

RIGHTSIZING YOUR SAAS COSTS

The steady, incremental shift to SaaS application usage always hastens during periods of market volatility. None more so than the early part of 2020 when, driven to find remote work solutions to ensure business continuity, organizations significantly increased their use of SaaS. Some SaaS vendors such as Zoom¹ and Microsoft Teams², have seen large increases in product usage. While this accelerated SaaS adoption has enabled organizations to continue providing services and products, it has also exacerbated a persistent challenge associated most frequently with SaaS: A lack of visibility across the business to effectively optimize cost and wasted spend. With IT, Procurement, and Finance leaders focused on serving the needs of their business partners, many are also likely being called upon to identify opportunities for cost savings and cash preservation as well.

This guide will detail the steps we recommend to gain full visibility of your SaaS applications and associated spend, and ensure optimal cost management. From the foundational step of establishing usage visibility through to the typical areas of waste and how to address them, this guide is designed to give IT, Procurement, and Finance leaders the practical guidance needed to drive value while supporting business partners as business needs evolve.

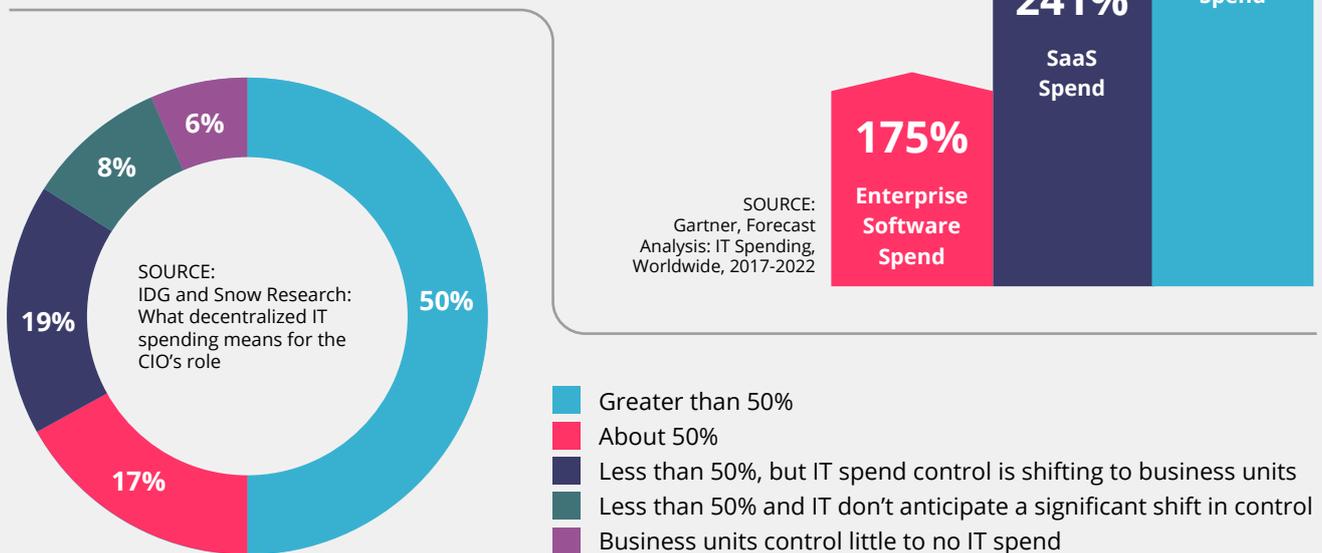
I CHALLENGES WITH SAAS ADOPTION

The shift to SaaS applications has enabled organizations to maintain business continuity while facilitating remote work, collaboration, and access to data.

The rapid shift to SaaS is actually an extension of two long-standing trends:

GROWTH IN CLOUD-FOCUSED SPEND

Between 2017 and 2022, SaaS spending is expected to increase 241%, second only to the increase in public cloud (IaaS) spend.



SHIFT IN TECHNOLOGY PURCHASE RESPONSIBILITY

A 2019 IDG and Snow survey found 67% of organizations said that at least half of technology purchasing is now controlled by business units. We expect that the current economic climate will have increased this percentage as organizations give business units greater leeway to ensure business continuity.

A significant challenge in many organizations is that the shift to SaaS and business unit technology purchasing is unplanned spend – though vital for maintaining business continuity and ensuring employees have what they need to keep working efficiently. During times of uncertainty, unplanned spend is to be expected given the challenges the market is facing, but it isn't without consequences as these business continuity efforts often result in a degree of waste, duplication and redundancy.

Through 2022, organizations without effective SAM practices will waste 30% of cloud spending³. Considering the way SaaS is being procured and used during times of market volatility and borne out of a need for business continuity, this is likely an underestimation.

“Through 2022, organizations without effective SAM practices will waste 30% of cloud spending”

SOURCE: Gartner 2019³

I AN OPPORTUNITY TO SUPPORT BUSINESS UNITS AND EFFECTIVELY MANAGE SPEND

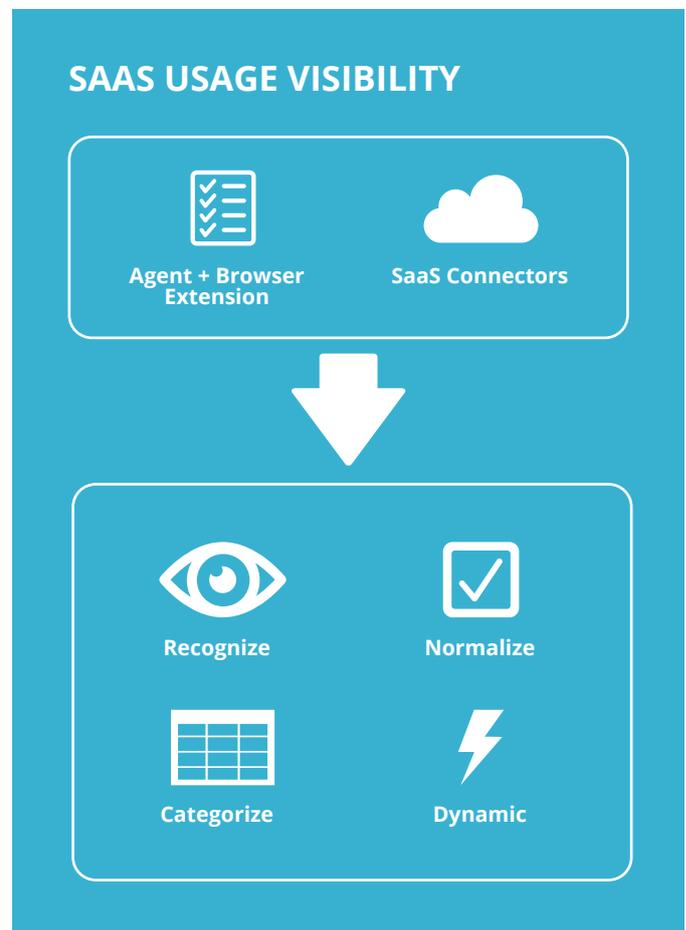
IT, Procurement, and Finance leaders face a difficult balance of ensuring their business partners have the technology they need while also fulfilling their role as stewards of organizational spend. With the necessary information—especially visibility into application usage—they are uniquely positioned to achieve both these goals. Especially in today's climate, organizations will likely be calling on these leaders to identify optimization and budget preservation opportunities.

START BY ESTABLISHING A FOUNDATION OF VISIBILITY

The first and most critical step to manage and optimize SaaS is to build a foundation of usage visibility.

This foundation can be established using a combination of agents, browser extensions, and connecting to SaaS vendor APIs. These discovery methods are the start for gathering data but then, importantly, that raw data must be normalized, categorized, and augmented with data such as application type, privacy risk, license metric type, license requirement and other application-specific data.

This process produces a complete view of what SaaS is being used in the environment, regardless of who in the organization procured the application, if it was free or an internal application. Importantly, gathering information at the user-level ensures detailed usage information, with specifics on how an application is used and what components are being used. This component-level information is critical to future optimization efforts.



I 4 WAYS TO OPTIMIZE SAAS SPEND

1. IDENTIFY UNUSED LICENSES

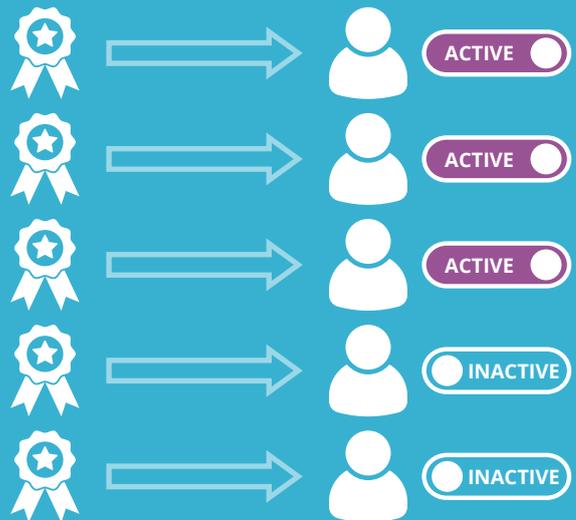
Unused SaaS subscriptions can be present for several reasons: The organization may have over-estimated the number of required subscriptions or rolled out an application to the entire organization when only some people needed it. In an economic climate which requires business continuity, these reasons become more likely as organizations typically don't have the time to make the usual careful assessments of who needs what. Instead leaders often (and understandably) take the approach of "buy it now, we'll worry about the details later."

To find these unused SaaS subscriptions, Snow leverages detailed, user-level usage information and compares it to entitlement data. IT leaders then have true visibility of the percentage of subscriptions truly in use.

With usage percentage in hand, there are a few options. If the organization is on a monthly payment plan, they can stop paying for these licenses immediately. However, if the organization is under a more common one- or three-year contract, they can reclaim these licenses for use with new employees so that they don't have to buy additional licenses.

Part of reclamation is setting governance rules for when to reclaim subscriptions. These rules depend on things such as the nature of the applications, the user type, and other factors that will determine whether reclamation after 30, 60, 90, or other number of days, is appropriate.

IDENTIFY UNUSED LICENSES



"CAN'T I JUST LOOK AT FINANCIAL RECORDS?"

Some SaaS management solutions rely on accounts payable and credit card information to try to manage SaaS spend. While financial data is an important component in overall SaaS management, it lacks a critical element: Actual application usage. Financial data can report what was spent, but not what is being used. Only with methods such as leveraging browser-based data or by plugging into vendor APIs can usage information be obtained.

2. SOFTWARE RENEWAL PROCESS

The software renewal process can be among the least optimized activities in an organization. Faced with a looming renewal, organizations often struggle to get the upper hand in negotiations with vendors.

One of the key things the majority are missing is how many allocated licenses are in use. This means organizations simply renew for all the licenses they paid for the previous year. Considering the extent of unused SaaS licenses, this means wasted money. The solution is to utilize detailed usage information to renew only what is needed. With usage information, organizations enter negotiations from a position of strength.

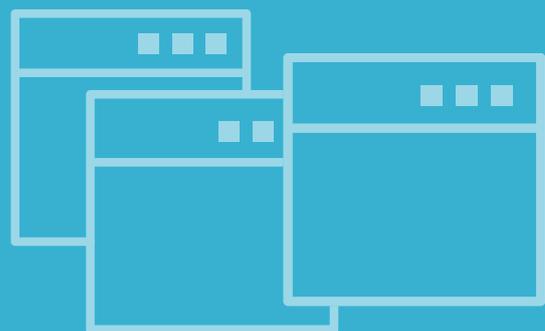
3. IDENTIFY REDUNDANT APPLICATIONS

Redundant applications are especially prevalent when it comes to SaaS because of the often decentralized nature of the purchase. Different departments in the organization find their own solutions, a situation especially prevalent in uncertain economic climates in which business units are making expedient decisions. Business units often buy what they want when they want it to address a specific need, sometimes without the knowledge of whether the organization already has a solution for that technology. Graphics software, file storage (Box, DropBox, SharePoint, etc), and project management applications are common areas with functionality overlap.

IT, procurement, and finance leaders can help the organization bring back efficiency by finding these redundant applications. This identification is possible when, during the normalization process following application discovery, discovered applications are tagged with an application type. Reports can then highlight overlapping functionality.

The final step is to work with application owners to determine if it is possible to standardize on one technology.

ELIMINATE REDUNDANT APPLICATIONS



“IS IT JUST ABOUT SAVING LICENSE COST?”

Savings from eliminating redundant applications extend far beyond just subscription cost. Fewer applications mean lower support costs because IT desks take tickets and are required to learn fewer applications. There is less effort and cost associated with renewals. Finally, security-related costs are reduced as teams need to track and manage fewer applications.

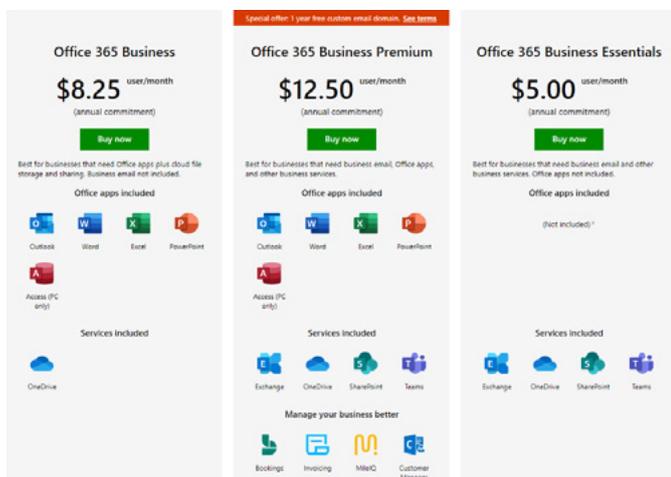
4. OPTIMIZE THE LICENSE TYPE

The last optimization type represents potentially the largest savings opportunity. It addresses the significant subset of SaaS applications that have different subscription tiers and each with very different cost structures. It's all too easy to procure applications without detail being paid to precisely what level of entitlement is needed per user.

To determine the most appropriate license type it is important to know not just that someone is using an application, but how they are using it and the specific components they are using.

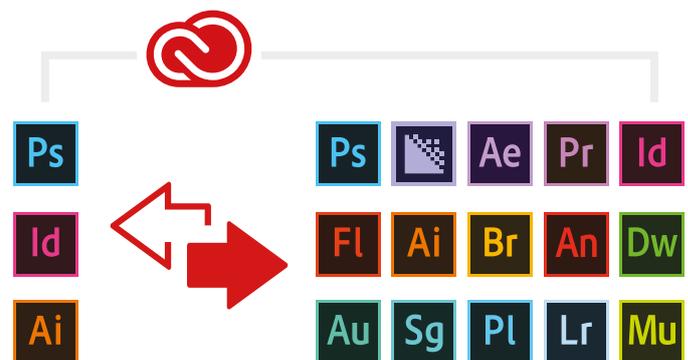
OFFICE 365

Office 365 has multiple subscription tiers (see image). These tiers are defined by usage of individual application components and whether those components are available in just the cloud/browser version or also the desktop version. To know which subscription tier is most appropriate for a given user, usage data is needed which shows the components in use and whether the usage is cloud-based or install-based.



ADOBE CREATIVE CLOUD

Adobe licenses their Creative Cloud product through "All App" or "Single App" models. An "All Apps" license provides access to 20+ applications or they can be bought individually. The "All App" model breaks down to how many individual app licenses are bought, with a breakeven at about 2.5 applications. A subscription to 3 or more individual apps means it is more cost-effective to purchase an All App license. Conversely, if a user has an All App subscription but is only using 1 app, money can be saved if it is converted to a Single App subscription.



In both these examples, with detailed, component-based usage data, organizations can change user subscription type during renewal for significant savings.

"CAN'T I JUST GET THIS INFORMATION FROM THE PORTAL?"

The Office 365 and Adobe Creative Cloud portals provide significant information regarding users and usage. However, they both come with a significant limitation: They don't fully account for the fact that these are hybrid applications, with SaaS usage and a desktop install. The portals only provide SaaS-based usage. To fully understand usage, a combination of usage from both environments is required.

I CONCLUSION

SaaS represents both enormous opportunity and risk. While most organizations will benefit from lower maintenance costs, faster time to value and continuous upgrades, SaaS is also strongly associated with wasted spend. By building a foundation of detailed, user-centric, component-level usage information, IT, Procurement, and Finance leaders have the opportunity identify and realize significant savings opportunities across four areas:

- **Subscription optimization**
- **Application rationalization**
- **Entitlement-level optimization**
- **More effective renewals**

Effective SaaS management positions these leaders a single, accurate and timely source of holistic usage and cost information, enabling them to deliver optimal support to business partners and drive cost savings.

For a deeper dive into how to understand and optimize your SaaS usage, our **Rightsizing your SaaS costs webinar** discusses 4 key ways you can optimize your SaaS spend.

Sources:

1. <https://www.theverge.com/2020/4/23/21232401/zoom-300-million-users-growth-coronavirus-pandemic-security-privacy-concerns-response>
2. <https://venturebeat.com/2020/04/09/microsoft-teams-breaks-daily-record-with-2-7-billion-meeting-minutes-tops-mid-march-high-by-200/>
3. Gartner 2019 – <https://www.gartner.com/document/3920323>



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