2020
SaaS Management Benchmarks

Trends and Insights from the
Industry's Largest Database of Real-time
SaaS Spend and Utilization

ZYLO

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INTRODUCTION

Perception is Not Reality

Zylo's annual SaaS benchmarks report is a comprehensive analysis of SaaS spending and management based on anonymized data from hundreds of companies. These organizations range from small and midsize businesses to commercial to global enterprises, as well as a diverse representation of industries.

To date, Zylo's Discovery Engine has examined more than $300 billion in supplier spend to identify more than $23 billion in cloud-based investments and, specifically, more than $5 billion in SaaS spending. This data serves as the backbone of Zylo's SaaS management platform – the fuel for our AI-powered Discovery Engine – and the foundation for the annual benchmarks report.

2020 was an undeniably tumultuous year. As Zylo's data science team began updating benchmarks for this year's report, we planned to supplement this comprehensive data with select survey data and anecdotal information to compare IT's perceptions about SaaS with today's reality.

We found there is a wide gap between perception and reality. For example, **most organizations estimate they have approximately 200 to 300 SaaS apps; in fact, the average organization has more than 600**. For this reason, this report focuses on actual data sourced from anonymized spend information.

Survey-based reports can certainly illustrate the beliefs, attitudes, and behaviors of SaaS buyers and users. However, the Zylo benchmarks report offers an objective analysis of annual SaaS spending and usage trends based on real-world data.

We invite you to glean actionable insights for discovering, optimizing, planning, and governing your organization's SaaS applications with this year's report.

It's time to manage SaaS. Are you prepared?

Best,

Theresa ONeil
Chief Marketing Officer
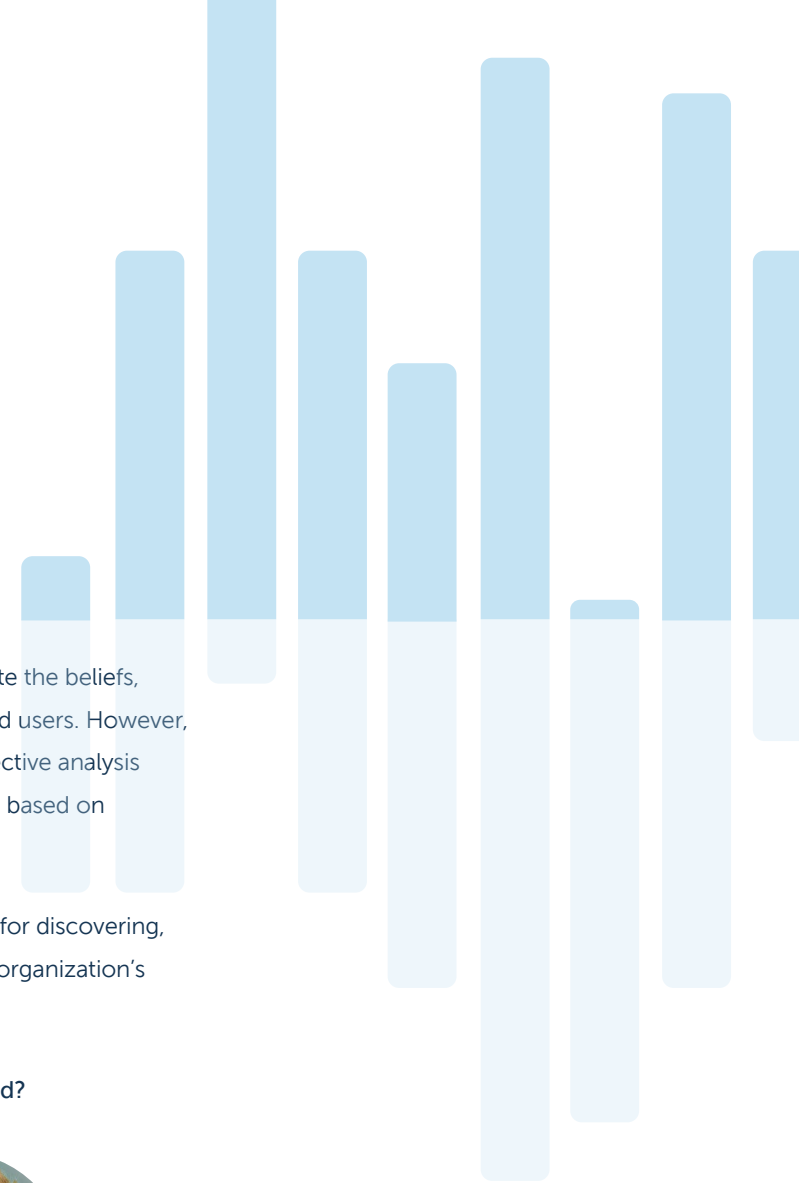
Executive Summary

SaaS continues exponential growth, compounding challenges to controlling costs and avoiding risk

- Year-over-year SaaS spending rose 14% in 2020.

- Saas application quantity grew by 9%, nearly double the 5.3% growth rate last year.

- Companies now maintain 651 SaaS applications on average.

Remote work requirements accelerated SaaS growth

- During the initial shift to remote work caused by Covid-19 (February-April), SaaS spending rose by 26% compared to the same period last year.

- Notable investments included average annual spending increases in:
  - Web conferencing (22%)
  - Identity management (45%)
  - IT security (26%)
  - Virtual private networks (129%)
  - Data security (132%)

Democratization of SaaS is the primary contributor to inventory growth, shadow IT, and cost inefficiencies

- Today, IT controls 42% of spend, but just 25% of all application quantity.

- Combined, business units and employees are now the majority source for SaaS spending and control.

- One in four employees expense SaaS.

- Expensed spending leads to duplicate purchases as well as redundant functionality. These problems dilute purchasing power, increase transactional burden, and create intraorganizational friction

- Most common types of redundant SaaS applications:
  - Training/LMS/E-learning
  - Digital Asset Management
  - Project Management
  - Team Collaboration
  - Recruiting
  - Web Conferencing
  - File Storage & Sharing
  - Business Intelligence
  - Digital Analytics
  - Sales Intelligence

Rapid-fire SaaS growth creates a greater need to manage the SaaS lifecycle

- Keeping up with new sources of shadow IT is more difficult as the amount of new SaaS applications appearing in company technology environments has increased by 38% to 10 per new applications per month.

- The likelihood of surprise renewals has increased by 70%, with the average company now undergoing three SaaS renewals per business day.

SaaS Growth Continues to Accelerate, Increasing Costs and Risk

Businesses and their employees are spending more on SaaS and increasing the total number of SaaS applications, but with significant cost concerns and security risks.

Today, business leaders face a choice that's increasingly dire: **Move quickly to start managing SaaS now, or face the negative consequences of cost overruns and security risks.**

SaaS usage continues to grow exponentially within most businesses. Gartner projects SaaS will garner $104 billion in revenue in 2020 and grow more than 15% in 2021, with an estimated $120 billion in total revenue.

But despite this continued rapid growth, few organizations recognize the need to proactively manage the category to account for its fundamentally unique characteristics.

SaaS spending across all categories rose by 14%

SaaS spending across all categories rose by 14% amongst Zylo customers.

This increased spending directly translates to an increase in the quantity of SaaS applciations. Average SaaS application quantity grew 9% over the previous year's average of 597 applications. Today, the average company's technology environment now holds 651 SaaS applications. But beyond the amount spent and inventories now numbering in the hundreds, **SaaS spending and inventory growth carries larger problems: Increases in unplanned spending and significant risks to security, regulatory compliance, and data protection best practices.**

Why is spending unplanned? Because SaaS growth is increasingly sourced from transactions originating from multiple business units, teams, and employees – which proves difficult to track.

Businesses and organizations that don't adopt proactive policies to manage SaaS now run the risk of uncontrolled, undiscovered spending as well as a growing exposure to threats such as data breaches and non-compliance with privacy and data regulations.

Perception vs. Reality

Is all shadow IT "bad"? No, not necessarily. Some teams prefer to provide employees with the freedom to select and use SaaS tools they need — quickly. This gives the company a competitive edge by enabling teams with best-in-class tools to drive digital innovation and agility.

However, most companies grossly underestimate how many tools they have. On average, **most organizations consistently underestimate how many SaaS applications they have by two to three times.**

Number of SaaS Apps by Company Size

Company size (employee count)	Average Number of SaaS apps
1-100	111
101-500	286
501-1,000	643
1,001-2,500	610
2,501-5,000	769
5,001-10,000	706
10,001+	1,433
AVERAGE	651

Remote Work Pours Fuel on the SaaS Growth Fire

2020 will long be indelibly associated with the impacts of the global Covid-19 pandemic. This holds true for SaaS growth as well. As companies across the world rushed to adapt to quarantine policies and stay-at-home mandates, they also rushed to equip workers with the digital tools required to make remote work possible.

During the initial months of the pandemic's impact, many companies skipped drawn out procurement regimes and simply fast-tracked provisioning workers with digital tools as quickly as possible. And due to its decentralized nature, SaaS applications became a requirement, not an option.

From February through April 2020, SaaS spending jumped 26% YoY, proof positive that the pandemic forced many companies to undergo rapid digital transformations.
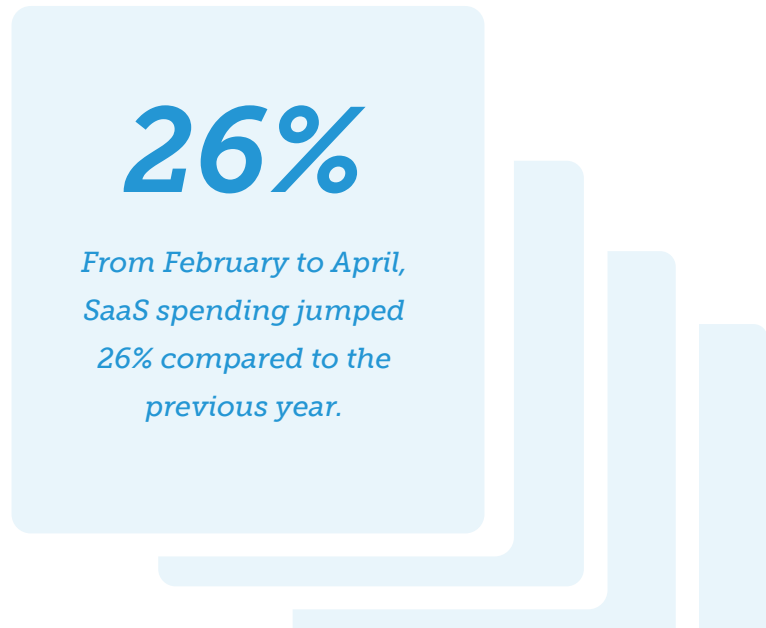
Covid-19 Accelerates SaaS Spending

The SaaS tools that enable remote collaboration and ensure more secure technology environments appeared to benefit most from the lightning-quick shift to remote-first work.

26%

From February to April, SaaS spending jumped 26% compared to the previous year.

WEB CONFERENCING

+22% YOY

Business spent 22% more on **web and video conferencing SaaS applications**.

IT SECURITY APPS

+26% YOY

Spending on **IT security applications** rose by 26%.

DATA SECURITY

+132% YOY

Data security SaaS spending more than doubled.

ID MANAGEMENT

+45% YOY

Identity management spending grew by 45%.

VPN

**+129%** YOY

Spending on **VPN Clients** more than doubled.

Business Unit and Employee Spending are Primary Factors in SaaS Inventory Growth

The key contributors to the growth in the number of SaaS applications — and corollary shadow IT growth — are SaaS purchases by business units and employees. IT departments traditionally held the role as the sole buyer and manager of software within large organizations. That's no longer the case.

Defining SaaS and Shadow IT

- **IT SaaS** - Mission-critical tools and/or widely deployed applications and those maintained in an identity management system/SSO.

- **Business unit SaaS** - Not managed by IT, but acquired in direct supplier purchases (aka Accounts Payable).

- **Shadow IT** - Applications purchased by teams or individuals and reimbursed as expenses.

As SaaS continues to become more accessible and specialized, IT's share of ownership in spending and direct management has shrunk. Today, IT controls only 42% of SaaS spending and has just 25% of direct management of SaaS applications.

By Spend: 54% / 42% / 4%
By Number of Apps: 33% / 42% / 25%

- Business Units
- Employees
- IT
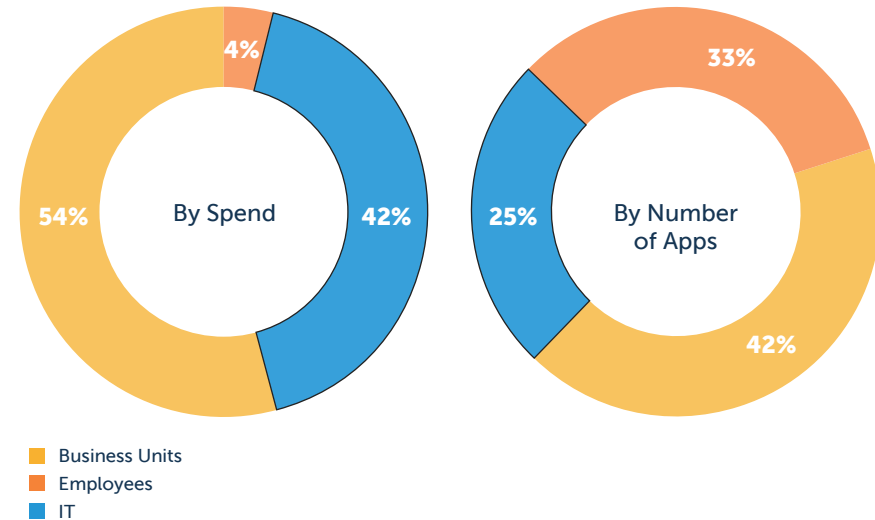
Employees expensing SaaS applications contributes significantly to overall growth. More than 92% of all SaaS spending occurs through Accounts Payable (AP). However, AP spending only accounts for 48% of the number of SaaS applications.

**Expense transactions represent just 7% of total SaaS spending but account for more than half of the number of SaaS applications in an organization.** For example, if the average company maintains 651 applications, approximately 338 of those applications were acquired by employees using credit cards or personal expense reimbursement. This minority spending has outsized implications for governance policies for security, compliance, and cost.

SaaS applications purchased via expense make up just 7% of SaaS spending, but they represent more than half of all SaaS inventory.

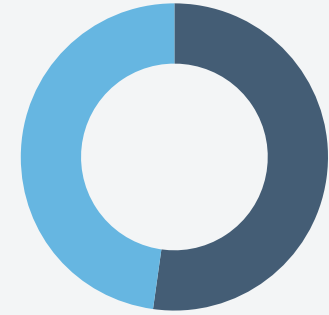**SaaS Spending by Purchase Source**

Expense 6.7%

Accounts Payable 93.3%
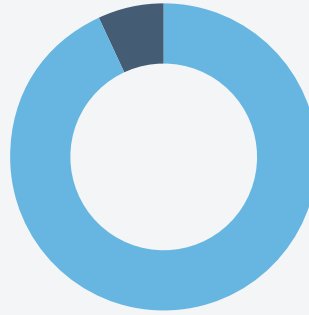
SaaS Apps by Spending Source

Expense 52.1%

Accounts Payable 47.9%

First, many of these applications exist as shadow IT, and as such, have typically not undergone the vetting process that may occur with direct supplier purchases or a true procurement process.

On average, one in four employees have acquired a SaaS application via expense

And, because they exist as shadow IT, SaaS applications sourced from expensed transactions are rife with inefficiency.

Duplicated spend is one example. The business selects and acquires a SaaS application for distributed use within its organization. An employee needs the same tool, but because he or she is unaware of this decision or unable to inquire about SaaS application inventory, they also acquire the same tool. However, because the employee purchased the application as an individual and not as a large company with buying power, they pay more per license or seat.

Additionally, vetting processes that a company's purchasing or sourcing team would take to ensure the application is secure, compliant, and cost effective are absent with expensed transactions. Reseller transactions can also contribute to duplicated SaaS purchases.

Redundant functions are another negative effect of expensed SaaS applications playing an outsized role in overall SaaS quantity.

When several applications effectively compete to fulfill the same function, it again robs the organization of purchasing power. It splits the user base amongst several applications, rather than the entire company using one standard application.

Each application carries a unique risk and compliance profile, which is typically unvetted as these applications have not undergone any type of software review.

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

SaaS Inventory Growth Creates a More Dynamic Environment

As the number of SaaS applications continue to grow for most companies, more effort is required to effectively manage the SaaS lifecycle.

SaaS applications don't appear all at once. Rather, applications enter, leave, and undergo renewal on an ongoing basis. Every 30 days a typical company will see at least 10 new applications enter its environment and four applications exit active use. The dynamic nature of SaaS within organizations is accelerating. Over the past year, the additions and removal of SaaS applications grew more than 35%.

Without an effective way to monitor the environment, new incoming applications are more likely to exist as shadow IT, be redundant to existing applications, and carry higher costs in the form of purchasing inefficiency.

Any tool exiting active use should be vetted against security and compliance practices to ensure that proprietary or personally identifiable information is handled properly.

Every 30 days

a typical company will see at least 10 new applications enter its environment and four applications exit active use.

Renewals Require Continual Management and Planning

The average company experiences three or more SaaS application renewals each business day. This 70% increase versus 2019's two renewals per business day demonstrates why it's increasingly incumbent for businesses to proactively plan for SaaS renewals.

While automatic subscription renewals help ensure continual service without interruption, too frequently, renewals occur with little to no planning and without data that demonstrates the utilization or cost-effectiveness of the application in question.

By documenting renewal dates and the required notification periods within a system of record or other calendar system, businesses can plan renewals further in advance. This allows businesses to spend time augmenting renewal decision-making with data-driven insights such as utilization rates for applications in question.

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
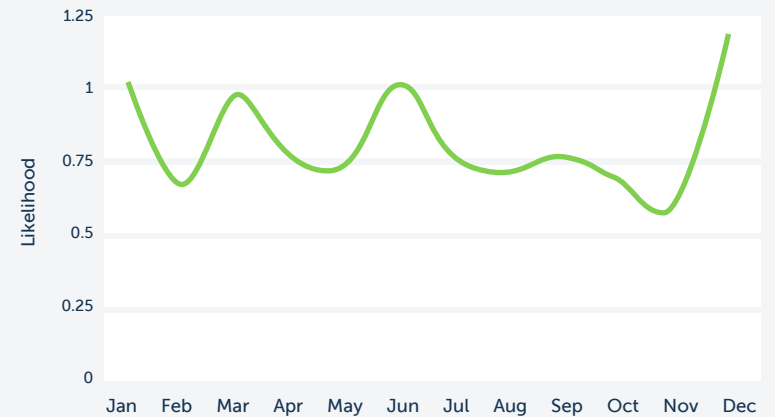
With a renewal calendar in place, businesses can anticipate and plan for busy renewal months such as December and January.

Conclusion

SaaS continues to grow at aggressive rates and the impact of events in 2020 underscore that **now** is the time to proactively manage SaaS.

On the heels of record-setting SaaS growth and the shift to remote work, businesses rely on SaaS like never before. But, this dependency breeds greater vulnerability to unmanaged spending from all quarters and unmitigated risks from shadow IT.

However, by:

- Discovering all SaaS applications and spending

- Optimizing and rightsizing licenses and features

- Forecasting and proactively planning renewals

- Empowering distributed workforces with optimized, compliant self-service SaaS

businesses can gain a competitive edge, reduce unnecessary costs, manage risks more effectively, and empower a distributed workforce.
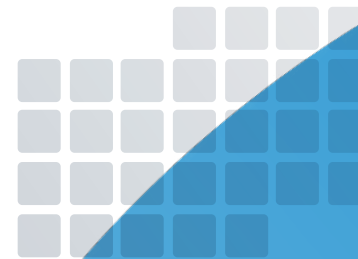
Zylo's mission is to provide employees with easy access to the SaaS applications that make them effective, while controlling the costs and risk of SaaS.

Zylo identifies and reduces redundant applications, duplicate expenditures, and underutilization of SaaS applications to optimize spend, reduce operational burden, and manage renewals proactively. With the industry's leading SaaS application catalog, Zylo is paving the way for compliant and optimized self-service SaaS.

To learn more about how the Zylo SaaS management platform empowers businesses to manage the entire lifecycle of SaaS, **visit zylo.com/demo.**