

What is SaaS License Management?



Introduction

Every 7 to 15 years we observe major paradigm shifts that fundamentally change the way businesses and end users operate. The advent of new tools inevitably follows a disruption of the status quo which demands greater performance and new enterprise solutions.

With the rise of SaaS in the workplace, IT leaders are challenged with managing a new category of software. SaaS license management solutions are now requiring software managers to discover SaaS across the business, modernize and automate workflows, optimize SaaS spend, and reveal opportunities to rationalize and consolidate overlapping services.

This paradigm shift toward modernized solutions requires that the next generation of SaaS license management operates from a single-architecture platform, where software data is shared and utilized across the business.



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The rise of SaaS

The shift to all-cloud workplaces

According to Gartner in their 2019 cloud forecast, Software-as-a-Service revenue is expected to grow to \$94.8 billion in 2019 and by 2022, this number is expected to rise to \$143.7 billion.

The Software-as-a-Service model has changed the way software is purchased and managed. On-premise and legacy software, while still in use, is quickly declining and modern businesses are making the shift into the cloud.

The desirable shift to all-cloud workplaces makes sense considering the number of benefits SaaS brings to an organization. In addition to heightened productivity, SaaS-based organizations are likely to:

- Reduce costs
- Enhance communication and collaboration
- Improve employee satisfaction
- Attract better talent in the modern day workforce

The number of SaaS applications within a business is growing as businesses go through digital transformation in order to modernize how work gets done. The rise of SaaS, however, presents a new set of challenges for software asset managers, procurement, and finance who are tasked to keep business data secure, manage tech and SaaS spend, enforce compliance policies, and ensure employees are able to do their best work with the software they need.

SaaS management challenges

The influx of cloud services into the workplace—easily purchased by the end user—has created quite the headache for those responsible for managing and optimizing SaaS and software. This section outlines four of the biggest SaaS challenges:

1. Lack of usage visibility
2. Wasted spend
3. Entitlement management
4. Reclaiming licenses

1. Lack of usage visibility

The first challenge when managing SaaS is the lack of usage visibility and knowing what software is being used on which devices. Because SaaS is in the cloud, there historically has not been a way to assess usage by installations. Vendors typically provide no usage data or address licenses with low meaningful usage. Insight into activities performed within each application has been limited or non-existent.

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-2019 Gartner Cloud Forecast

2. Wasted Spend

The second challenge presented is wasted spend. For many businesses, licenses have gone “stale” meaning they have been purchased, are installed or active, yet are rarely being used. With limited or non-existent usage data, it has become very difficult to justify SaaS spend and rationalize in-use applications.

While it's true that SaaS applications allow us to tackle our day-to-day responsibilities more effectively and efficiently, many businesses are experiencing SaaS overloads and high costs. Purchasing SaaS solutions is now easier than ever, and anyone with a credit card can buy, download, and use software at-will. The ease-of-access to SaaS applications presents a few major reasons why businesses are spending so much on SaaS.

There's SaaS you don't know about: [The 2019 Netskope Cloud Report](#) revealed that the typical enterprise uses an average of 1,246 cloud services. Not only is that a lot of SaaS, that's a lot of dollars adding up, especially considering that many of these applications are unknown to IT pros.

You're paying for stale licenses: A difficulty software asset managers face is knowing which licenses are being underutilized or not used at all. For example, limited or no user activity could qualify as a stale license because the application is not being used enough to justify the spend. Additionally, ineffective deprovisioning processes contribute to high SaaS costs because licenses are still being paid for employees who are no longer associated to your business.

You have overlapping services: Contributing to wasted SaaS spend are overlapping services with similar functionality. For example, customers may have employees using either Zoom or WebEx (or both) to host their virtual meetings. With a more complete inventory of in-use software, customers can consolidate applications, and make sure their employees are collaborating effectively with the right tools, and overall will help reduce wasted SaaS spend.

3. Entitlement management

The third SaaS challenge relates to entitlement management and understanding usage rights and restrictions. Historically, businesses may have had just several dedicated people responsible for managing entitlements. SaaS purchasing is end-user focused, so a credit card is all that's needed to procure and deploy software without IT approval which is often bypassed due to the perception that IT processes are too slow. In today's day and age—and largely due to Shadow IT—entitlement owners are spread throughout the business, potentially increasing the number of entitlement owners to several hundred. SaaS buyers may not think of themselves as an entitlement owner, but instead think of themselves as a user.

The ability to track SaaS purchases has been incredibly diminished. Identifying sources of data to find what has been purchased and where proof of entitlements exist has become quite the challenge. SaaS buyers may not think of themselves as an entitlement owner, but instead think of themselves as a user. As a user, they may not be concerned about ongoing costs, license or data restrictions – but have contractually bound their organization to the terms associated with that SaaS subscription.

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The typical enterprise uses an average of 1,246 cloud services and have lost control of the software products and vendors in their businesses.

4. Reclaiming licenses

Individual employee purchases make it difficult to identify licenses and reallocate subscriptions—or decommission resources as necessary. It has been challenging to upgrade, downgrade, or deprovision user licenses based on need and accessibility.

With the rapid growth of software in the organization, scaling software management efforts becomes very important.

SaaS license management

Traditional IT teams, which used to rely on enterprise agreements, don't even know all the applications currently being used in their companies. Traditional procurement, contract, and legal teams find themselves in the dark with many applications entering below their purchasing thresholds on credit card transactions. Yesterday's enterprise tools have become more complex and siloed, failing to help solve some of the challenges SaaS has created. Procure-2-Pay was built for procurement; Contract Management was created for legal or sales; and ITSM, ITAM and SAM were meant to address IT. Software is eating the world, in that many organizations from hot startups to blue chip enterprises have lost control of the software products and vendors in their businesses.

Without a central source of software data, most companies are “frankensteining” together parts of applications, file storage systems, ERP solutions and spreadsheets in an attempt to consolidate data into one location and complete their software inventory. Since the real itch cannot be scratched, most teams are still sadly relying on the disconnected, uncollaborative, unsecure, and manual old friend from the '90s: a spreadsheet.

Defining SaaS license management

SaaS license management is the practice of promoting ownership, agility, visibility, and accountability of SaaS and software vendors used throughout the business. While guided by IT and procurement, it prioritizes agility and potency. It is committed to the modern buyer, who carries the high expectations of technology from consumer apps into the enterprise.

You can think of SaaS Management as a member of the SAM family, specific to cloud-based applications and services. While many businesses use on-premise software, many of our beloved applications, and the way we purchase and use software, is quickly moving to “the cloud” with the end user in mind. These emerging SaaS products require a new way to track and manage software use, and SaaS management is the solution.

SaaS license management fundamentally changes the posture of IT and procurement from a centralized, reactive approach to an empowering, insight-driven management of the ever-evolving SaaS vendor stack. To implement most effectively, the type and quality of data matters. Below are the four streams of SaaS data needed for the most accurate picture of your SaaS stack.

The four streams of SaaS data

Financial payment data: A healthy scrub of the expense side of the general ledger and expense data is required to paint a picture of the total vendor footprint with which the business is currently engaged. Actuals are interesting, but budgeted information can also be piped in to paint a picture of budget versus actuals.

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Vendor contract data: Deals can range from enterprise agreements, SOWs, SLAs, and security reviews to a simple email receipt in someone's inbox. Knowing where you stand with each vendor is key for navigating that relationship and mitigating risk, increasing value, and controlling cost.

Vendor licenses and consumption data: Pricing drivers are constantly changing in the software industry, from license-based to consumption-based, to a mix of multiple drivers in most of today's contracts. Understanding usage correlates to business value — are you getting what you paid for?

Tribal knowledge (spreadsheet): Most companies have some form of a spreadsheet or database of information. From renewal dates to ownership, to licenses and approximate cost, all kinds of things end up in this spreadsheet. If a column exists, it must have been valuable enough to track. That's why it's important to compile that data into one platform.

SaaS license management would suggest, after combining all streams of SaaS data into one integrated platform, all the business stakeholders from IT, procurement, software owners, and budget holders must be involved.

The four pillars of a SaaS license management solution

Integration—with systems of record in finance, contracts, IT directories, and with cloud applications and SSO tools to drive true data across several key platforms.

Automation—to all internal systems ranging from helpdesk to Procure-to-Pay to ERP or contract management tools.

Intelligence—leveraging modern technologies for processing big data, like machine learning. This tool must intelligently power insights to all stakeholders using AI.

Frictionless—using communication channels already in use, like email, internal messaging apps, and ticketing systems.

With these four pillars, enterprises can deliver a powerful set of intelligence to all the relevant stakeholders at just the right time. Instead of the reactive, disconnected world we live in today, imagine a SaaS license management solution driving the absolute best decision possible in a fraction of the time.

Below are some of the benefits a solid SAM strategy can provide:

The SaaS radar: Understand which apps are coming into the company which helps you collaborate in real time across teams, consolidating where necessary.

Avoiding duplicate vendors: Helps internal buyers know what you already have and how a new tool might fit into your existing stack, avoiding overlapping services when possible and reducing waste.

Most urgent vendor situations: With so many tools and so little time, SaaS license management increases efficiency by telling you which vendors you should focus on each day.

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Instead of the reactive, disconnected world we live in today, imagine a SaaS license management solution driving the absolute best decision possible in a fraction of the time.

Preventing waste: When the request for 20 more licenses comes as a notification, your SaaS license management solution helps you identify stale licenses that you can re-harvest and reallocate to meet the need, instead of buying more.

Dealing with employee and license turnover: When employees leave, your SaaS license management solution helps you fully deprovision them, acting like a safety net and money saver with old licenses.

Re-evaluating before renewal: In the middle of working on other initiatives, your SaaS license management solution alerts you and all key stakeholders to begin re-evaluating a vendor before renewal.

Anticipating and projecting future spend: When employees leave, your SaaS management solution helps you fully deprovision licenses, enabling a proactive safety net and immediately return those licenses to an available state for downstream users.

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...the time has never been more ripe for enterprises to flip the script, lead the transformation that SaaS has created, and drive their organizations into the next phase of growth.

Insights drive intelligent actions

Tools that make you smarter, faster, and more efficient in dealing with a rapidly evolving SaaS vendor stack will be the key to riding the tidal wave SaaS has created, instead of getting wiped out.

CIOs and procurement teams need to position themselves as strategic partners to drive the business forward using technology. The age-old perceptions of a top-down, 1984 Big-Brother method must be shattered. Businesses need an agile, intelligent, collaborative vendor management solution.

With the software vendor management category taking shape, the time has never been more ripe for enterprises to flip the script, lead the transformation that SaaS has created, and drive their organizations into the next phase of growth.

Next Steps

As you audit your SaaS licenses, determine the number of products in use and calculate your overall spend. Keep in mind a few things:

- Consider using a SaaS License Management solution to discover all of your paid SaaS products, manage licenses, and keep track of upcoming contract renewals.
- Be strategic with your license provisioning, as some employees may not even use the application enough to justify them obtaining a license.
- Downgrade access and capabilities for particular employees who do not need the full suite of functions of specific applications
- Reduce the number of redundant applications used within the business. It's not only more cost-effective to consolidate employees to use universal applications, but also simplifies the provisioning and deprovisioning processes.

Tracking and managing SaaS doesn't have to be a nightmare. Use this white paper as a resource to fuel a more effective SaaS management strategy.

About ServiceNow SAM

ServiceNow SAM enables you to maximize your platform investment with the only single-architecture solution to feed critical software data to the business with digital workflows. Leverage machine learning to modernize and simplify how SAM gets done. Drive software visibility, improve compliance health, and optimize complex licensing from top publishers.

Running SAM natively on your existing ITIL platform reduces maintenance and enforces governance. Preserve perpetually clean data in your central source of truth, the CMDB. Help your organization get to value faster, understand the cost implication of an IT change and automatically distribute key software data through the enterprise.

When SAM runs locally with business applications like Application Portfolio Management, Vulnerability Response, and HR, it eliminates the need for the constant importing and exporting of data between systems. Mitigate software risk with a single, real-time view across unlicensed deployments, re-harvesting options, and automate steps to remediate a compliance issue.

With ServiceNow, you can gain insights into all your cloud environments. Reduce unused SaaS and right size your IaaS consumption. Digitized workflows accelerate productivity. Put your teams in a position to succeed, let them work from the same system. Imagine what's possible when you run SAM where you run IT.

To learn about ServiceNow Software Asset Management, please visit www.servicenow.com/SAM.

Operationalize software license intelligence

