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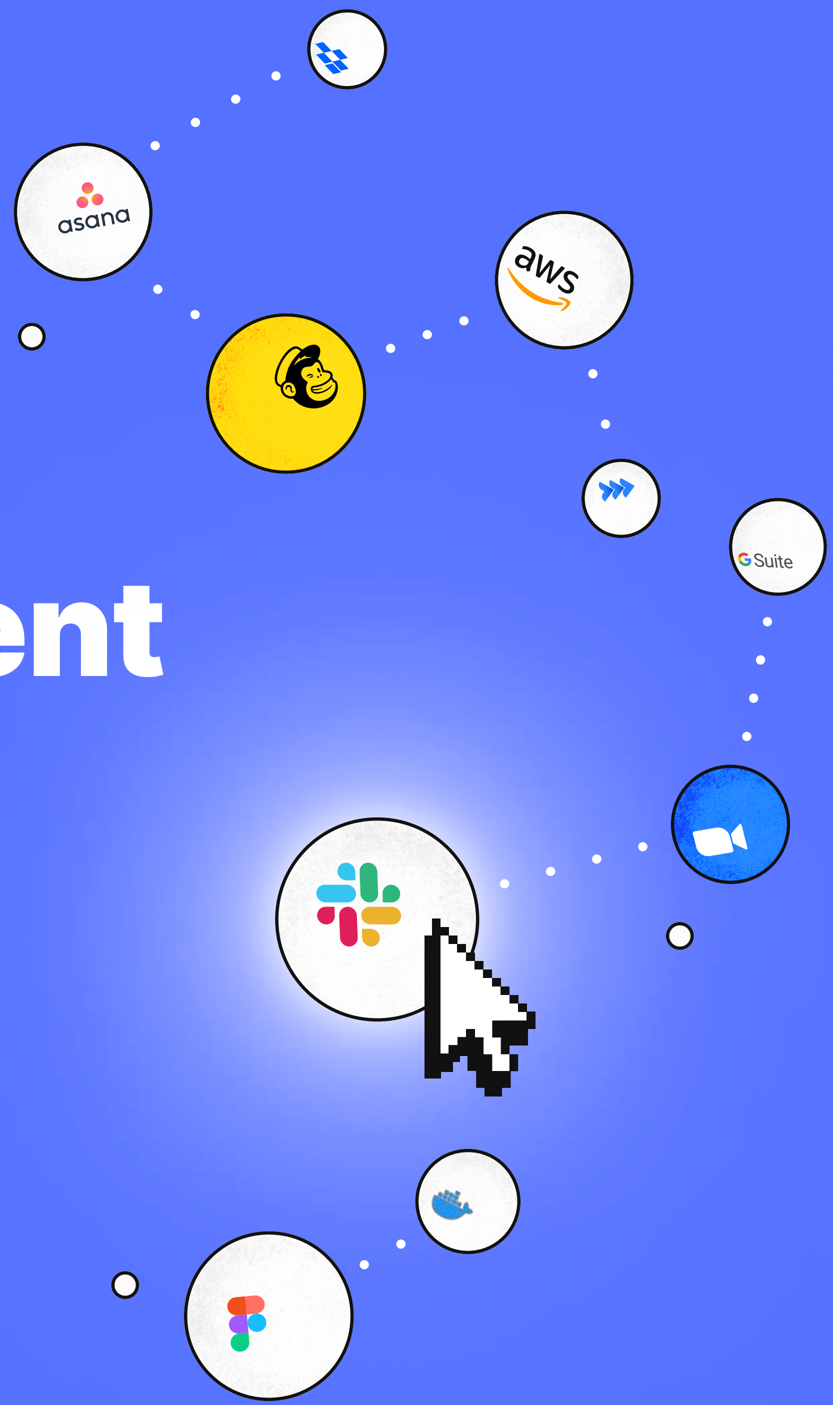
# A Guide to **SaaS Vendor Management**

A manual filled with tips on how to negotiate pricing, maintain vendor relationships, and get visibility and control over company SaaS spend, so you get the most out of every dollar spent.



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# About This Guide

SaaS has become integral to the operations of businesses of all sizes and industries. From customer relationship management to HR to collaborative virtual workspaces, SaaS apps help millions of people do their jobs every day.

But with so many options for every type of SaaS application out there, it can be overwhelming to choose the right vendors. And once you've selected the vendor, it's even more difficult to ensure that you're getting the most out of your SaaS costs.

This guide will walk you through the vendor selection process, how to negotiate terms and pricing, how to manage existing vendor relationships, and how to effectively manage your overall SaaS vendor spend.

# What Is SaaS?

SaaS stands for software as a service, meaning software that is centrally hosted and licensed on a subscription basis.

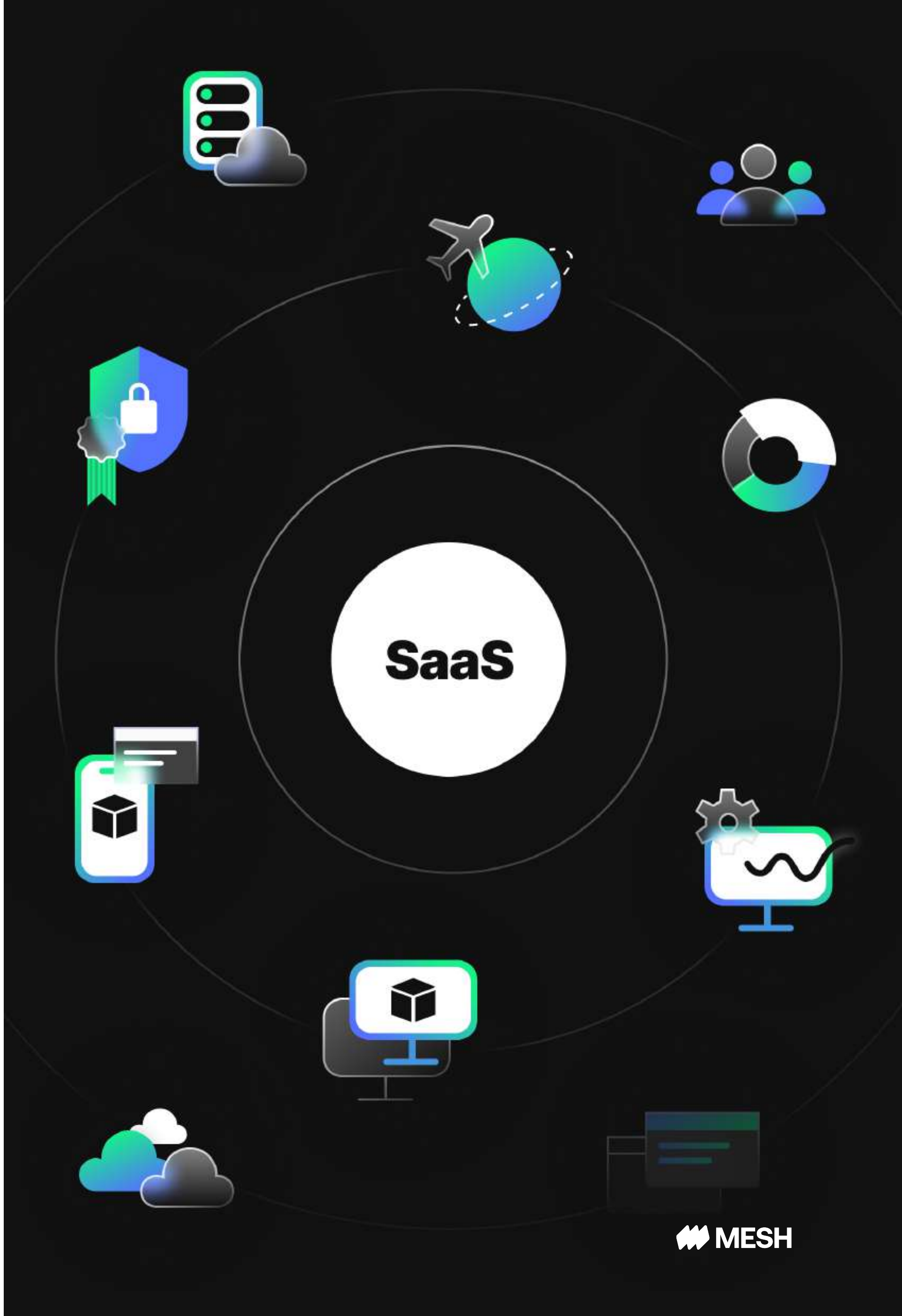
It's one of the fastest growing markets, providing all types of industries with tools to get their jobs done. That growth was **further amplified** after 2020, as more companies moved to the cloud to facilitate remote work during the Covid-19 pandemic.

A **study by Better Cloud** found that the top motivations for companies embracing new SaaS operations are to increase productivity, reduce costs, and increase security. It also found that:

- Companies use an average of 80 SaaS applications
- Companies with more employees used more SaaS apps (i.e., businesses with <50 employees use an average of 16 SaaS apps, while businesses with >1,000 employees use 177 SaaS apps)
- Tech-related hardware and SaaS companies were the biggest users of SaaS, followed by industries like manufacturing, healthcare, and financial services

So, as you can see, SaaS has become ubiquitous beyond just startups and the tech industry. It's now a crucial part of operations for businesses of all sizes and in all industries.

Now, let's figure out how to go about selecting the right SaaS vendors for your business.



# Selecting and Negotiating With SaaS Vendors

## 01. Research, research, research

A quick Google search will likely spawn hundreds of results for vendors claiming to provide the services you need. Shop around to find out how vendors are positioning their products, if they are upfront with pricing on their website, and what their customer support is like. Lots of SaaS vendors will also have promotional offers and discounts, so take this into consideration as well.

Most importantly, see what existing customers have to say about potential vendors. Websites like G2 and Capterra feature reviews from people that actually use the software. This should give you a good understanding of what users like and dislike about particular products, and you can weigh those opinions against your own company's needs and priorities.

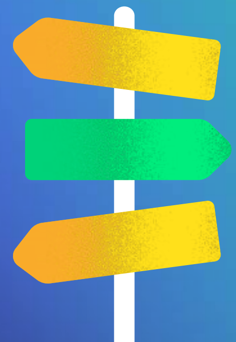
Once you've narrowed down a few contenders, book demos and talk to sales representatives to get a first-hand understanding of how the product works.

## 02. Know what you need from the vendor

That said, it's important to figure out what your company's needs and priorities are for a new SaaS tool. Think about the features and capabilities you want this SaaS product to have, and determine which of these are most important (i.e. is not having a particular function a dealbreaker for you?) and which ones you have room to compromise on (i.e. nice to haves that aren't mission critical for your company).

### Additionally, you should figure out:

- Budget (and how many user accounts you'll need if the vendor charges per license)
- Deadline for implementation (and how long implementation will take)
- Length of subscription term (and if there is a free trial period before committing)



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## 03. Invite all departments to the discussion

Rolling out new technology in the workplace usually requires input from multiple stakeholders and departments, so it's best to get all the necessary parties involved early. For larger companies, it might make sense to create a team in charge of vendor selection and negotiation, while small startups may need to get direct permission from the C-level.

Be aware of who needs to give final approval for purchasing a new subscription, but you may also need to include colleagues responsible for legal affairs, IT (and cyber security), and human resources — though this list will vary depending on your company's organizational structure.

## 04. Take your time

Unless you're in a situation where you absolutely need a tool to solve a particular problem immediately, take your time. Once you've done demos with a few different vendors, it's time to really hunker down and start negotiating.

Treat the negotiation as a process rather than a one-time meeting. Keep notes of meetings, emails, and calls over time and see who you've built rapport with. You'll want to select a vendor that is easy to reach, responsive, and understands your needs.

Another perk of building rapport with potential vendors over time is that you can receive updates on their products and their roadmap for the future. Vendors might have features in development that make a product more enticing to your company, and you won't know that unless you build a relationship with them.

## 05. Collaboration and communication are key

The process of selecting a vendor shouldn't be combative. When both parties agree on a collaborative and mutually beneficial contract, there is far less opportunity for resentment and conflict in the future.

Both your company and the vendor have certain requirements that need to be met, so the quicker you both understand each other, the quicker you can strike a fair deal.

Ensure that potential vendors know your priorities and be clear about what would be a "dealbreaker" — but there may be room for compromise to keep everyone satisfied.

## 06. Know what's at stake

In an ideal world, you'll pair with a vendor who can provide everything you need, on time, at a price you like. But it's also important to think through the consequences of waiting for perfection.

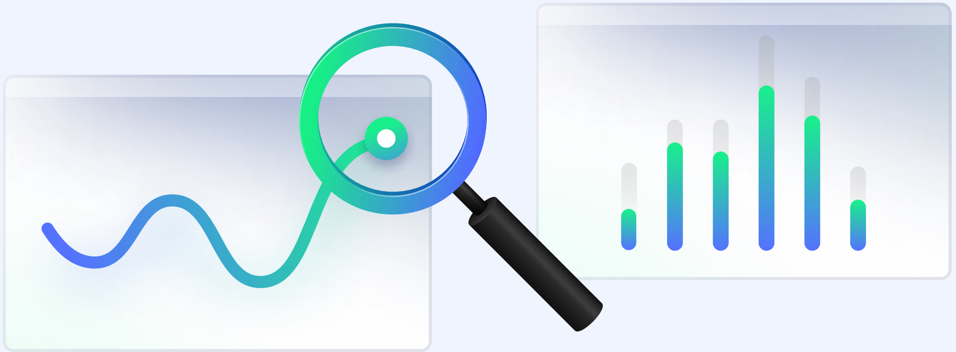
What happens if a deal with your top choice of vendor isn't made by a certain time? Will your team still be able to work in the interim? Will you have to accept a worse deal with a less favored vendor in order to keep operating? These may be worst case scenarios, but you want to think through all options before passing up a deal that meets most (even if not all) of your needs.

# Managing Vendor Relationships and Renegotiation

Once you've selected your vendor and started using their services, you probably aren't thinking about the negotiation process anymore — but you should be.

Perhaps you started with a SaaS vendor on a free trial basis or their lowest tier offerings. If that's the case, you may need to renegotiate soon after starting with their product. If you're on a monthly or yearly renewal, you've got a bit more time to think about what's working and what isn't.

Whatever the case, you will eventually need to renew, renegotiate, or cancel your subscription. So, here are some tips for maintaining a productive relationship and getting the most out of renegotiation processes.



## 01. Track success with KPIs

As the saying goes: "You can't manage what you can't measure." So, in order to manage your relationship with a particular vendor, you'll need to have measurable ways to track your employees' use of the product or service, as well as ways to track its success. That's where KPIs come into play.

Depending on what your SaaS vendor supplies, KPIs can vary wildly. As just one example, if you subscribe to an email marketing tool, some of the metrics you'll want to track could include:

- Open rates
- Bounce rate
- Unsubscribe rate
- Click through rates
- Forwarding rate
- Overall ROI

Come up with a standardized list of KPIs for each vendor you subscribe to, and track them every month. This will be a huge asset when it comes time to determine if it's worth renewing a subscription.

## 02. Get employee feedback

You'll want to take note of the features and services you like, ones you want to add in the future, and ones that you just don't need. The employees who use the SaaS applications on a daily basis will know best about what is working well and what needs improvement.

Whether you host a town hall meeting or send out anonymous surveys virtually, employee feedback is crucial to determining how useful a SaaS app actually is and what could make it more useful.

## 03. Calculate value

Evaluate and compare your KPIs and employee feedback. They should line up with each other if your vendor is providing you with the right services, but there may be wiggle room in certain areas (i.e. employees prefer one vendor's UX over another, or two vendors perform similarly in KPIs but one has better customer service).

## 04. Share feedback with vendor

Once you've collected feedback, take it to the vendor to see if they have solutions to any of the problems you've uncovered. Chances are they have updates in development that will solve your problems, or at least discounts or promotions they can offer you to compensate before switching to a lower tier subscription.

## 05. Protect your company

It's worth learning about your company's and your vendor's contract dispute resolution policies and procedures in the event that something goes wrong after selecting a vendor or parts of the contract are not lived up to.

# Managing SaaS Vendor Spend

Once you've started working with your chosen SaaS vendors, you'll need to ensure that you're tracking and evaluating the cost and payment of your subscriptions.

According to [Deloitte](), companies spend an average of $2,884 USD per employee on SaaS. That's higher than their hardware spend, and can make up a significant part of a company's budget depending on how many employees they have.

So, it's crucial to ensure that you are optimizing costs when it comes to vendor spend.

## 01. Start by conducting an audit

You need to get a handle on all of the SaaS subscriptions your company currently uses. Chances are you'll find redundant apps (multiple apps that perform similar functions) or zombie subscriptions (accounts that are inactive but still being paid for and remain subject to cyber attack).

SaaS audits can be done manually via spreadsheets and matching up payments to corporate card charges or employee expense reports. If you're going the manual route, you'll need to consult every employee (and probably loop in their managers), input every charge into a spreadsheet, group them by SaaS types and review which subscriptions are still in use and how much you're paying for each.

Fortunately, there are less laborious, much more efficient ways to manage this process and make sure you're getting the most out of your SaaS spend.

That's where a spend management solution comes in. It can help your company determine how many subscriptions and licenses are in use and identify inefficiencies, so you can cut them out and reduce spend.

# 02. Simplify vendor management with Mesh

### Get full SaaS spend visibility

Contain your entire SaaS spend in one place. Get full visibility with company-wide overviews, or dig into individual categories, departments, or vendors on a detailed level.

### Automate your payments

A spend management platform can automate vendor payments, ensuring that you never miss a payment or go past due. A solution like Mesh Payments even lets you mark certain vendors as “mission critical,” ensuring that they won’t be shut off and disrupt business in the case of a discrepancy.

### Identify cheaper alternatives

Look for a spend management system that is able to provide insights on alternative SaaS products. Mesh can compare your subscription capabilities and pricing to similar products on the market and make suggestions for cheaper alternatives.

### Avoid duplicate or unauthorized payments by locking virtual cards to vendors

A spend management system that provides virtual cards is also a useful tool in any business’s arsenal. Mesh offers controls like vendor locking that ensures
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Pre-approved cards also save time on approval flows and let you categorize SaaS expenses from the get-go (instead of waiting until the end of the month or tax time).

### Kill the zombie accounts

Once all of your SaaS subscriptions are in one place, it’s easy to see how much you are spending and which subscriptions you really need. Mesh can alert you to the apps that are sitting unused, and you can easily cancel your extraneous subscriptions in a couple clicks.

# Conclusion

Vendors help companies get their work done through providing services for everything from payroll and HR management to email marketing and design. But as useful as SaaS subscriptions can be, they can also be a huge source of leakage in company funds.

To recap, you'll want to monitor and control your spend during all phases of a vendor relationship, from the initial negotiations, throughout your team's use of the product and renegotiations, right through to cancellation.

By doing thorough vendor research and tracking the ROI of the vendors you pay for, you can ensure that you're investing in the best SaaS providers for your business.

Automating vendor spend management is the secret weapon that will really modernize your company, save employees time and effort, and ultimately, keep a tight hold on your corporate pursestrings.

**To learn more about how Mesh Payments can help you automate vendor payments and eliminate unnecessary spending, book a demo.**

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