

SaaS Application and Software Spend Management 2023



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SOFTWARE, ESPECIALLY SAAS APPLICATIONS, MAKES UP AN INCREASINGLY LARGE PORTION OF CORPORATE SPEND, BUT HOW EFFECTIVELY IS THE SELECTION AND PURCHASING PROCESS MANAGED?

Accessible price points, ease of adoption and application, and promises of seamless integration, make SaaS applications a go-to solution for most businesses looking to address process or data-related challenges. But, as reliance on SaaS software grows, these advantages can also bring challenges like information security risks, difficulty optimizing portfolio spend, or lower per-app returns.

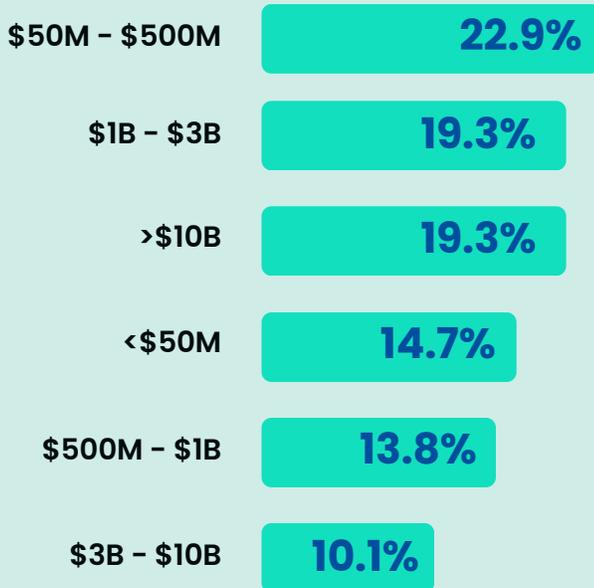
To better understand the challenges and opportunities associated with this spend category, Art of Procurement partnered with the team at Productiv to gather data about how companies manage their SaaS and software spend today, with a particular emphasis on evaluating functional ownership, business outcomes, and process considerations.

This whitepaper will give insight into how companies are currently managing software selection and purchasing and ways organizations can optimize these processes for efficiency, effectiveness, value creation, and user satisfaction.

Demographics

This research was conducted in July and August of 2023. 80.7 percent of the respondents work in procurement. From a seniority perspective, 15.6 percent are at either the executive or VP level, 41.3 percent are managers, 30.3 percent are at the director level, and 12.8 percent are individual contributors. 58.7 percent work for enterprises with 2,000 or more employees.

What is your approximate annual company revenue?

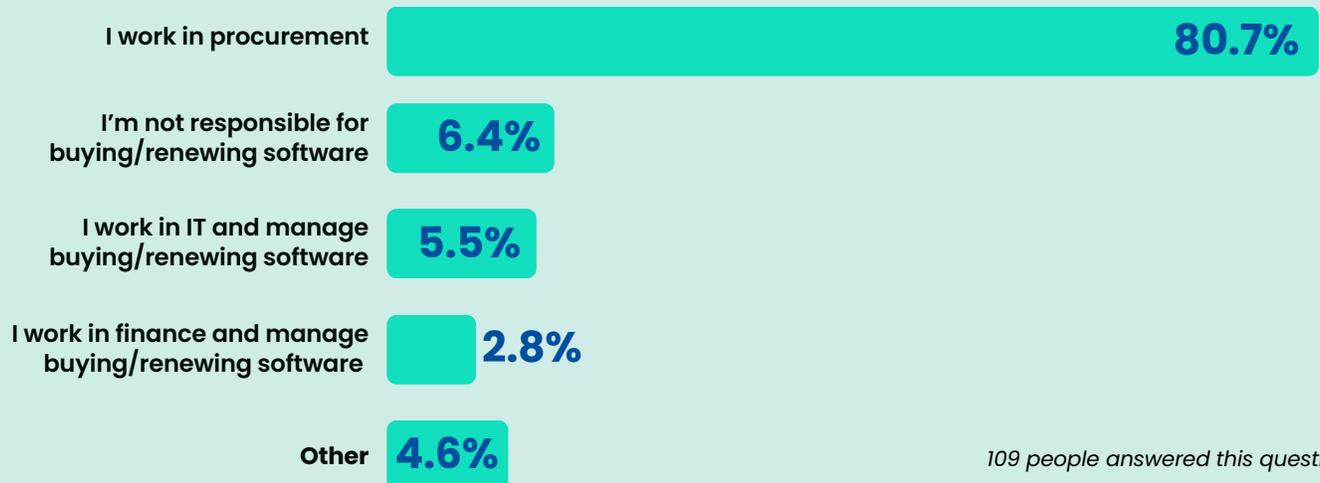


What is your approximate company headcount?



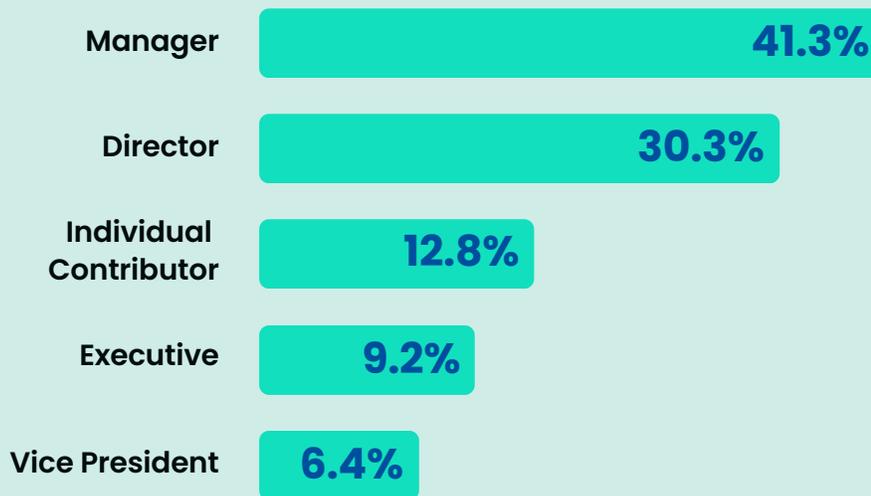
109 people answered this question

What best describes your role in the company?



109 people answered this question

What best describes your role level?



109 people answered this question

The State of Software Procurement

Software procurement is a challenging and high-stakes program that can have a significant impact across an organization, from spend and ROI to employee satisfaction and retention. In fact, as Productiv reported, 25 percent of employees would consider leaving their job because they don't have the tools they need. Yet, it is also an area fraught with waste, inefficient (or nonexistent) processes, and redundancy, with companies claiming that over half of their SaaS licenses go unutilized.

Despite these challenges, software spend continues to grow year over year, as do calls for new, better ways to transform the software procurement process into a source of savings, efficiency, and value.

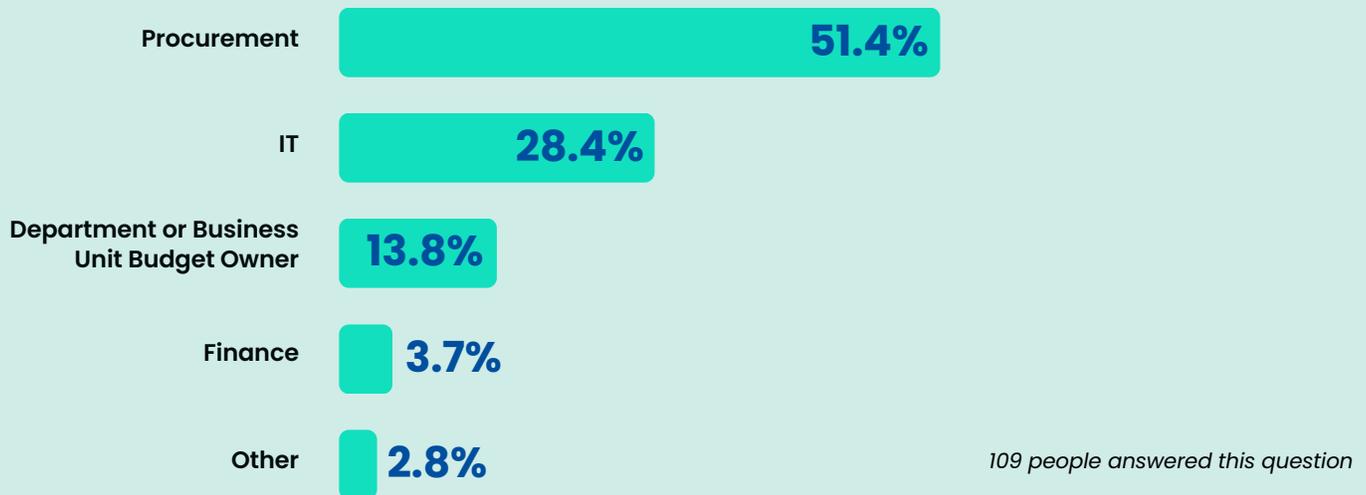
Key Findings

- SaaS and software projects led by procurement are faster than those led by IT, department heads, or business unit budget owners, with 85 percent of procurement-led projects taking 6 months or less to complete.
- This spend is closely associated with business process efficiency, as the vast majority of respondents selected this as their primary measure of value regardless of functional ownership or company characteristics.
- From a challenge standpoint, alignment among reviewers and approvers tops the list, creating opportunities for centralized information and systems management to increase clarity and decision making cohesion.

Functional Responsibility

51 percent of all respondents indicate that procurement is responsible for overseeing the process of buying and renewing SaaS applications and software today, followed by 28.4 percent where it is owned by IT. The remaining respondents are in finance, represent their department or business unit, or manage this responsibility through a cross-functional committee.

Who is primarily responsible for overseeing the process of buying and renewing SaaS applications in your company today?



AOP Analysis:

The amount of SaaS spend as a percentage of total company spend continues to grow. Procurement leaders who aspire to broaden their impact, should see increasing the amount of SaaS spend overseen as a core priority.

When we segment the responses by company size, we see procurement's ownership role grow with company headcount. 55 percent of enterprise respondents (companies with 2,000 employees and over) assign this responsibility to procurement, compared to 53 percent of mid-market companies. That increase in procurement ownership at the enterprise level is predominantly drawn from the non-IT pool, as only 11 percent of respondents from enterprise companies don't have either procurement or IT to manage SaaS and software spend.

Factoring in respondent seniority also reveals some additional points. Individual contributors and managers are more focused on utilization rate than directors, vice presidents, and executives, although both groups agree that process efficiency is the top measure of value for SaaS applications.

Projects also take longer among the less senior respondents, with 31 percent requiring 7 months or more on average, compared to 22 percent for directors and above and 27 percent across all responses. Senior respondents are most challenged by internal alignment, while junior respondents report that employees not knowing which applications are already available is their greatest challenge.

Project Time

How long does it take on average to go from an initial request to a final decision on a SaaS purchase or renewal?



109 people answered this question

45 percent of respondents indicate that it takes 3-6 months on average to go from an initial request to a final decision on a SaaS purchase or renewal. 20.2 percent require 1-2 months, 13.8 percent require more than 12 months, and 12.8 percent take 7-12 months.

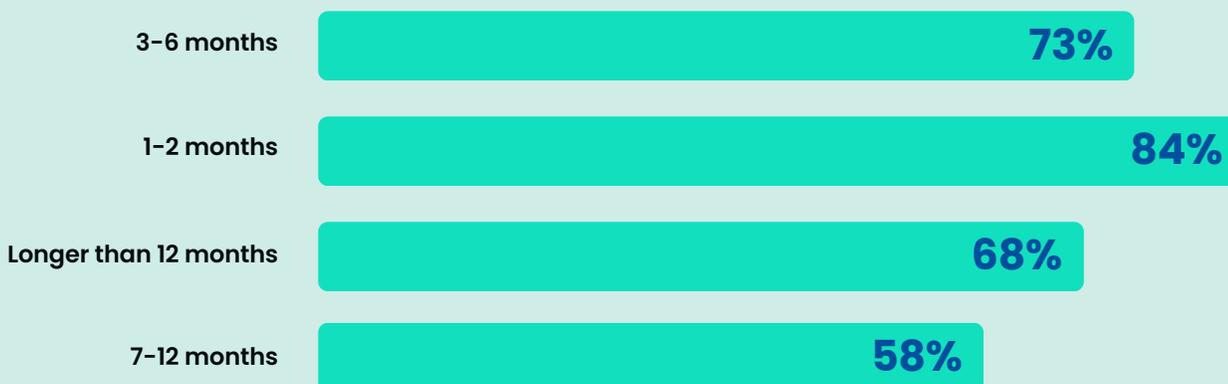
Only 8.3 percent of respondents are able to complete the process from end to end in less than one month. Of those quick turn organizations, over half have the process being owned by procurement, nearly all are small organizations, and two-thirds state that process efficiency is the primary measure of value for SaaS applications.

Procurement is the fastest at managing the process, with 84 percent of all respondent companies where procurement owns SaaS application and software taking 6 months or less to complete a project. This is compared to 58 percent of projects where IT owns the process and 68 percent in companies where neither procurement nor IT owns the process.

AOP Analysis:

The perception of procurement is often driven by their time to value. The faster procurement is able to source, the sooner stakeholders can begin to capture the ROI of their purchases. Multi-month delays based on a manual sourcing process impact the perception of procurement and interfere with the business' ability to achieve their goals.

Percent of SaaS and software projects completed in 6 months or less



AOP Custom Research | July - August 2023 | 109 Votes

When we look at elapsed time by a company's typical process, informal multi-solution evaluation emerges as the fastest, requiring less than one month to complete a third of the time. Companies with no typical process usually require 1-2 months half of the time. Interestingly, 40 percent of those companies with no typical process require 12 months or longer to complete the process, so it is worth considering which projects end up taking which length of time.

84 percent of companies using traditional strategic sourcing require between 3 and 12 months to complete a project, with those responses almost evenly split: 41 percent take 3-6 months and 43 percent take 7-12 months.

Typical Process

We provided respondents four options to describe the process they typically follow to select SaaS applications and software:

- **Traditional strategic sourcing**
- **Informal multi-solution evaluation**
- **Single solution evaluation**
- **No typical process**

Interestingly, even with the vast majority of survey responses coming from procurement professionals, traditional strategic sourcing and "no typical process" were tied in the findings, with 34 percent each. 23 percent indicated that they informally evaluate multiple solutions in response to a business need and 9 percent evaluate single solutions.

Only among enterprise respondents does traditional strategic sourcing manage to come out on top, and only by 2 percent.

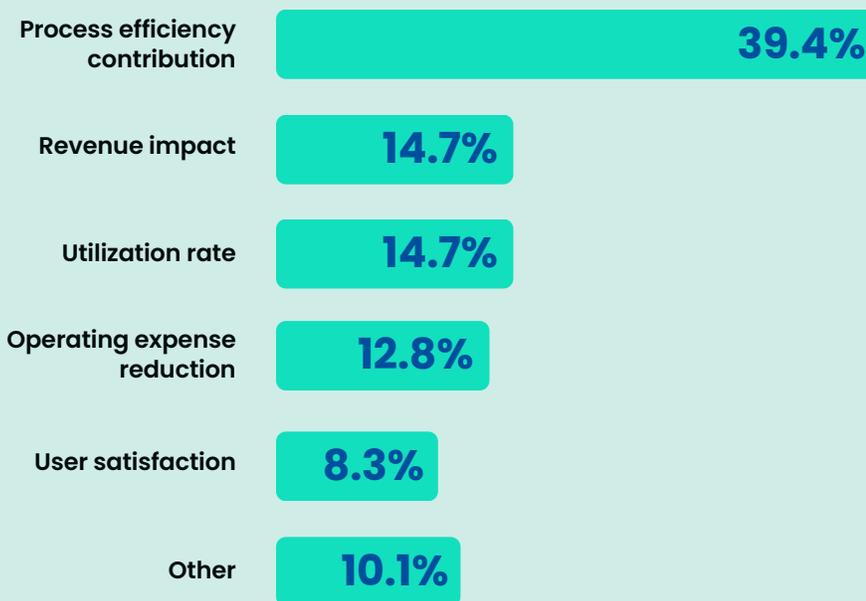
When we isolate the responses by functional responsibility, the use of traditional sourcing emerges as the preferred method, with 45 percent of companies taking that route. This group also has the largest percentage of instances where single solutions are evaluated for their ability to meet business needs, at 13 percent, compared to 6 percent when IT has responsibility and 5 percent when anyone else owns the process.

For companies who have no typical process for making SaaS application selections, process efficiency is the primary measure of value, achieving alignment across reviewers and approvers is the greatest challenge, and procurement has responsibility in over a third of cases.

Primary Measure of Value

There were a range of value forms offered to respondents, including process efficiency, operating expense reduction, revenue impact, utilization rate, and user satisfaction.

What is the primary measure of value for SaaS applications in your company?



109 people answered this question

Perhaps it comes as no surprise that process efficiency contribution was the most commonly selected measure of value, with 39 percent selecting this option. Revenue impact and utilization rate were tied in the second spot, with 15 percent each; operating expense reduction was chosen by 13 percent; and just 8 percent see user experience as the primary measure of SaaS value. Companies where IT has functional responsibility are by far the most focused on process efficiency, with 58 percent indicating that this is how they measure SaaS value creation.

AOP Analysis:

We can argue that user experience should be a key focus of sourcing decision-making as it is directly tied to the utilization rate of the SaaS solution post implementation. The 8 percent who see user experience as the primary measure of value have already made this connection.

While all groups generally selected process efficiency as the most important form of value, we see some interesting changes in the secondary selections. Only mid-market companies rank operating expense reduction as their second most popular form of value, and that group puts the least stock in user experience, with only 5 percent – the same portion that measures value according to utilization rate.

Only organizations where procurement has responsibility rank utilization rate as the second most important, while not a single respondent outside of these companies measure value in the form of user satisfaction. Procurement, on the other hand, measures value in this way 16 percent of the time.

Information Gathering for Renewals

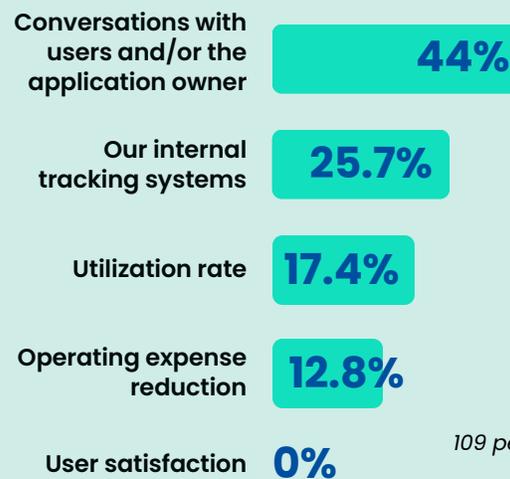
When it comes to understanding the details required to manage SaaS renewals, we asked about multiple sources of information:

- **Conversations with users and/or application owners**
- **Internal tracking systems**
- **Within the SaaS application itself**
- **Reports from the SaaS provider**

While we offered an “other” option for respondents to indicate that they rely upon other sources of information, no one selected it, indicating that the specific options we provided were sufficient.

44 percent of respondents base their renewal decisions and requirements based on conversations with users and application owners, while 30.2 percent look to the provider's reports or application. Only just over a quarter of respondents, 25.7 percent, look to their own internal tracking systems for information about existing SaaS applications and software.

We primarily gather the details required for SaaS renewals from:



109 people answered this question

This utilization of internal management systems improves when we focus on mid-market companies. These organizations rely upon systems just as much as they do users and applications owners. Enterprises rely most heavily on stakeholder conversations, with 47 percent gathering information in this way. Perhaps demonstrating a similar dynamic, the most senior survey respondents also lean on conversations for renewal decisions, with 54 percent of directors, vice presidents, and executives looking to users and owners for information.

Ironically, for organizations that told us they have no typical process for making SaaS application and software selections, 43 percent rely upon internal tracking systems as their primary source of renewal information.

AOP Analysis:

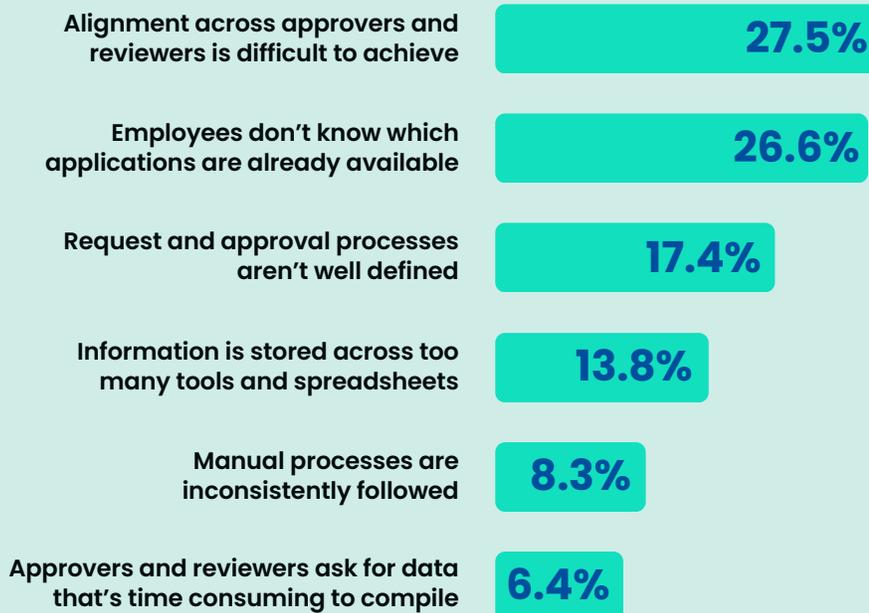
The biggest opportunity for expense management in a SaaS renewal is demand management. Is the company paying for licenses that are not being used? Is the company buying the correct tier of license to meet their needs? Without detailed tracking systems, it is very difficult – especially at scale – to represent the complete picture of current usage and future demand.

Top Challenges

We gathered information about challenges in two ways: first by allowing respondents to select any of the listed challenges that apply to them, and then by asking them to select their top challenge. There were only two differences in the results between the multi-challenge selection and the single challenge selection:

- 1.** When allowed to select multiple challenges, respondents ranked the fact that information is stored across too many tools and spreadsheets above issues with request and approval processes not being defined. That order was reversed when people were asked to designate a top challenge, but they occupy spots 3 and 4 in both rankings.
- 2.** The bottom two ranked challenges experienced a similar priority reversal. When selecting multiple challenges, approvers and reviewers asking for data that is time-consuming to compile out-ranked issues with manual processes being inconsistently followed. This ranking was reversed when respondents were pressed to select their top challenge only, although as with the previous observation, these options were still the bottom two in both rankings.

Now select your TOP challenge: Of these options, what is the thing that makes purchasing SaaS applications difficult?



109 people answered this question

The top two challenges (regardless of response method) are closely placed, with alignment across reviewers and approvers taking the top spot and employees not knowing which applications are already available in second place.

When we look at the top challenge by function, we see some differences in priority. Procurement lists employee access to information about current solutions as the top issue, while IT focused on alignment between reviewers and approvers, and all other functional owners concerned about information being stored across systems and spreadsheets. IT also uniquely points to the fact that review and approval processes are not well defined as their second top challenge.

None of the responses where neither procurement nor IT has functional responsibility for SaaS applications and software indicate that manual processes or internal requests for information are a problem.

Differences can also be seen when we segment the responses by mid-market versus enterprise headcount. Mid-market companies rank the challenges similar to those of the whole response pool, with one exception: that information stored in spreadsheets is more challenging than request and approval processes being sufficiently defined. Enterprises are most concerned with employees not knowing which applications are already available, followed by those request and approval processes.

Conclusion

Although there are apparent differences in the process, objectives, and outcomes for managing SaaS application and software spend by company size and functional ownership, the potential value contributions of procurement in this spend category are clear.

- Despite anecdotal evidence and opinions to the contrary, giving procurement ownership over the selection process is the fastest path forward, regardless of process.
- Questions remain about reviews and approvals, as well as information about applications that are already available for use. Centralizing this information will allow users and decision makers alike to stay focused on their primary purpose or start the process of selecting a new application.
- Procurement is the only function in our data that places an emphasis on user satisfaction, suggesting that utilization rates and return on investment will be higher when procurement plays a role in the solution evaluation and selection process.

About Productiv

Productiv is the only SaaS Intelligence™ Platform for the modern enterprise. More than a SaaS management solution, Productiv aligns IT, finance, procurement and business leaders with trusted data to drive cost optimization while delivering operational excellence across your SaaS portfolio. This employee-centric, data-driven approach combines billions of employee app usage data-points with vendor contract and organizational data, enabling teams to easily come together to govern and rationalize SaaS portfolios and streamline SaaS procurement. Founded in 2018 and backed by Accel, IVP and Norwest Venture Partners, Productiv is on a mission to align IT and business leaders to unlock the most value out of their SaaS portfolio at scale.

