AUGMENTT

Helping Your Customers Reduce SaaS Costs

V 1.0

AUGMENTT TECHNOLOGY

___

ISSUED
03.04.2020

REVISED
04.30.2020

Ultimate Playbook for Helping Your Customers Reduce SaaS Costs

—

Table of Contents

Introduction

With cash flows tightening, organizations are placing a much higher priority on saving money across the board and, in particular, on SaaS apps.

This makes sense. After all, up to 30% of companies' annual SaaS spend is wasted, one report found. For an 800-person U.S. company, this translates to more than $4M lost in a year.

Businesses can no longer neglect ballooning SaaS costs. COVID-19 has only accelerated the need to identify and cut excess spending.

Think about it: How many times have you discovered someone in an organization using software, and you were unaware of its existence? While SaaS has many advantages over on-premise software, it can be hard to find and manage. Crucially, you can only cut costs from what you can identify.

Up to 30% of companies' annual SaaS spend is wasted, one report found. For an 800-person U.S. company, this translates to more than $4M lost in a year.

AUGMENTT

Although your clients are saving money by using SaaS subscriptions, this outlay still represents a considerable investment. Subscriptions for most major cloud apps are based on "Named User" licenses, meaning that you're paying for every user who needs access.

In some cases, your clients might even be paying double or triple for single users. Salesforce, for instance, requires a Named User license per user per Org. If an individual user needs access to three different Salesforce Orgs, that user will require three different Named User licenses.

Back when people actually bought software or developed it themselves, it could be depreciated as a capital expense. Not SaaS, which remains a constant, EBITDA-eating operating expense. That becomes a significant issue in slowdowns— tough to cut—or when you try to sell your business.

Plus, what starts as a reasonable cost for a small company can be a big deal a decade down the line. Even "free" productivity software like Google's suite of products can pull you on to an escalator of costs thanks to storage milestones that require you to spend more—or risk stalling your operations.

If you are an MSP executive, this burgeoning priority to cut SaaS spend represents both an unprecedented opportunity and a challenge. To win and retain business, you must demonstrate the ability to provide value and insight, especially as organizational priorities shift.

This eBook will show you how you can do so by optimizing and reducing your client's SaaS spend.

AUGMENTT

Chapter 1: The Importance of Added Value to Your MSP

Against the backdrop of COVID-19, MSPs need to think about the types of value they are providing to the client, and to discuss this value in customer meetings, when marketing and branding, and when recognizing how potential clients are making their decisions.

Identifying your functional value will help you to describe the benefits you're going to provide to the customer.

Most businesses look for solutions that will make money in one of two ways:

1. Either the business is going to save them money, or
2. It will improve revenues coming in

If the solution isn't saving them money, it should take a bite out of performance issues. This could be:

- Adding innovation to the client's business model
- Supporting the company in scaling the product
- Improving the quality of the product itself

For an MSP, this could be economic, such as "I'm going to streamline your systems and save you X per month on this unnecessary software" or it could be performance-based, such as "I'm going to help you transition to the cloud, allowing you to add speed, scale, and innovation."

AUGMENTT

During a crisis, leaders become defensive. **As an MSP, it becomes easier to sell an idea that saves them money as opposed to improves revenues.** As organizational leaders face pressure to cut costs, you must help them avoid a knee-jerk response. A strategic prism must trump ad hoc urgency because the way they manage their cost decisions now will determine how well they sustain performance during this crisis and emerge as it passes.

Gartner has long positioned cost optimization as a strategic approach to cost management, designed to deploy capacity to critical initiatives and deprioritize initiatives with lower strategic importance — in short, it's a means to fund innovation and growth. But how does that approach apply during a crisis?

Simply put, business leaders must act to identify and capture short-term efficiency gains, including immediate spend reduction while managing the risks associated with those cost decisions. In the case of your clients, that primarily means protecting employee experience and productivity.

As you'll see from the types of excess SaaS spend, it's a perfect area to provide immediate spend reduction, with virtually no downside.

AUGMENTT

Chapter 2: Know Your Enemy:
Why SaaS Costs Have Ballooned

Forrester predicts that software spending growth will slow to the 2% to 4% range in the best case and will post no growth in the worst case of a COVID-19 recession.

While organizations look to reduce spends on new applications, they're likely to minimize existing spend too. CFOs will find many easy targets given the degree to which SaaS costs ballooned in the last decade.

Once upon a time, the IT department had full ownership of new software. This centralized approach meant that adopting a new tool could go through the long process of validation, approval, introduction, and most likely will be long, tedious, and not-at-all transparent.

Now in more modern companies, people are embracing SaaS subscriptions. This is because more and more employees are using an extensive range of software for work. It can be a communication tool, text editor, video editor, or software development tool.

The frictionless sign-up process, usually involving nothing more than an email address, which means many employees tend to sign up for online cloud tools right when they need them. To them, it is seemingly a quick and painless solution for whichever problem they are facing.

The unknown existence of SaaS applications within an organization is known as Shadow IT, and the cost to your clients is staggering.

AUGMENTT

You might be thinking, how bad an issue can Shadow IT be?

A WHOPPING

50%

of technology lurks
in the shadow*

A STUDY FOUND

1,004

is the average number
of cloud services financial
services firms use.***

CONSIDER THIS:

Corporate IT security
professionals estimate they
have 30 to 40 apps
in the cloud when the
reality is a staggering

928 apps.**

This figure means that the
average SME IT department is
entirely in the dark about half of
the technology in use.

This is 15 times more than IT
estimates. Even industries where
security and data are paramount
are not exempt.

*Research from the Everest Group
**Axway
*** Infosecurity Magazine

AUGMENTT

Chapter 3: The Existence of Shadow IT is the Leading Cause of Uncontrolled SaaS Spend

To understand why the existence of Shadow IT is the leading cause of uncontrolled SaaS spend, consider that multiple departments could be licensing the same solution without anyone knowing. They're stuck paying duplicate license fees because each department is doing their own thing.

On the other hand, when negotiating per-user license costs, a business will typically receive a bulk discount based on the number of users they license. They can negotiate a much lower per-user fee than a typical user purchasing a single license.

Beyond this, employees might upgrade licenses without anyone knowing. If an employee has sufficient rights, they may upgrade to higher levels of service or storage capacity with an increase in cost and no visibility or approval by your client's company.

There are also intangible costs associated with Shadow IT that are difficult to quantify accurately. It's an efficiency drain on your client's IT department, as they're always setting up countermeasures to stop Shadow IT. Also, as explained below, it's an efficiency drain on the users, as many of these countermeasures create barriers in their day-to-day tasks.

Reducing waste and optimizing IT spend present an opportunity for huge savings—money that your customers can repurpose to pay for new initiatives and increase the return on their tech spend.

AUGMENTT

Chapter 4: 4 Types of Excess SaaS Spend

If you haven't undertaken a strategic SaaS spend reduction before, it helps to know what to look for. In this section, we discuss the kinds of costs you might find and why they tend to crop up.

4 Types of
Excess SaaS Spend

1. Extra Licenses (Shelfware)

2. Inactive Users (Including Former Employees)

3. Duplicate Apps Or Multiple Instances

4. Unoptimized Licenses And Off-The-Shelf Pricing

At almost every company, there's a graveyard of software no longer used. Shelfware also comes from ad hoc purchases that lead to over-buying. It comes from not fully leveraging global enterprise agreements, and not tracking installation and use. It comes from a lack of communication between departments and not applying software user rights correctly.

Bad shelfware is software that didn't return the value of its cost before being placed on a shelf. This could be the fault of the software, the organization, or the individual. Bad shelfware drains the organization of cash that it needs to help move the organization forward.

In an attempt to protect their support revenue, software vendors have contracts, policies, and clauses that complicate disposing of shelfware — for example, Oracle has its repricing policy and reinstatement fees, SAP has its all-or-nothing support policy, and Microsoft requires Software Assurance to gain server mobility rights.

AUGMENTT

4 Types of
Excess SaaS Spend

1. Extra Licenses (Shelfware)

2. Inactive Users (Including Former Employees)

3. Duplicate Apps Or Multiple Instances

4. Unoptimized Licenses And Off-The-Shelf Pricing

Eliminating Shelfware

Here are three ways to prevent the growth of shelfware.

1. Use Free Trials
Sometimes low barriers to purchasing software can be a bad thing. If the obstacles to purchasing software are too low, it may not seem reasonable to install and test a trial version of the software. Instead, you just purchase it and, if it doesn't work, it becomes shelfware.

2. Park the Shelfware
Some software vendors may allow customers to reduce costs by terminating the shelfware licenses, thereby removing all the rights to use the excess licenses. Still, customers are hesitant to get rid of licenses that they have paid for and may need again in the future.

3. Terminate the Licenses
Often, contracts stipulate several licenses. But when they do not, additional users can add up, and make ideal cost-cutting targets.

AUGMENTT

4 Types of
Excess SaaS Spend

1. Extra Licenses (Shelfware)

2. Inactive Users (Including Former Employees)

3. Duplicate Apps Or Multiple Instances

4. Unoptimized Licenses And Off-The-Shelf Pricing

Some people never use the software purchased. And if IT does not manage the app, some employees could need to be de-provisioned. This even happens sometimes when an employee has departed a client's organization months or years ago.

The average large enterprise is wasting approximately $7.4 million every year on under- and unused software. While that number will be smaller for companies with less than the 30,000 seats that they use as their average, the numbers are still high.

To illustrate just how high, consider this. If your client has 500 seats for its CRM usage, and only 300 users signed in over three months, you could then focus on the remaining 200 users. If each license costs $1,200 per year, those inactive users cost your client about $240,000 with nothing to show in return.

You could start by making a small recommendation for SaaS cost reduction (e.g., reduce CRM usage by 20% over the next three months) and explain how much money this will save.

If there is no contract with minimum usage outlined and penalties for reduction, then you can get your client started right away.

AUGMENTT

4 Types of
Excess SaaS Spend

1. Extra Licenses (Shelfware)

2. Inactive Users (Including Former Employees)

3. Duplicate Apps Or Multiple Instances

4. Unoptimized Licenses And Off-The-Shelf Pricing

Some employees or departments decide to get their apps, despite the existence of corporate subscriptions for similar apps. Likewise, sometimes employees start separate accounts for an app that's already been purchased.

By offering active training on approved apps, you're less likely to see employees or teams self-select and adopt competing collaboration platforms, project management tools, and video conferencing systems they're familiar with.

In today's environment, some degree of rogue purchasing or shadow IT can be expected, as teams and individuals choose the SaaS apps they think they need to remain productive. IT and business leaders need to get ahead of this to avoid the interoperability, financial, and security implications that come with not having accurate insight into your environment.

AUGMENTT

4 Types of
Excess SaaS Spend

1. Extra Licenses (Shelfware)

2. Inactive Users (Including Former Employees)

3. Duplicate Apps Or Multiple Instances

4. Unoptimized Licenses And Off-The-Shelf Pricing

Some licenses cost more than others, offering access to more advanced features. But what if not everyone accesses these premium features? Those people should use less expensive licenses. Without visibility into actual application usage, these cases can be hard to find.

You can also introduce education and training here. Not everyone's going to know how solutions like Zoom or Slack or Salesforce (or others) work right away.

Once again, introducing onboarding sessions so your employees can quickly acclimate to new solutions and optimize their usage is effective here. By offering active training on approved apps, you're less likely to see employees or teams fail to use platforms optimally.

AUGMENTT

Other Types of Costs

If you think that unauthorized use of SaaS applications in an SME is harmless, then consider other costs of Shadow IT.

What if unsecured cloud software contains sensitive data and a regulator finds out? In light of GDPR, Shadow IT could potentially cost your company up to $22 million or 4% of annual global turnover.

If an employee leaves, but the data they uploaded to a cloud remained there, a hacker wouldn't care. You would potentially be exposed to ransomware-like situations from software no one knew about - until it was too late.

AUGMENTT

Chapter 5: Use a SaaS Management Platform

How do you currently handle extra software licenses, inactive users, duplicate apps, multiple instances, or complicated mergers? Augmentt can help you navigate these issues for your clients.

AUGMENTT

We provide all you need to quickly and easily...
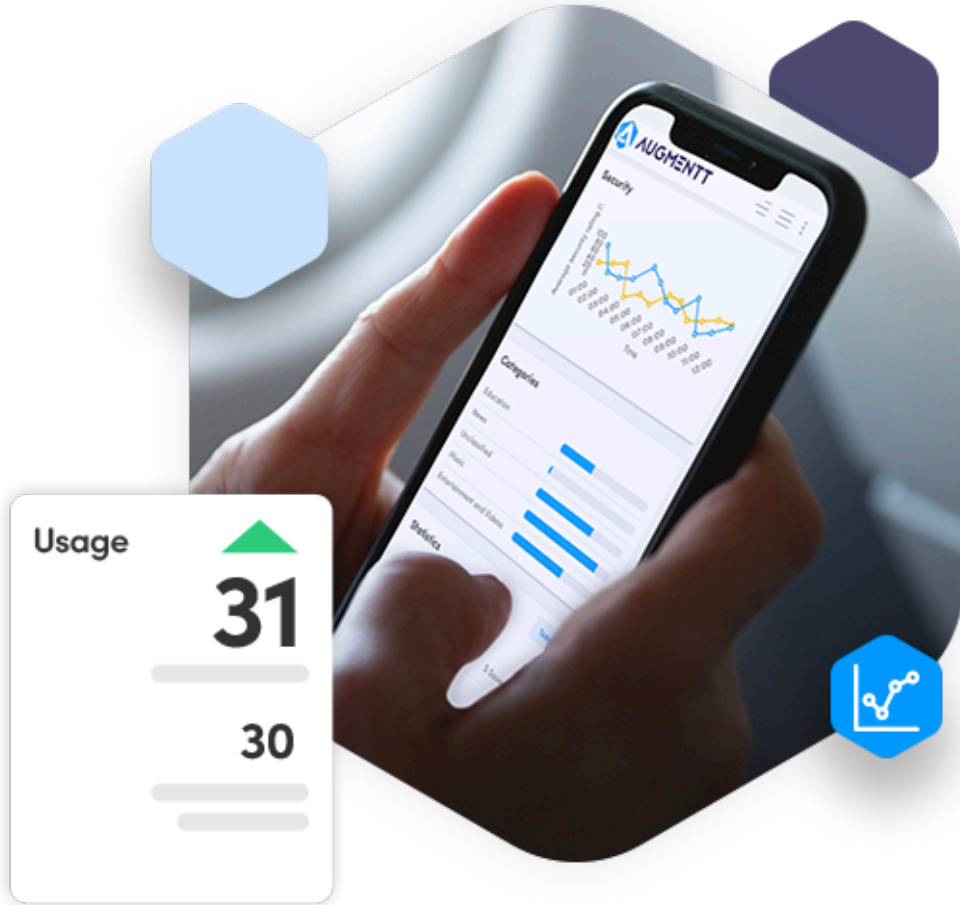
Perform customer SaaS audits

Provide valuable security and compliance reports

Help your customers identify internal SaaS usage, understand the associated risk, create policies to mitigate risk, and enforce usage

Compare SaaS usage to licensing in order to identify areas of savings

AUGMENTT

SaaS management platforms are increasingly becoming essential to manage, govern, and secure SaaS applications. Measuring product adoption by users is critical for SaaS and Cloud companies, as this is the most telling indicator of the value customers are getting from products and services.

For most companies, SaaS is simply a part of life now—for good and bad. The trick is to avoid complacency and inertia—the core of the SaaS business model. Make it someone's job to keep an eye on your client's SaaS spending. Ask them to watch long-term trends— not just spikes—in costs.

Many MSPs start managing this process with a simple spreadsheet. But, as organizations grow beyond 200 to 300 employees or develop more complex IT environments, implementing a SaaS Management platform is often more cost-effective and sustainable in the long term.

About Augmentt Technology

Augmentt is a Software-as-a-Service (SaaS) management platform designed specifically for the Managed Service Providers (MSPs) community.

At the core of Augmentt's platform is a powerful SaaS analytics engine that correlates SaaS usage data into actionable information relating to financial, security and operational workflows. Augmentt's goal is to provide MSPs with the tools and service enablement programs required for the delivery of profitable and scalable SaaS Services.

AUGMENTT

Do you want to help your customers reduce their SaaS costs?

CONTACT US

AUGMENTT

www.augmentt.com

Get in touch with Augmentt to learn how our SaaS management platform can help you manage your customers' SaaS ecosystem to save them money and give you greater visibility and control.