DON'T GET SAAS'D™

B2B Buyer's Guide to Healthy Software Partnerships

Smart SaaS™

WHAT'S COMING UP

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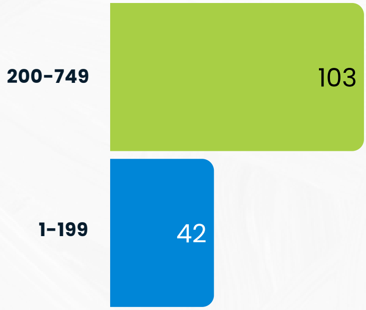
INTRODUCTION

If you're the owner or an executive leader of a business, chances are your employees heavily rely on software-as-a-service (SaaS) solutions to complete their day-to-day activities. In fact, an average organization uses a whopping 112 SaaS applications (BetterCloud).

2023 AVERAGE SAAS APPS BY COMPANY SIZE



Think that number sounds inflated? Think again. The reality is that SaaS adoption has ballooned in the past decade across businesses of all sizes, with organizations embracing this software-delivery model for everything from email, collaboration, and productivity tools to enterprise-level solutions for customer relationship (CRM) and human resource management (HRMS).

While 73% of organizations believe SaaS is key to achieving their business goals (Harvey Nash Group), there's the potential for unhealthy SaaS vendor relationships that result in wasted spend and other hidden hazards.

29%

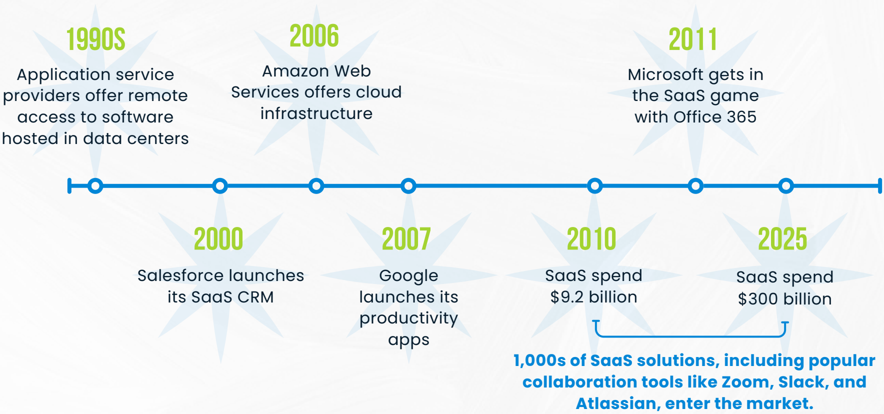
YOY GROWTH AMONG MEDIUM-SIZED BUSINESSES

This eBook is designed to help you identify common risk factors and provide tips to prevent your company from getting SaaS'd.

THE SAAS PANACEA

A BRIEF HISTORY

SaaS has its roots in the application service providers (ASPs) of the 1990s, which offered companies an alternative to traditional on-premise software management. ASPs provided hosted versions of solutions, like enterprise resource planning (ERP), email, and CRMs, housed in data centers and managed everything from the network hardware to the software upgrades. This approach faced limitations, including a lack of scalability, high customization costs, and single-tenant architectures that could be expensive and inefficient.



Salesforce is commonly credited for pioneering the true software-as-a-service model. Launched in 2000, the company built its CRM platform as a cloud-based multi-tenant solution designed to lower costs and ensure scalability. In the next few years, new SaaS providers popped up, offering user-friendly access via web browsers without the need to install and manage software locally. Still, it was the launch of Amazon Web Services (AWS) that spurred rapid growth. AWS gave SaaS providers the freedom to focus on software development without the need to manage the underlying infrastructure. The industry expanded exponentially since then, with SaaS spending growing from $9.2 billion in 2010 to nearly $300 billion projected for 2025 (Gartner).

A CURE FOR COMMON PAIN POINTS

There's a reason why SaaS is such a popular choice for companies seeking software to run their business. The delivery model offers many benefits, including:

- Lower Cost of Entry: Perpetual-license software requires upfront, lump-sum payment for the application, plus the internal expense of IT infrastructure (e.g., personnel, hardware, and maintenance). SaaS providers offer subscription-based, pay-as-you-go, or pay-per-use plans that cover software and infrastructure costs. Some have free plans for basic features.
- Quick Set Up: Traditional client-server software deployments can be lengthy, slowing the adoption of solutions used across departments or companywide. Multi-tenant SaaS applications are already installed and accessible in the cloud.
- Easy Upgrades: SaaS providers manage software and security updates.
- Broader Accessibility: Users can access cloud-based applications with any device with a browser and an internet connection, a flexibility that's become increasingly important with the rise of remote workforces.
- Improved Scalability: Tiered pricing and feature packages can allow companies to adjust their plan as business needs change without worrying about buying and installing new hardware.

THE UNINTENDED SIDE EFFECTS

While SaaS provides many benefits, it's not a cure-all for software woes. This software model is associated with risks, many of which are particularly prevalent in multi-tenant environments.

- **Lack of Control:** Decisions about when and how to deploy software and security changes lie with the vendor, forcing you to use the latest version without the option to defer or skip upgrades based on your business needs.
- **Security and Data Concerns:** Services hosted in the cloud present challenges in managing permissions and protecting sensitive data. Additionally, the ability to access applications and information from employees' unsecured devices and internet connections adds further complexity.

61%

OF MOST ORGANIZATION'S SENSITIVE DATA IS IN THE CLOUD.

90%

HAVE EXPERIENCED AT LEAST ONE CYBERSECURITY BREACH

Help Net Security

- **Lack of Flexibility and Ownership:** Companies "own" their instance of the software with on-premise, perpetual-license software. They can customize it to fit their business needs and have complete control over where and how it's housed. In most cases, SaaS providers only offer limited customization options due to the multi-tenant structure, and customers can't "take the software with them" if they want to shift to a different hosting environment.
- **Connectivity and Performance:** SaaS can run slower than on-premise since it's hosted in the cloud, and internet outages can cause you to lose access to both your software and the data. Murky service level agreements that don't clearly address uptime, downtime, and standard response times to outages and service requests can lead to other disruptions.
- **Hidden and Unexpected Costs:** Complex feature/pricing tiers and terms of services can make it unclear when and how customers move to higher-cost levels and mask other built-in fees for overages (e.g., API calls, emails sent, data storage limits).

SAAS IS THE 3rd BIGGEST COST CENTER FOR MANY COMPANIES

STAFF AND OFFICE COSTS RANK 1st AND 2nd

Forbes

- **Limited IT and Finance Visibility:** SaaS's lower upfront costs and lack of need for direct IT support have enabled individual business users and departments to purchase tools directly from the provider rather than going through traditional IT and finance processes. This has improved agility but also opened the door to security issues and potential spending waste on duplicate or unused software solutions.

POTENTIAL FOR UNHEALTHY DYNAMICS

The rise of SaaS solutions has given small- and mid-sized companies access to enterprise-level solutions that would otherwise be cost or resource-prohibitive. It's also given large companies opportunities to lower the expense and time needed to implement and manage critical business applications.

However, since SaaS providers typically require lower upfront costs than traditional perpetual-license vendors, most of their revenue comes after customers' initial sale/commitment.

60%

OF ORGANIZATIONS FIND THEIR CLOUD BILL SLIGHTLY OVER OR WAY ABOVE EXPECTATIONS

AWS

They need to recoup costs and drive profits in other ways, which often take the form of constant in-product upselling and cross-selling of new features or other products to users or encouraging customers to commit to higher-priced tiers or sign on for long-term contracts upfront. Over time, this has led to unhealthy dynamics between many SaaS vendors and their customers.

53%

OF SAAS LICENSES GO UNUSED

G2

TOP RISK FACTORS OF GETTING SAAS'D

BUSINESS SIZE

Medium-sized businesses face the most significant risks in adopting SaaS in its typical forms. Why?

If you're a micro- or mom-and-pop business, you have low software switching costs. If a vendor does something you don't like, it's pretty easy to move to a competitor. There's not a lot of overhead or much data to worry about.

If you're an "800-pound gorilla" enterprise customer, vendors will bend over backward to avoid losing your business. If you want a feature, it moves to the top of the roadmap.

But when you land in between, your risks start to rise substantially. For example, if you've been in business for three to five years, you have 25-125 employees, then the platforms you're using probably store a bunch of information and functionality critical to operating your business. At that point, your switching costs are significant, and reliance on these SaaS solutions involves many risks, such as:

- The risk of those vendors going out of business or being purchased
- The risk of not having easy or reliable access to your data
- The risk of a vendor's focus shifting from customers like you to other types of businesses
- The risk of features you rely on being sunset or removed abruptly

SOFTWARE CATEGORY

Of course, not all SaaS solutions are created equally regarding impact. For example, graphics design software used to tweak images for emails, newsletters, brochures, etc., probably isn't business-critical. While minor disruptions with your CRM that houses sales and customer information, your HRMS filled with employee histories and personnel data, or your accounting software with sensitive financial details could cripple your company.

As mentioned, SaaS's low entry costs and simplified purchasing process have led to decentralized purchasing decisions. Therefore, it's essential to thoroughly vet mission-critical software with major stakeholders, such as finance, legal, and IT. Also, remember that many other solutions may initially seem benign but can cause major headaches if not managed correctly.

OVERALL VISIBILITY (OR LACK OF IT)

Did you bristle at the early stat about the average number of SaaS apps in place at companies (112)? Unfortunately, most companies have little to no insight into the various SaaS platforms their employees are using. If they do, they may not know if they're overpaying for and underusing solutions or if security vulnerabilities exist.

This has become such an issue that buying and using SaaS has become synonymous with the term "Shadow IT," and there's an entirely new category of SaaS—SaaS Management Platform (SMP)—to help companies manage their SaaS tech stacks. One such SMP, BetterCloud, estimates the average company wastes more than $135,000 annually on unused licenses. Yikes!

$135K

ANNUAL WASTE ON UNUSED LICENSES

6 MUST HAVES IN A HEALTHY SAAS RELATIONSHIP

SaaS has become the standard model for buying and selling software, dominating consumer and business markets. As you evaluate SaaS providers, here are six factors to look for to find partners that will support your business's long-term health and well-being.

1. TRANSPARENCY
2. AGENCY
3. OWNERSHIP
4. SECURITY
5. RELIABILITY
6. SCALABILITY

TRANSPARENCY

Look for providers that offer clear, straightforward pricing without complex or hidden fees. Ensuring customers are fully aware of costs upfront is a sure sign that the vendor wants to build trust and foster long-term relationships.

AGENCY

Ask about the ability to tailor the platform to your specific needs. Look for a provider that allows you to customize their application where needed so you have control over your operations and aren't limited by out-of-the-box configurations.

OWNERSHIP

Dig into how much control you have over your data and the technology. How easy is it to transition to a different solution if needed? Can you easily export your data? Can you keep a copy of your instance of the software and transition to a different host? Answers to these questions can help you eliminate being locked into the vendor if your business needs or the provider's focus changes.

SECURITY

Robust security measures should be table stakes for all plans, not an added cost. Vendors that prioritize security demonstrate a commitment to protecting all customer interests.

RELIABILITY

Dependable and uninterrupted service is critical for many business applications. Ask about the vendor's uptime/downtime reports and SLAs for support and issue resolution. Verify those numbers through software review sites and with customer testimonials and references. Great features don't matter if the software isn't available when you need it.

SCALABILITY

Look for providers that offer solutions that will grow with your business, providing the necessary tools and resources to support your company's expansion without requiring significant changes or additional investments.

THE DON'T GET SAAS'D™ SERUM

Unfortunately, there's no simple solution to avoiding the risk factors common in modern-day SaaS relationships. The current SaaS model—a.k.a. Dumb SaaS— is broken. However, we believe there's a path forward to transform "Dumb SaaS" into "Smart SaaS™."

Dumb SaaS		Smart SaaS™
A vendor-revenue-focused model that restricts customer flexibility and profits based on limitations.		A user-centric model that empowers customers with adaptable solutions and profits based on mutual vendor-customer growth.
Common characteristics:		Common characteristics:
• Ambiguous pricing and hidden fees	VS.	• Transparent, straightforward pricing
• Little to no customizations	VS.	• Customer agency to tailor the platform to their needs
• Software, data, and hosting are inseparable	VS.	• Complete control over their data and technology
• Security is bundled with higher-priced plans that require paying for unnecessary "premium" feature	VS.	• Security features are standard across all plans or available as a la carte add-ons

Through Smart SaaS™, we hope to open a dialogue between B2B SaaS buyers and providers and create a new dynamic that puts YOU, the client, back in control of your data and business and helps SaaS providers build healthy relationships that drive sustainable revenue growth.

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