

E-book

Pay less for your SaaS tools

A practical guide to maximize your savings

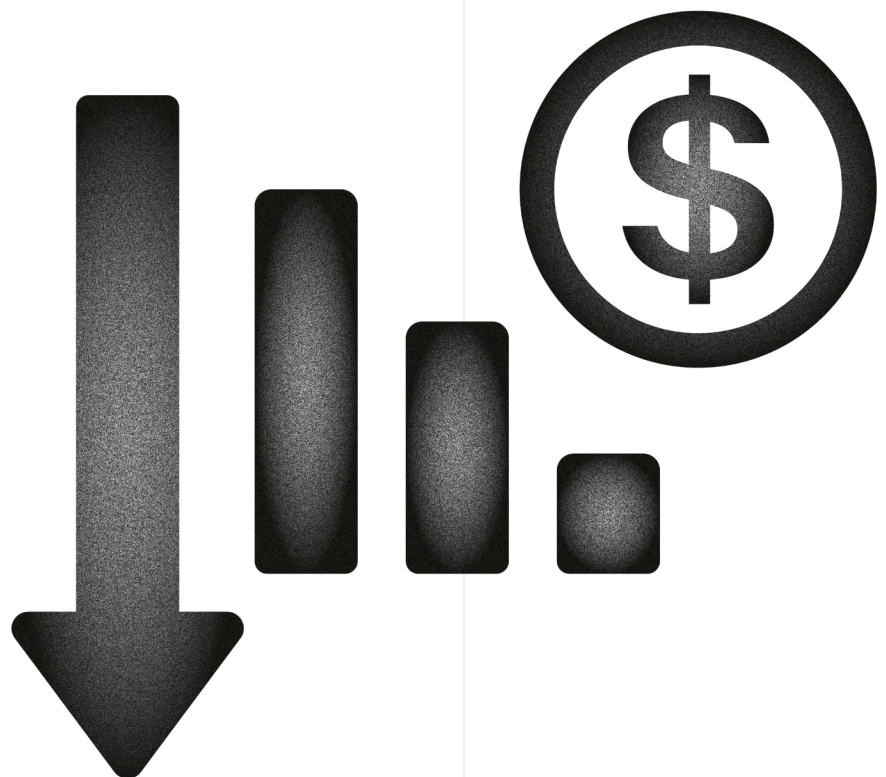


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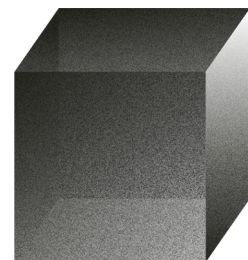
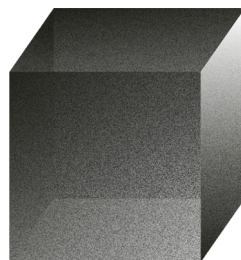
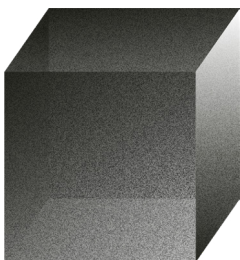


The best companies need the best software to grow at light speed. Buying this software is pretty straightforward when you're a small team: simply research your options and sign with the vendor who offers the best feature and price combination. But as your company grows, chances are high that you'll start overpaying for your software.

The problem is that most of the time your team isn't even aware that they're paying too much for their tools. Typically once your needs pass the \$10,000 mark for a piece of software, SaaS pricing becomes a complete black box. Vendors stop listing prices on their website once you go past their basic plans—instead you're directed to their sales teams to get a "custom quote." As a result, what you pay may differ drastically from what someone else pays for the same set of features and level of service.

Even if your team members know how much they should pay, most of them don't know how to negotiate for everything they need with the vendor. Or perhaps they simply don't have the time—or the stamina—to engage in a lengthy back-and-forth with the salesperson.

It's great to empower your team with the flexibility to purchase their own tools but that doesn't mean the deployment of company dollars should get less efficient.



“SaaS creep” exacerbates the issue even more. When anyone in the organization is able to purchase tools, tech stacks quickly become bloated. Less than 25% of SaaS applications are purchased or managed by IT at most organizations. ¹Over time, you’re likely paying for underused resources, redundant software, zombie subscriptions that former employees have left behind, etc. This kind of unmanaged tail spend makes companies overspend by as much as 20% each year. ² Think of all the ways those wasted dollars could be used to grow your business instead?

The move to remote working has also seen spending on SaaS skyrocket. Pre-pandemic the top three spend categories for a business were talent, infrastructure (i.e. offices), and tooling. With the shift to remote work and the proliferation of SaaS and IT tools, the spend categories have been flipped and the tools to run a business are now the second-largest expense.

This guide will help you optimize your vendor costs. It’ll equip your team with best practices for getting better pricing for their SaaS tools, even without a procurement department in place. We’ll share proven tools and strategies for monitoring your SaaS spend that have saved the average small business thousands of dollars annually. Use these savings to increase your bottom line and grow faster.



Kimia Hamidi
Head of Savings, Ramp

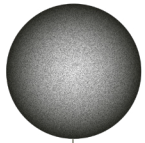
¹Zylo, [The Practical Guide to Rationalizing, Rightsizing and Renewing SaaS](#).

²Deloitte, [Innovating Tail Spend Management](#)

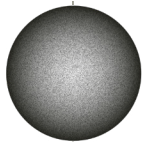


Get
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price for
your new
software

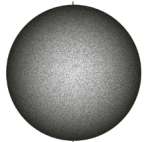
If you only have time to improve one aspect of your procurement, focus on the pricing of new software. That's where you'll find the biggest discounts and savings that can compound for years to come. Have your team run every negotiation through this 6-step framework.



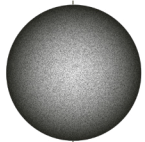
01. Research pricing



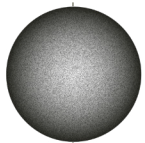
02. Run competitive bids



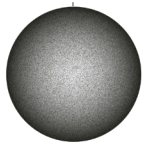
03. Time your purchase



04. Set a price selling



05. Prioritize your needs



06. Add seller incentives



01. Research pricing benchmarks

The best way to lock-in a competitive price for your software is to find out what others have paid for it. Simple, right? Unfortunately, this information is rarely available publicly.

You could engage a vendor management service like Vendr or Zylo to understand what the going rates are for the tools you're interested in. Or take the free route and ask your peers on LinkedIn, online communities (e.g. [Capiche](#)), or discussion forums (e.g. [Reddit](#), [Hacker News](#)).

Just keep in mind that the devil's in the details—pricing is often contingent on the number of seats purchased, add-ons included, etc. What your peer pays for his team of 100 is going to be quite different from what you'll pay for your team of 20. Also, vendors constantly adjust their pricing so what your peers paid 6 months ago might not be a price that's available today.

DID YOU KNOW?

At Ramp, our mission is to help businesses spend less. Our platform automatically alerts you with savings insights when it identifies opportunities to lower software costs. Our savings team also works with eligible customers to negotiate new procurement.



02. Run competitive bids

It's easy to assume you can skip this step if you know what tool you want to use and you're short on time. But taking the time to do this research now will net you savings for years to come. If nothing else, letting vendors that you're running competitive bids will motivate them to give you the best offer possible.

Large companies often make this a mandatory step in their purchasing process. You should also make this a best practice for your team as a matter of procurement hygiene.

03. Time your purchase

There's no question about it—you'll get the best pricing if you can wait until the end of the quarter to make the purchase. That's when sales teams are incentivized to make their quarterly quota and have more leeway to offer lucrative discounts.

We've seen vendors knock down their quoted price by 50% simply because an exec on the buyer side swooped in, pointed out it's the end of the quarter, and offered to sign on the dotted line that very day for the right price.



04. Set a price ceiling

Anchor on a target price before starting any negotiations. Make a mental note of what you can afford to pay and the discount you'd like to see. 30% is a good starting point. The best way to assess whether your target is reasonable is to run competitive bids and obtain pricing benchmarks.

No matter what, keep your budget to yourself—don't give the seller an upper hand! If the sales rep does ask about your ideal pricing, share your target price with the discount applied, e.g. **"We expect our usage will grow in the next quarter, so our current budget is [your target price minus 30%]. We know that's what other companies similar in size are paying."**

05. Prioritize your needs

Once you have a target price in mind, define your must-haves and where you're willing to flex to achieve this dollar amount.

Remember, the lowest price isn't always the best price. For example, if your business depends on your ability to meet your SLA, it's worthwhile to pay more for communication tools with better uptimes so you can stay in contact with customers in real-time.



WHAT TO NEGOTIATE IN YOUR CONTRACT

- ✔ **Number of user seats:** Check the cost of adding or removing seats as your team grows.
- ✔ **Usage capacity:** Check on overage fees if you go over your allotted capacity.
- ✔ **Pricing escalators,** e.g. how much prices will automatically increase year over year. Try to remove these from the contract or request smaller increases.
- ✔ **Payment terms:** Aim for net 30 or 45-day payments. Avoid terms that stipulate payment is due on receipt. If you're paying by credit card, align payment dates with your cash flow schedule. (Top tip: Pay with a Ramp card and you'll get 1.5% cashback on the price.)
- ✔ **Renewals:** Ask to remove any auto-renewal clauses or make the opt-out windows as long as possible.
- ✔ **Cancellations:** See if you're able to cancel at will. Otherwise, request tight cancellation windows.
- ✔ **Ramp orders:** This kind of contract structure allows you to gradually increase your costs as your usage grows, so you're not paying for unused capacity early on. This setup is useful for big-ticket items like Twilio, AWS, etc.



06. Optimize incentives for the seller

Negotiations work best when you're able to create win-win situations for both yourself and the seller. What can you offer that will allow the vendor to say yes to a larger discount or your contract priorities?

COMMON SELLER INCENTIVES

“Can you offer me a discount if we...”

- ✔ **Sign before the end of the quarter**, especially if it's one or two weeks away, to help your salesperson make their quota.
 - ✔ **Agree to a longer contract length** if you're reasonably certain that you'll stick with the tool. Annual contracts are more cost-effective than monthly contracts. You'll get even greater discounts for multi-year contracts, especially with public companies that care about the length of committed revenue.
 - ✔ **Agree to comarketing**, e.g. customer case studies or usage of your logo.
 - ✔ **Agree to add-ons** that will expand the total contract value for the seller. Do this only if it makes sense for you to unlock these capabilities now versus later.
-



Reduce
the cost
of existing
software

While the biggest discounts come from negotiating new contracts, you can make significant savings by revisiting your existing contracts. It's always best to stay on good terms with your vendors so they're willing to help as needs arise. True, sellers won't have much incentive to lower their price if their tool is already well-integrated into your system and processes. But you can still find ways to get additional value.

Identify contracts that should be re-negotiated

To identify your biggest opportunities for savings, run a lightweight vendor audit. Pull your software expenses for the previous 12 months from your accounting system. You'll also need your team to dig out the contracts for the tools they're using, likely buried in their email. Jot down the renewal dates and cancellation terms for the following:

- ✓ Your most expensive vendors
- ✓ Vendors you want to switch out
- ✓ Unused apps or ones with low utilization rates
- ✓ Duplicate subscriptions
- ✓ Redundant apps
- ✓ Contracts with subpar pricing escalators, renewal, cancellation, and payment terms

DID YOU KNOW?

At Ramp, our savings team works with eligible customers to negotiate renewals and optimize existing spend.



Tips for negotiating different scenarios

PRICING DISCOUNTS

Kick off the discount conversation with your account manager a month before the contract is up for renewal. Timing matters: ask too early and the request will get lost; ask too late and you won't have time to negotiate.

Similar to new software discussions, you'll want to come to renewals discussions armed with the following info:

- Pricing benchmarks
- Competitive bids
- A prioritized set of needs, including your forecasted usage
- Potential incentives for the seller

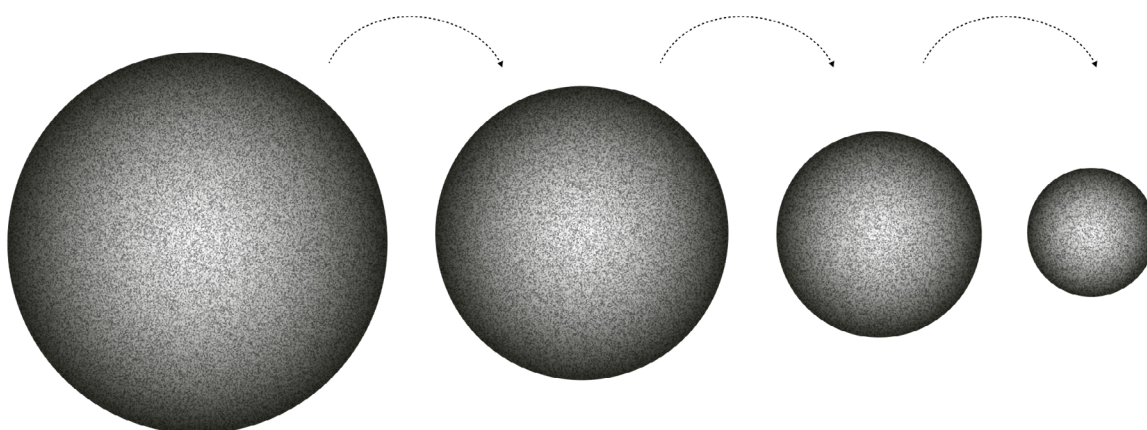
If you realize you've been overpaying, don't be shy about asking for future credits, e.g. **"I know there's not much we can do about our costs in the past, but can you give me two seats for free this year since we've been paying extra?"**

If a team member has used a competitor product in the past, feel free to mention it to your account manager. It'll motivate them to work harder to retain your business.



EARLY CANCELLATIONS OR DOWNGRADES

From your vendor audit, you may find that you're paying for software that's not even being used (we once found a \$75k subscription that went unused for a year after an employee left the company). Or you've got redundant software and duplicate subscriptions that should be consolidated. You may realize that a vendor or tool is simply not working out and it's time for a switch.



You should pursue early cancellations or downgrades for all of these situations. But unless a renewal is coming up, the chances of early cancellation or downgrade will depend on your account manager's goodwill and willingness to work with you (another reason why you want to maintain a good relationship with your vendors).

That said, even if the chances are slim, it never hurts to ask. Our savings team lives by this saying: **"If you don't ask, you won't get."** Be sure to prepare a strong case for why you're looking to cancel or downgrade early to help your account manager explain the reasoning to their internal team.



Run an
effective
negotiation

All the advantages for a negotiation could be on your side but your team members might still leave value on the table simply because they're uncomfortable with the art of negotiations. After all, it can be intimidating to go to bat against a persuasive sales rep whose job is to close deals all day long.

Knowing the best ways to frame a request or counter common objections will help your team approach the negotiation table with much greater confidence. Here are the key strategies for keeping the negotiation on your terms:

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- **Appeal to a higher authority:** "Our CFO says that this is too expensive." This tactic gives you an easy opt-out without having to explain why.
 - **Start high and meet in the middle:** "Our CFO wants to get this price down by 30%. I understand that 30% is a big ask—can we get this to 25%?" Your actual target should be lower, say 20%.
 - **Never reveal your budget:** If necessary, you could say, "Our current budget is [target price minus 30%]." Resist the temptation to reveal your actual target or negotiate against yourself.
 - **Leverage a competitive bid:** "I'm evaluating between you and X. X is a lot cheaper but they don't have the capabilities that you do. If you can get me to within 10% of their price, I'll sign with you today."



- **Put the onus on the seller to meet your needs:** A seller may say they don't do discounts. Or they might pressure you to sign faster in exchange for a discount. Shift the issue back to the seller, e.g. "We don't have the same budget as larger companies that buy from you." Discounts rarely expire.
 - **Add a "nibble" at the finish line:** Usually, you can slip in one more request towards the end of your negotiations, e.g. preferred payment terms. Vendors often agree to these requests to close the deal.
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Negotiations don't have to be a contentious experience.

Remember, negotiations shouldn't be seen as a contentious experience. Salespeople are not adversaries looking to steal your dollars—oftentimes they are looking to be your champion and advocate for your needs with their internal teams. You're often negotiating with the finance team behind the rep, not the rep themselves.

Help your team think about negotiations as a way to create shared value for both your business and the seller. Seeing vendors as partners will help your team approach pricing conversations with more confidence and ease.



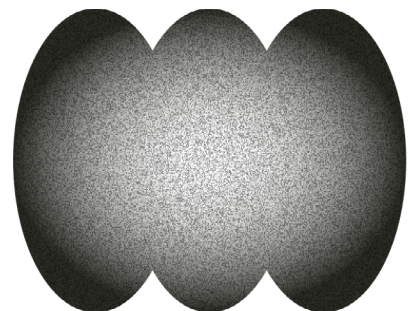
Checklist for negotiating your software pricing

HOW TO PREPARE

- ✔ Research pricing benchmarks
- ✔ Get at least 3 competitive bids
- ✔ Assess your timing: can you wait until the end of the quarter?
- ✔ Set a price ceiling
- ✔ Prioritize your needs
- ✔ Identify potential incentives for the seller

NEGOTIATION TIPS

- ✔ Never reveal your budget
- ✔ Leverage a higher authority to get a lower price
- ✔ Start with a higher price and meet in the middle
- ✔ Put the onus on the seller to meet your needs
- ✔ Use a nibble towards the end to gain additional value

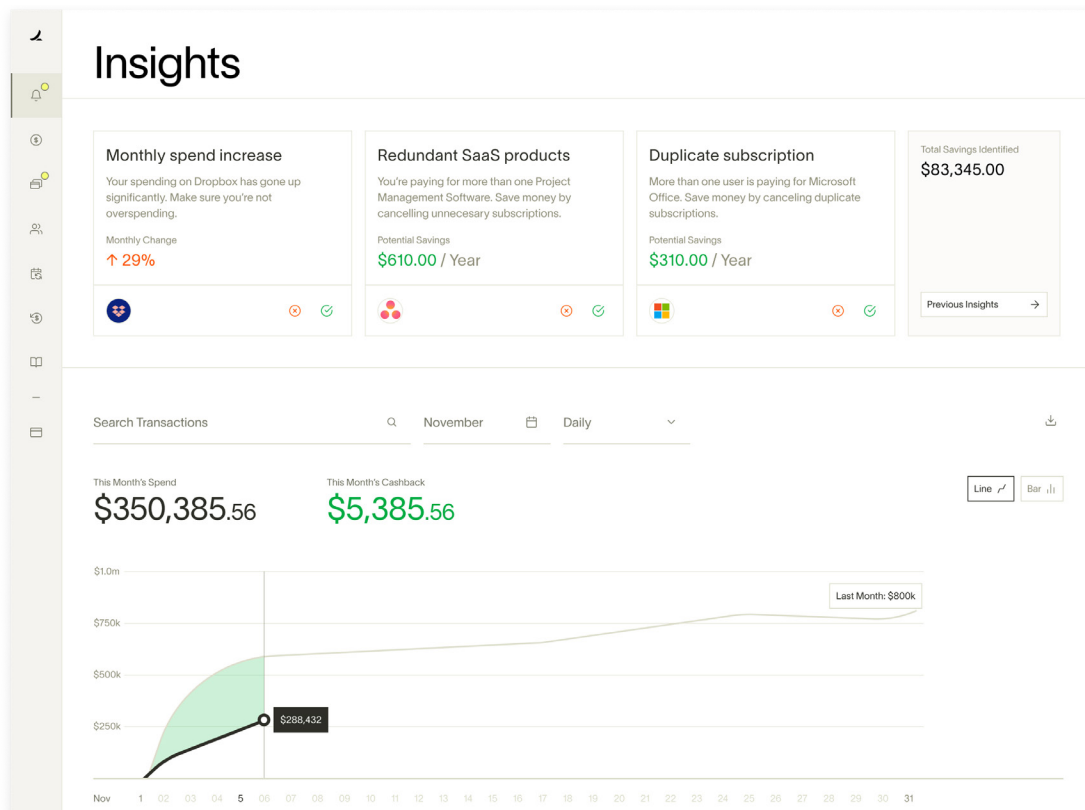


Streamline
your vendor
management

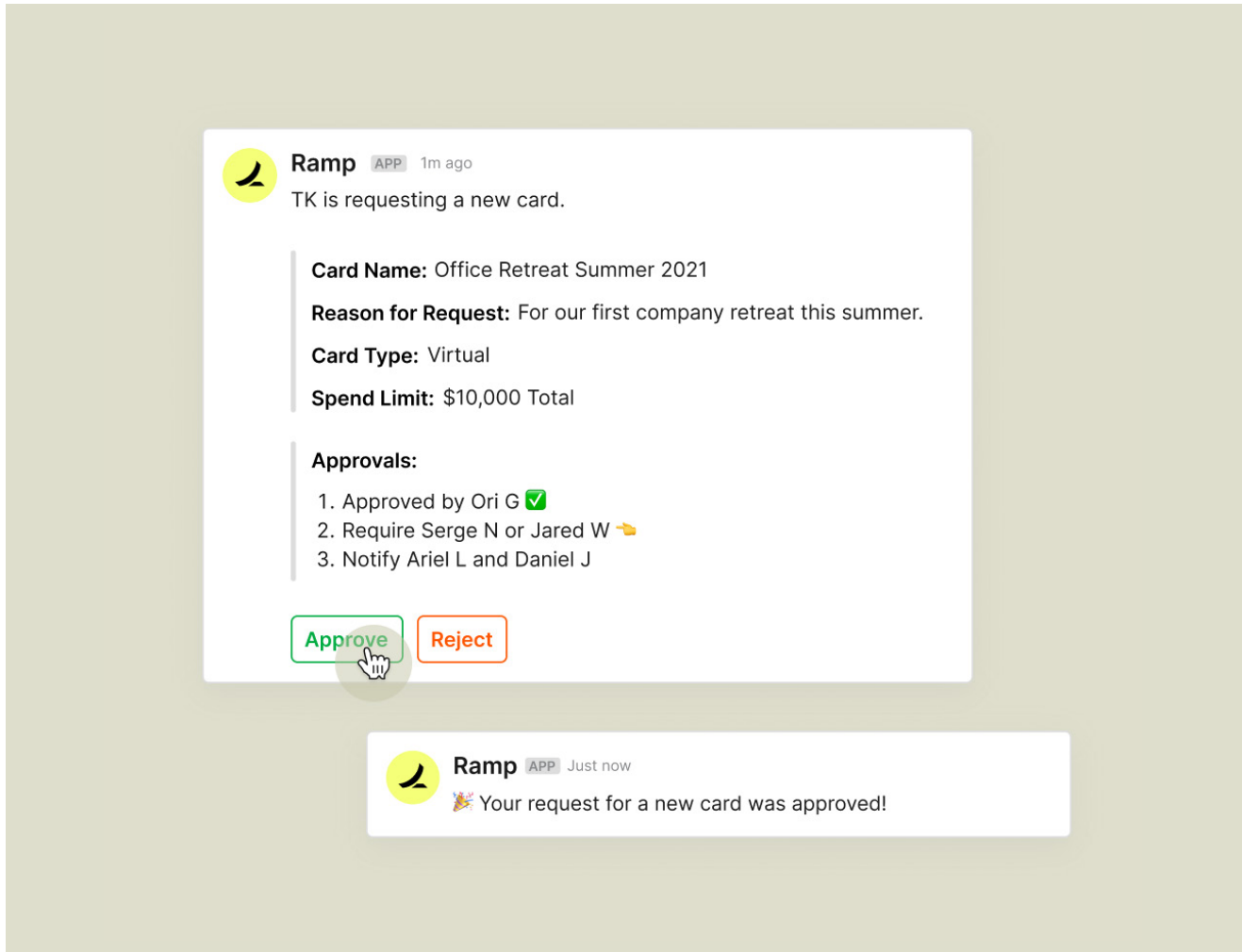
Streamlining your vendor costs is not a one-time exercise. Fortunately, you can help your organization keep wasteful spending at bay with a few simple processes and tools.

Keep a running list of your vendors

You could use something as simple as a spreadsheet or automate tracking with a vendor management tool. Spend management software often includes vendor tracking features as well. Check if your corporate card comes with this kind of software (if it doesn't, it's time to switch to a better card). Beyond helping you keep tabs on your vendors, spend management software can analyze your spending and alert you when it detects opportunities to save. Store your contracts in a central location.

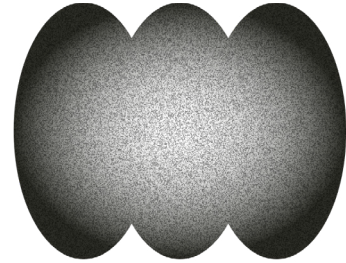
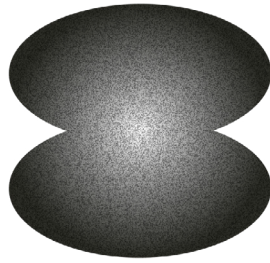
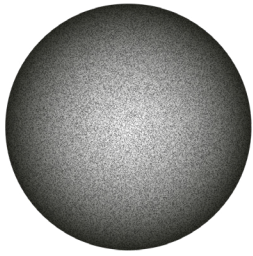


Implement an easy vendor approval process



Prevent SaaS creep by making it as easy as possible for your team members to request spend but with an appropriate level of oversight baked in. For example, have line managers be responsible for approving requests that are \$1,000 or below. Have requests for higher spend amounts get pre-vetted by managers, then route to the finance team for additional approval. Your spend management software should provide integrations that let team members easily request, review, and issue approvals directly in everyday tools like Slack.





Put vendor payments on corporate cards

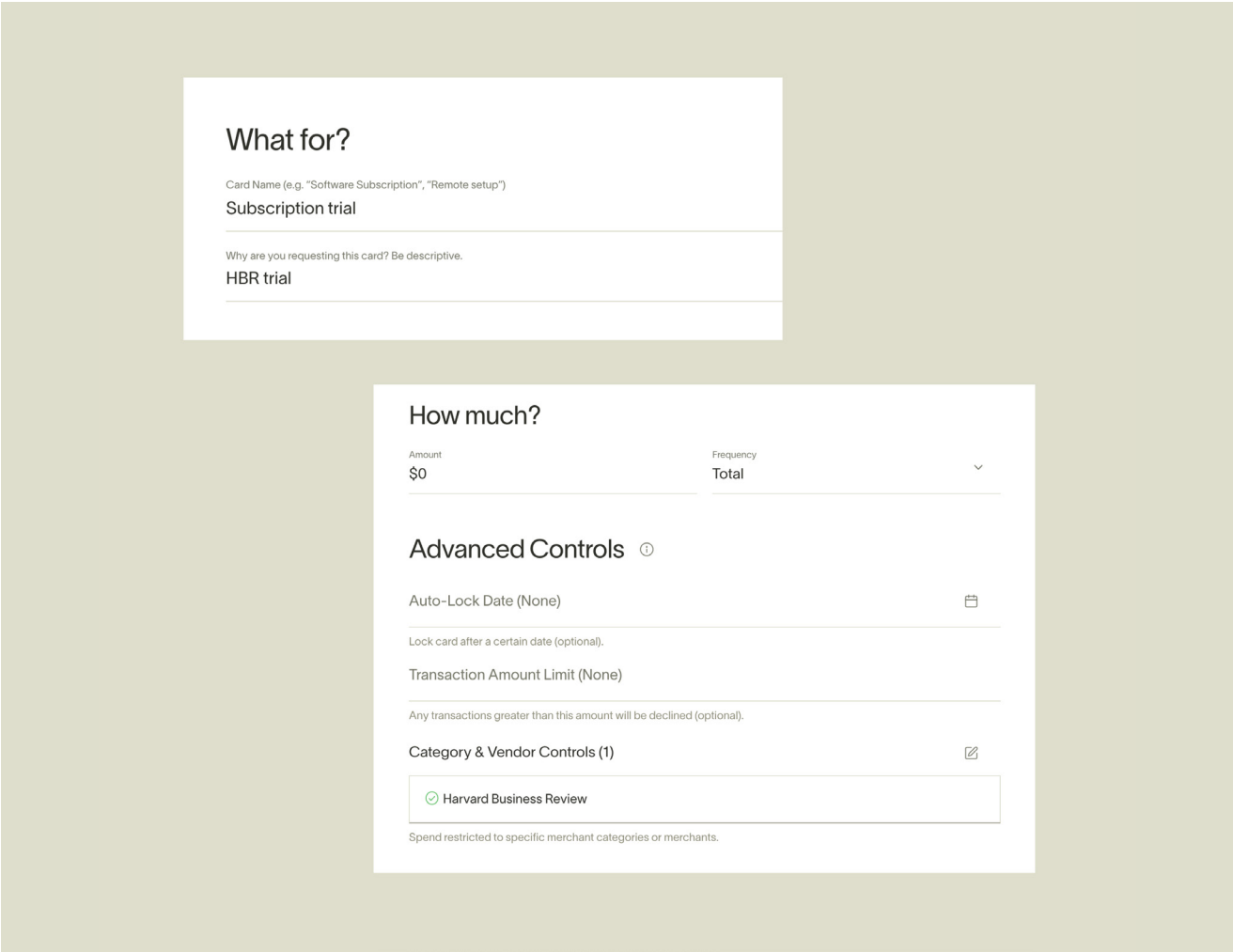
With their rewards programs, corporate cards offer continual savings that you can reinvest back into your business, unlike ACH and other common forms of payments. Look for programs that offer straightforward cashback versus complicated points programs with confusing multipliers and limited redemption options. Many cards also partner with vendors to offer additional discounts.

Prevent unauthorized vendor charges

Restrict payment cards to individual merchants and expense categories, preventing out-of-policy spend. Specify a spend cap that's in line with the amount of budget that's been approved. Most card companies give you the ability to generate a virtual card for each of your vendors. You can set auto-lock dates on these cards to prevent unapproved charges like automatic trial conversions and subscription renewals.



Use virtual cards to deter fraud



74% of organizations were targets of payment fraud in 2020, according to the [2021 AFP Payments Fraud and Control Survey](#). Virtual cards with their auto-generated card numbers eliminate the threat of physical card theft and reduce the risk of rogue vendors and fraudsters stealing your funds.



Maximize the ROI of your software spend

Grow your business, not your spend. Smarter vendor management will help you direct your company dollars toward the strategies drive scale, not idle bloat.

We know software negotiations can take up a lot of energy and time. Ramp is here to help. It is the world's first finance automation platform. With Ramp, businesses get corporate cards and payments with built-in expense and accounting automation software—all in one free and simple solution. The software proactively identifies savings opportunities based on benchmarking spend data derived from the millions of transactions on our platform. Our team of savings experts helps eligible customers act on those opportunities and secure the best rates for new procurement and renewals.

Unlike legacy financial service providers, Ramp designs its products to help companies spend less. Customers save an average of 3.3% annually by switching their spending to the Ramp platform and are closing their books 5 days faster each month. Founded in March 2019, **Ramp is America's #1 rated and fastest-growing corporate card.**

[Learn more at ramp.com](https://ramp.com)

