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SaaS spend optimization:
5 best practices to implement today

For many companies, SaaS spend optimization is an elusive practice — or non-practice.

Individual department leaders are in charge of buying software for their teams. Then, they're in control of managing vendor relationships—canceling and renewing contracts.

Implementing a practical and structured SaaS optimization approach will reduce risk, cut costs, and drive more value from every software supplier relationship.

Discover the five best practices to optimize your SaaS spending and implement them in your SaaS spend management strategy today.

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What is SaaS spend optimization?

SaaS spend optimization is the ongoing monitoring, management, and control of software expenditure.

Reducing costs is an essential goal of the SaaS cost optimization undertaking, but it's not the only one. The "optimization" of your SaaS spending is the focus point. That is, getting the most value from every dollar you spend on software.

To achieve this objective, SaaS spend optimization looks to:

- Reduce the number of SaaS apps in your tech stack by canceling unused subscriptions or consolidating platform usage

- Cut the number of licenses per contract by identifying underutilization

- Maximize value from SaaS contracts by monitoring and driving feature adoption

- Right-size contracts by understanding feature and volume requirements and engaging in vendor negotiation conversations

- [Control risk](#) by implementing purchasing policies, approval workflows, and security compliance reviews

- Control out-of-contract spending by centralizing SaaS purchasing

Why is SaaS spend optimization such a critical undertaking?

In many organizations, SaaS buying is **decentralized**.

Decentralized buying means department leaders individually purchase the software their team requires. For example, the VP of Sales determines which CRM their team will use to manage sales leads.

Indeed, many business owners need to see the consequences of this decentralization. After all, licenses are relatively cheap. Therefore, it makes sense for the expert to assess and choose the correct software vendor.

However, decentralized SaaS purchasing power creates common challenges that require a more robust SaaS spend optimization program. These challenges include:

Overlapping subscriptions

SaaS platforms are rarely department-agnostic. That is, multiple departments may have a use for a similar product.

If, however, software buying is in the domain of the department head, companies regularly end up with overlapping licenses.

Your Sales VP might purchase one CRM and your Marketing VP another. The two don't collaborate on procuring this product, and you end up with two licenses for two different products that essentially do the same thing.

Out-of-contract spending

Department leaders are concerned with their team's goals rather than with controlling the cost of the tools they use to meet them.

As such, they'll typically be unconcerned with pushing the boundaries of their contract if team requirements demand it.

Say, for example, Marketing's CRM has a limit on monthly email sends. As your email list grows, you exceed that limit, and your supplier starts charging overage fees.

From the VP's perspective, this is a necessary evil. For procurement professionals, however, this problem needs to be solved (likely through a [contract renegotiation](#)).

'Off-the-shelf' pricing

In most buying arrangements, we understand that the price advertised is the price paid.

We go to the supermarket for milk and pay the fee on the tag. We go to the Apple store for a new iPhone and pay the recommended retail price.

If SaaS buying is decentralized, this mentality can leak into procurement. Department leaders pay the price on the tag, needing to understand that procurement pros can almost always negotiate software contracts.

As a result, many companies enter into agreements where they overpay.

IT compliance risks

Department leaders are rarely experts in risk identification—it's not what you hired them for.

As such, they don't thoroughly analyze the risks of a new vendor relationship (such as [SaaS security risk](#)). Worst case, this can open your company to potential data breaches.

License utilization

Poor or undefined SaaS spend management protocol regularly leads to issues with utilization that leave your company paying for licenses that aren't used.

The most common problems that emerge are:

- Individual license underutilization—when a given employee seldom uses their license

- License non-utilization—when some users' licenses go completely unused despite you paying for them

- Non-cancelation—when nobody on your team is using a product, but the department head forgets to cancel it

- Missed renewal opportunities—when the department head misses the opportunity to negotiate a more appropriate agreement at the point of renewal

Vendr's best practices to optimize your SaaS stack

Vendr recommends evaluating and consolidating redundant software tools to streamline workflows and reduce costs. Here are our best practices for starting this optimization process.

Centralize SaaS purchasing where possible.

If SaaS buying is currently the domain of department leaders, look to centralize as many aspects as possible.

Department heads should still be involved in sourcing, vendor assessment, and decision-making. Their input and expertise will be invaluable in choosing a software supplier that ticks all of your procurement boxes and serves your end users' exact needs.

Document and distribute purchasing policies for decentralized buying.

In some cases, it may be inconvenient to centralize decision-making.

For instance, it's too much work for your VP of Sales to request permission from the procurement team each time they onboard a new sales rep and wish to add another CRM user.

To effectively control buying when it doesn't go through procurement, determine and document policies for purchasing compliance.

In these policies, outline:

- Who is responsible for what kind of purchasing decisions

- When department leaders need to involve procurement or seek purchase approval

- Workflows and requirements for approval (such as the creation of a purchase request)

- How to handle new user requests or the addition of new features

Then, ensure the policies are readily accessible to all who require them. For example, use a centralized workplace wiki like Slite or Notion, or share access to a central folder in Google Drive.

Use overlapping spend analysis to consolidate licenses.

An essential practice in SaaS spend optimization is finding opportunities to reduce the number of software contracts you have. Then, you run a lean ecosystem of regularly used and highly relevant SaaS applications.

One method for achieving this goal is analyzing overlapping spending, which is looking for instances where two or more products do the same thing.

Comparing software licenses by category is where to start (i.e., project management, CRM, or payroll automation). If your organization uses two different project management apps, dig into utilization to understand if a single platform would better serve all team members.

Pay careful attention to how given software platforms are used, as not all offerings are clearly described by their category name.

monday.com, for example, might be the platform you choose to use as your project management tool. But monday.com also offers some CRM capability, which may be sufficient for your team's needs, allowing you to cancel your existing CRM license and further consolidate your SaaS apps.

Put someone in charge of SaaS license management.

License management is one of the most critical aspects of managing SaaS costs.

Consider having a procurement professional in charge of all SaaS license management or implementing specific license management policies for the managers of each of your SaaS vendors to follow.

Perform quarterly audits to identify:

- Licenses that are no longer being used (and cancel them)

- Licenses that are being rarely used (and investigate if they are still required)

- Feature adoption (and provide support for users to engage more with features they aren't currently taking advantage of)

- Unused subscriptions (and remove those tools from your SaaS inventory altogether)

Manage costs through contract and renewal management

Proactive contract management with your SaaS is crucial to controlling software costs.

Manage these relationships through the contract lifecycle by holding quarterly vendor management review meetings where you analyze supplier performance against contracted expectations to hold vendors accountable.

Review your current SaaS usage as your contract renewal date approaches and compare your current needs against your existing agreement. Make a note of:

- Features you're no longer using

- Features you don't have access to that would be helpful

- Your current license count vs. requirement.

Use this information to inform contract renewal discussions. For example, you can reduce your user count if you currently have more active licenses than required.

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Vendr's system of record helps you optimize your SaaS spend.

Vendr streamlines software procurement by consolidating all suppliers into a single system of record, providing a centralized source of truth.

This protects organizations from lapsed renewals, duplicative purchases, and shadow spending, resulting in better value for the tools they need.

With a high-level view of SaaS spending and detailed supplier usage insights, Vendr empowers data-driven decision making for software purchases. Plus, with Vendr, there's no need to negotiate individual deals - buy, renew, and manage your entire SaaS stack effortlessly.