can purchase is essential. Develop a SaaS approval process and governance policy that balances your organization's need to innovate with your security and risk management requirements.

Most Redundant SaaS Application Functions

1. Training/LMS/E-learning
2. Digital Asset Management
3. Project Management
4. Team Collaboration
5. Recruiting
6. Web Conferencing
7. File Storage & Sharing
8. Business Intelligence
9. Digital Analytics
10. Sales Intelligence

Rightsize

The unfortunate reality is that your company is probably paying for unused or underutilized SaaS licenses. Maybe you provide all marketing team members with a Salesforce license — but only a fraction of the team actually signs on after onboarding. Or perhaps you provision all employees with paid Zoom licenses, when many could easily get by with a free or lower-cost license.

The cost of unused licenses quickly adds up — quickly. The average company spends $4,000 per employee per year on SaaS. But 38% of SaaS licenses go unused during a given 30 day period. That means an organization could easily waste $1.5 million on SaaS due to unused and underused licenses!

During a given 30-day period, 38% of SaaS licenses go unused.

Rightsizing licenses is an important way to cut down on that waste.

Essentially, rightsizing is a practice that leverages user data to ensure all employees who have a SaaS license actually need that license. Once you've made that determination, you can downgrade those who underuse licenses to a different license and deprovision those who no longer require access.

Carta, an ownership and equity platform, identified more than $50,000 in savings by rightsizing SaaS licenses for its video conferencing, DevOps monitoring, and CRM applications.
> Find out how.
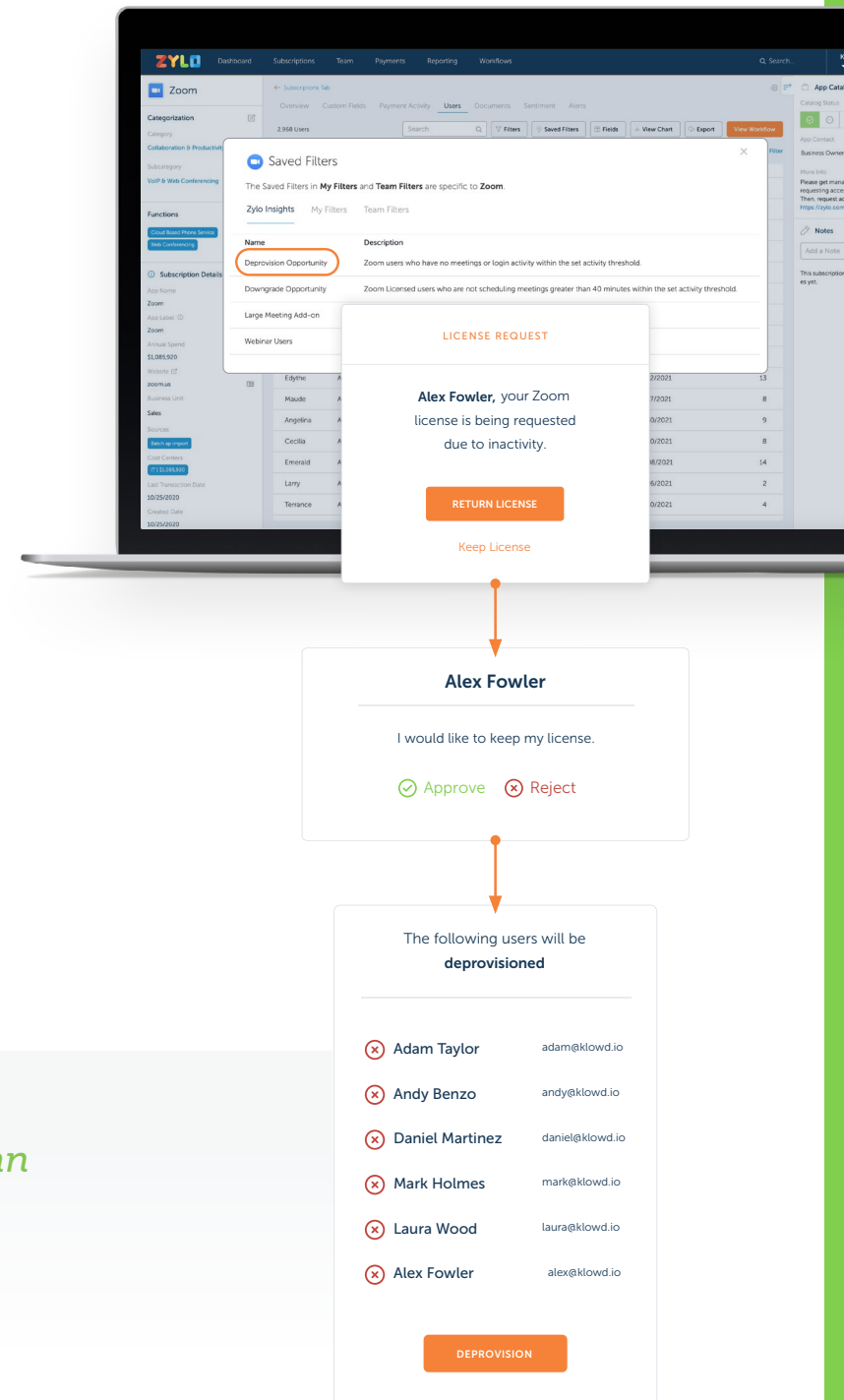
Rightsizing Checklist

Rightsizing is an effective way to cut down on the waste of unused (or underused) SaaS licenses. Use this checklist to get started.

✅ **Identify all SaaS applications.**
You can't rightsize licenses for applications you don't know exist!

✅ **Analyze usage data for a given SaaS application.**
It'll help you identify users that aren't fully using a SaaS license.

✅ **Ask for user input.**
If you determine that a license is unused (or underused), send the user an alert, asking if they're willing to give up their license or downgrade to a lower priced license.

✅ **Deprovision users, when appropriate.**
You can do this when a user has been inactive for a set period of time — or if they're voluntarily returned their license.

✅ **Reassign or eliminate licenses.**
Unused licenses can be given to another user. Or, they can be eliminated altogether to reduce costs.

Rightsizing can be a clunky, time-consuming process if you don't have the right usage reports (hint: most companies don't). But if you partner with a SaaS management platform like Zylo, you'll have access to the right data — making the entire rightsizing process a lot easier.
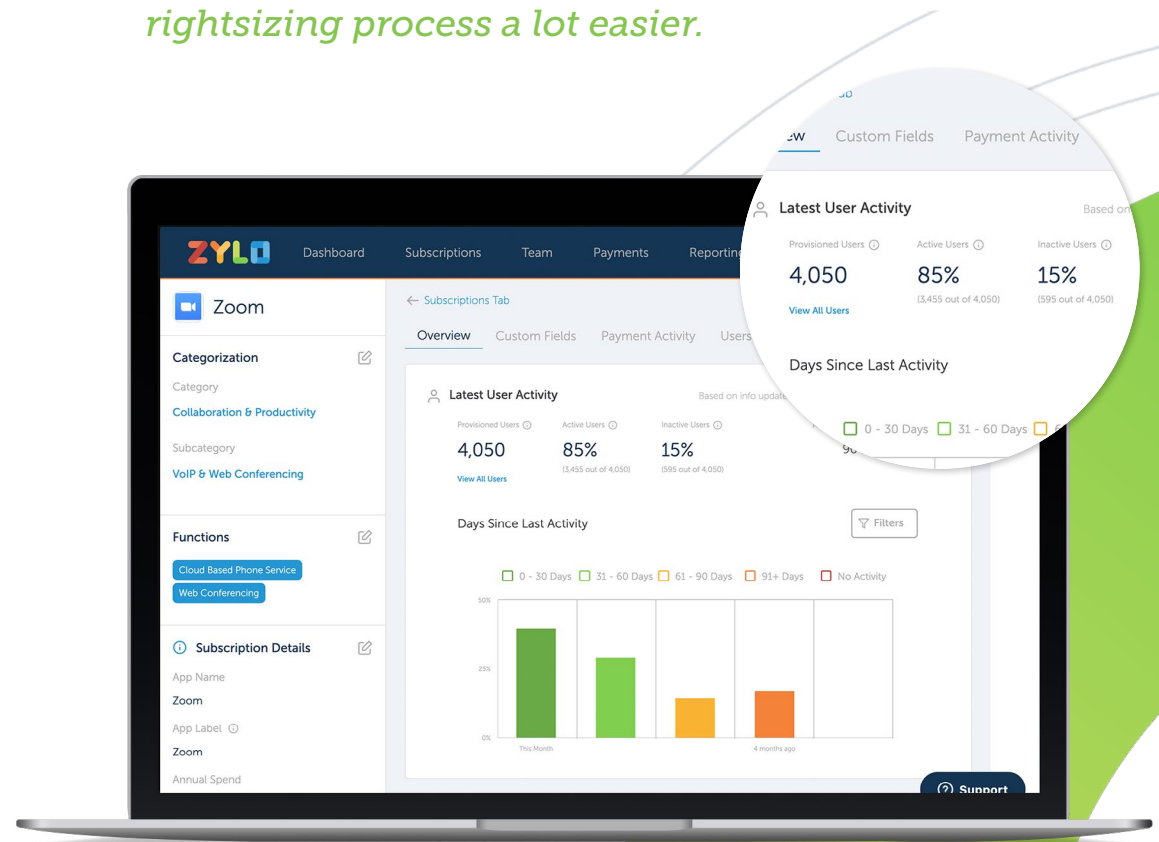
Renew

SaaS renewals are a common occurrence at most organizations. In fact, large organizations experience as many as three Saas application renewals every business day, with December and January being particularly busy months.

Without a continually updated view of all applications across the organization, it's easy to get caught off guard by an unexpected renewal. That means you might not have adequate time to plan and prepare — instead making hasty renewal decisions, without usage data to back them up. The end result? You're probably wasting money by renewing applications you should be.

Adopting a proactive approach to SaaS renewals is key.

The cornerstone of this approach is a SaaS renewal calendar, which helps you better anticipate renewals. And when you know a renewal is coming, you have adequate time to analyze usage data and partner with business users to make informed decisions — and only renew applications when it makes sense to do so.

"Thanks to Zylo's renewal alerts, we caught an auto-renewal for an application we no longer used before the 90-day notification period, saving us a headache and more than $50,000." > Find out how they did it.

— Ryan Johnson, VP, Operations and Enablement, Keap

Average Daily SaaS Renewals by Company Size

Company size (employee count)	Renewals per day
1-100	0.07
101-500	3.47
501-1,000	7.47
1,001-2,500	4.90
2,501-5,000	4.48
5,001-10,000	1.26
10,001+	2.01
AVERAGE	3.38

SaaS Renewal Likelihood by Month
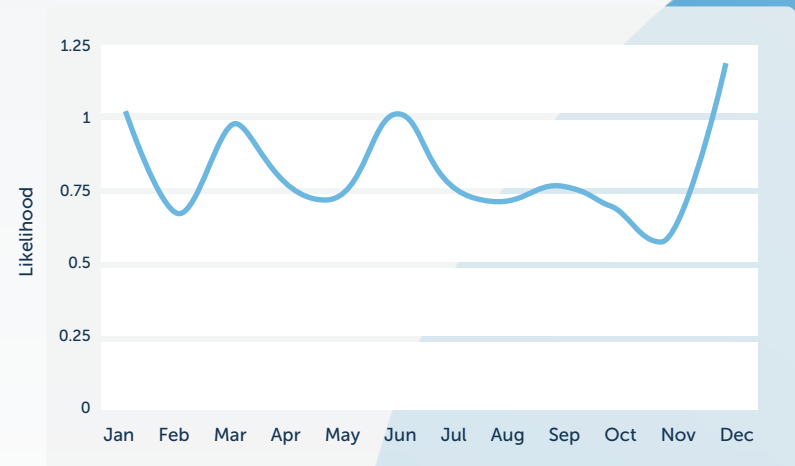
SaaS Renewal Checklist

Prevent unexpected renewals (and unplanned costs) with this proactive renewal planning checklist.

Pre-Renewal

✔ **Collaborate to define renewal goals.**
Align goals with stakeholders such as IT, Procurement, and business units.

✔ **Measure end-user application utilization.**
Measure utilization and adoption to inform renewal planning with data.

✔ **Regularly evaluate costs, spending, and total cost of ownership.**
Track employee-led and direct supplier purchases to understand actual costs and value.

✔ **Create a calendar with all renewal dates and notification periods.**
Document each application's renewal date and notification period (and details like license quantity and consumption metrics) in a centralized system of record.

✔ **Develop proactive renewal plans.**
Create and document a strategic renewal plan for every application, prioritizing highest cost and/or mission-critical applications first. Make sure you notify application owners in plenty of time for them to evaluate alternate solutions and/or negotiate better terms.

At Renewal

✔ **Activate renewal plans.**

✔ **Project growth of license and feature requirements.**
Consider pre-purchasing additional licenses or features at discounted rates as a hedge against future growth.

✔ **Evaluate requirements and compare alternative vendors.**
Make side-by-side solution reviews a routine process for renewals.

✔ **Eliminate redundant applications.**
Eliminate redundant applications to reduce operational burdens.

✔ **Level up application contracts and agreements where possible.**
Standardize widely deployed application types to leverage buying power and create custom contract terms.

✔ **Develop policies on multi-year contracts and discounts.**
Consider discounts possible under multi-year agreements as well as terms that limit price increases for subsequent renewals.

Manually creating and maintaining a SaaS renewal calendar is time-consuming and prone to error. SaaS management companies like Zylo keep renewal calendars up to date and provide automated alerts so you know when to expect a renewal.

Post Renewal

✔ **Update key purchase details.**
Document any updates to details such as pricing, features, consumption metrics, services, and length of contract.

✔ **Update renewal calendar for notification timing and renewal date.**
Document any alterations to renewal date or notification period.

✔ **Continue reporting and collaboration with stakeholders.**
Apprise stakeholders regularly on key metrics to encourage proactive planning.

✔ **Ensure continual discovery and renewal plans for all new apps.**
Monitor the environment to ensure all applications meet renewal planning criteria.

It's time to manage SaaS

SaaS growth shows no signs of slowing down. Now's the time to manage it.

Schedule a demo of Zylo, **the leading SaaS management platform,**

to find out how it can empower you to:

- Uncover all the shadow IT in your organization.
- Discover your entire cloud-based spend.
- Evaluate SaaS apps that are not secured behind SSO.
- Determine who is expensing SaaS subscriptions.

About Zylo

Zylo helps clients control SaaS-based risks and costs while providing their employees with easy access to the SaaS applications that make them effective. With proven expertise and the largest collection of data on SaaS inventory, utilization, and optimization, Zylo continues to innovate and lead SaaS Management thanks to our team of customer-obsessed innovators.

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