



# **DOS & DON'TS OF SAAS NEGOTIATION**



“Paying attention  
to key negotiation  
factors will lead  
you to success.  
– The Sastrify Team

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### Summary

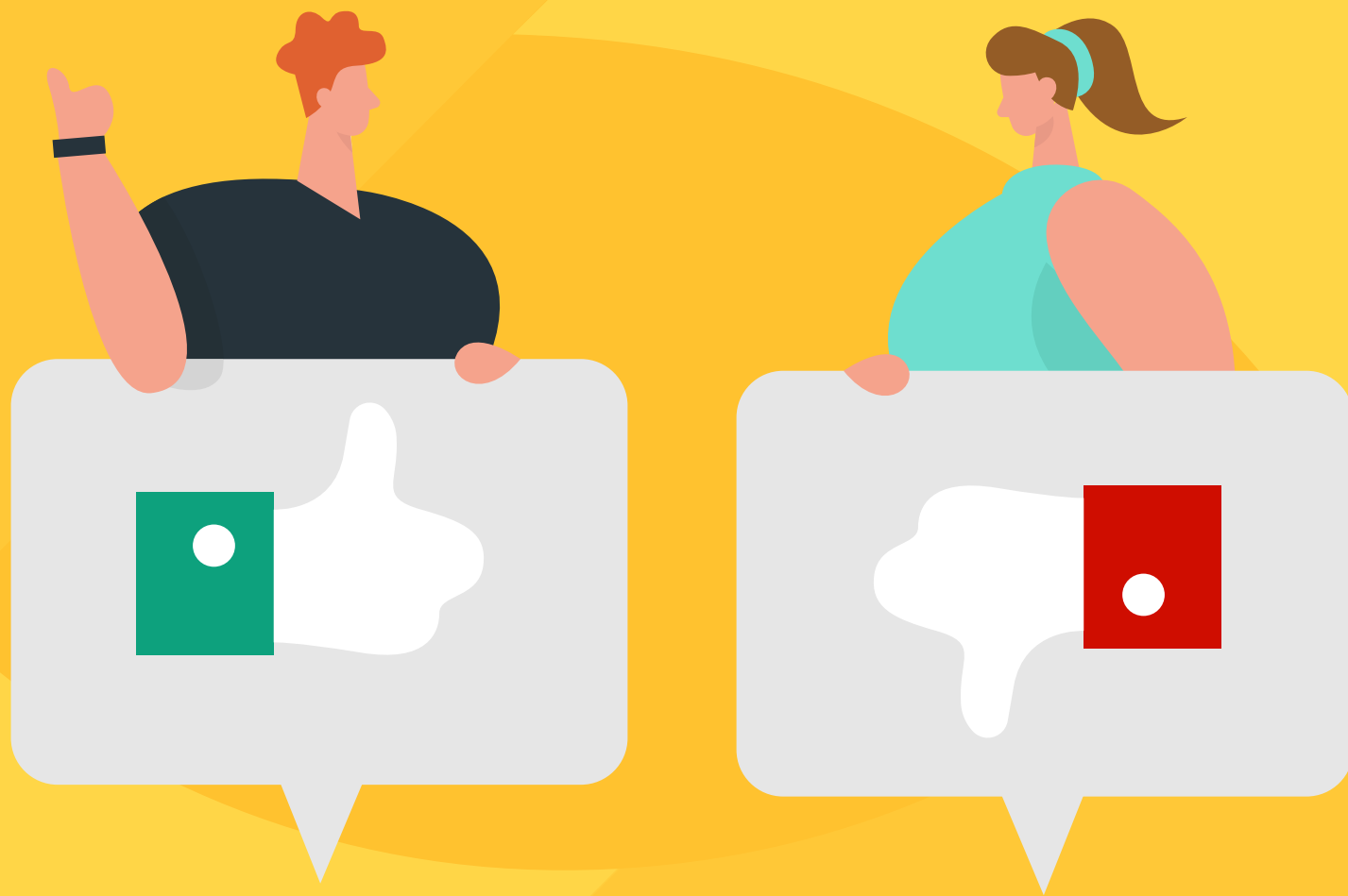
# The Dos & Don'ts of SaaS Negotiation

Modern companies rely heavily on SaaS tools across various departments. SaaS tools are used for project management, collaboration, communication, marketing automation, customer relationship management plus more.

Sign a fair, reasonable SaaS contract, and you enjoy a return on investment that can drive your business forward.

But, sign an unfavorable contract that leaves significant money on the table, and you'll discover that your SaaS contracts are a drag on your bottom line.

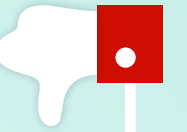
**Looking for assistance going into your next SaaS contract renewal?  
Follow these Dos and Don'ts of SaaS Negotiation.**



# DOS & DON'TS of SaaS Negotiation



## DON'T



### ENTER NEGOTIATIONS ALONE

You can get experience on your side by hiring support for your negotiation.

OFFER 1



### SETTLE FOR INACCURATE INFORMATION

Be thorough and comprehensive as you prepare for SaaS negotiations.

### ACCEPT THE FIRST OFFER

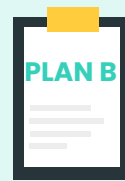
Skip the first offer and move to a second round. Their first offer isn't their best offer.

## DO



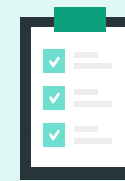
### TAKE CONTROL OF TIME

Starting negotiations as early as possible will give you a clear advantage.



### CREATE A BACKUP PLAN

Check competitor's price that is lower or otherwise more favorable.



### BE PREPARED

Create a strategic plan to bring the best possible outcome for your company.



### FOCUS ON SMALL GOALS

Break the negotiation into small goals and focus on meeting those ones.



### PLAN THE UNEXPECTED

Make key decisions that limit your risk. Things may change over the process.



### DO THE RIGHT QUESTIONS

Ask specific questions and get answers in writing. Don't assume anything!



### UNDERSTAND YOUR COMPANY NEEDS

Difference between must-haves and nice-to-haves when you're negotiating.



### RATIONALE FOR LOWER PRICES

SaaS providers always have flexibility to provide discounts.



### THINK WHAT YOU'LL SAY

Plan out what you'll say before the negotiations begin.



### FIND BALANCE

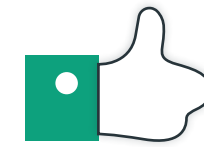
Many negotiators are either too friendly or too tough. It's important to strike a balance.



## How soon should you start thinking about SaaS negotiations?

Typically **3–5 months ahead of the expiration date**, depending on the length of the contract and how detailed and intensive you expect negotiations to be. If you don't want to look into competitor tools, then 3 months is enough. If you would like to look at the competition and eventually want to do a POC, then there should be at least 4-5 months time for this.

**At Sastrify, we support our clients by providing renewal alerts that give them plenty of time to create and execute a negotiation strategy that delivers favorable results.**



## Take Control of Time (By Starting Early)

All SaaS vendors have a sales cycle they like to get prospects and users into. When your renewal date starts to get closer, you'll notice one of **two approaches that your vendor will use**:



### 1. Proactive Outreach

Your vendor will reach out relatively close to your expiration date. They are trying to create urgency where none should exist. The urgency can force you into an unfavorable contract.



### 2. Silence

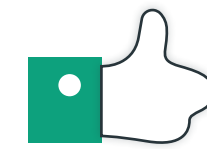
Some SaaS vendors won't say a word. They will hope that you let your subscription auto-renew (sometimes at a higher rate) without them saying a word.

You can take your own approach to SaaS negotiation, whether you're exploring new tools or renewing an existing one. Start negotiations as early as possible. The **benefits of starting early** are two-fold.

First, when you start early you have plenty of time for back and forth. Vendors like to start late because they can force users into a rushed decision — typically at rates that are higher than the user would like.

Second, you need time to look at competitor tools that offer the same features and functions. Even if you don't want or need to change SaaS providers, it's helpful to create a sense of competition that you can use as a lever in your negotiations.

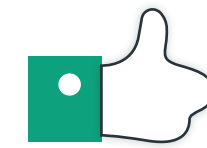
# PLAN B



## Create a Backup Plan

As noted above, whether or not you're interested in switching SaaS providers, you must have a backup plan. You need to be able to go to your existing provider and show them a competitor's price that is lower or otherwise more favorable.

As a rule of thumb, **negotiate with 2 alternative solutions** or 2-3 vendors in total, whether you're looking for a new tool or evaluating your options at the end of an existing contract. The experience of going through negotiations with 2 similar SaaS providers can be illuminating and give you actionable intelligence that helps you close the best possible contract.

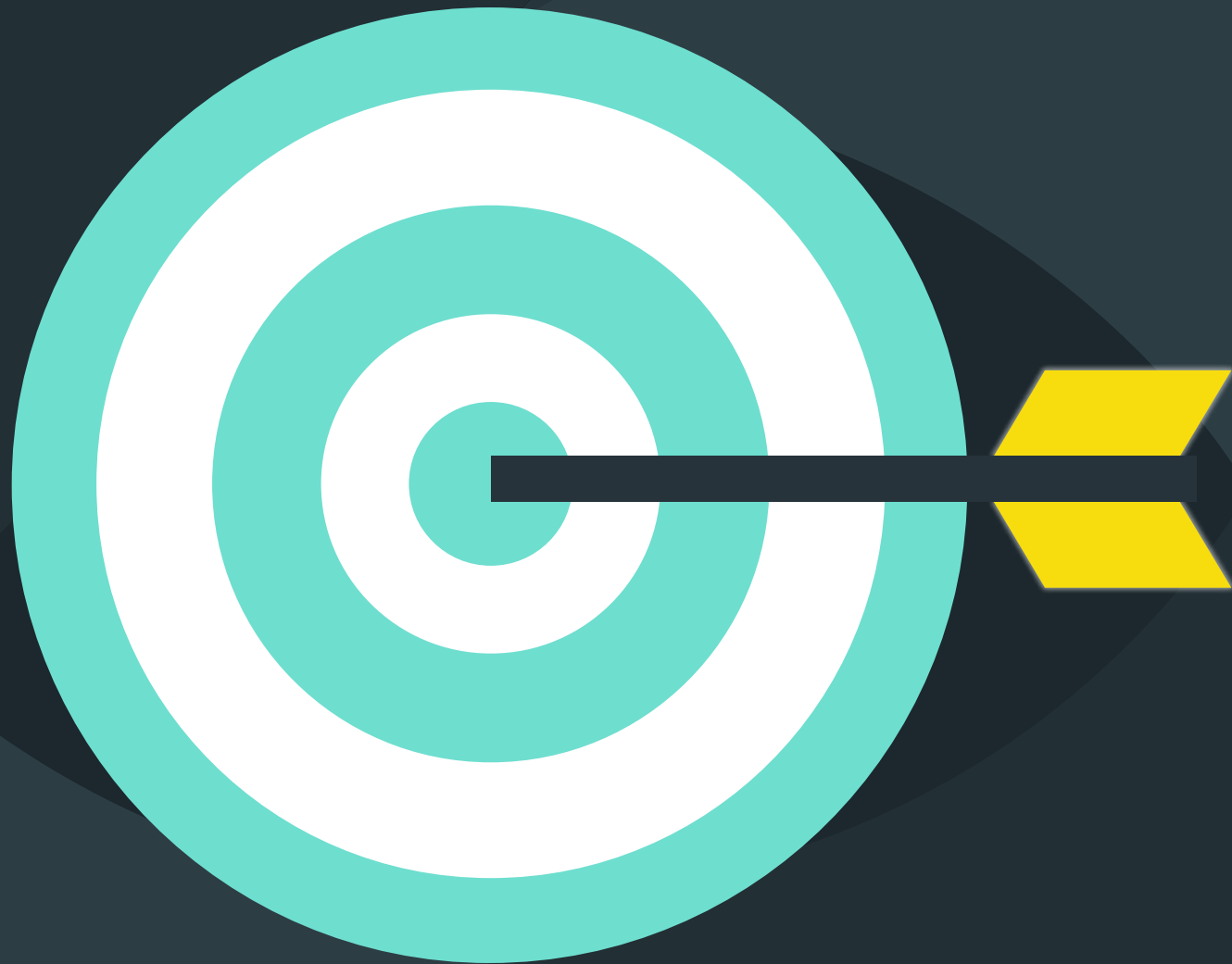


## Plan for the Unexpected

Things will change for your company and for the SaaS provider over the course of a lengthy contract. Plan for the unexpected by making key decisions that limit your risk. For example, here are some don'ts to pair with this do:

- **Don't** sign up for more licenses than you need, assuming that your organization will grow in the near future to necessitate the additional licenses.
- **Don't** sign a contract that's too long for a SaaS tool that's new to your company.
- **Don't** choose or switch providers based on promises of a must-have feature that's not currently available (but that's "coming soon").

In short, try to agree to SaaS contracts that account for as many eventualities within your organization as possible. You can't anticipate every twist and turn in your company's existence, but don't make big assumptions about what the future will hold.



## Focus on Small Goals and Specific Steps

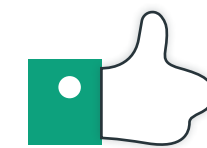
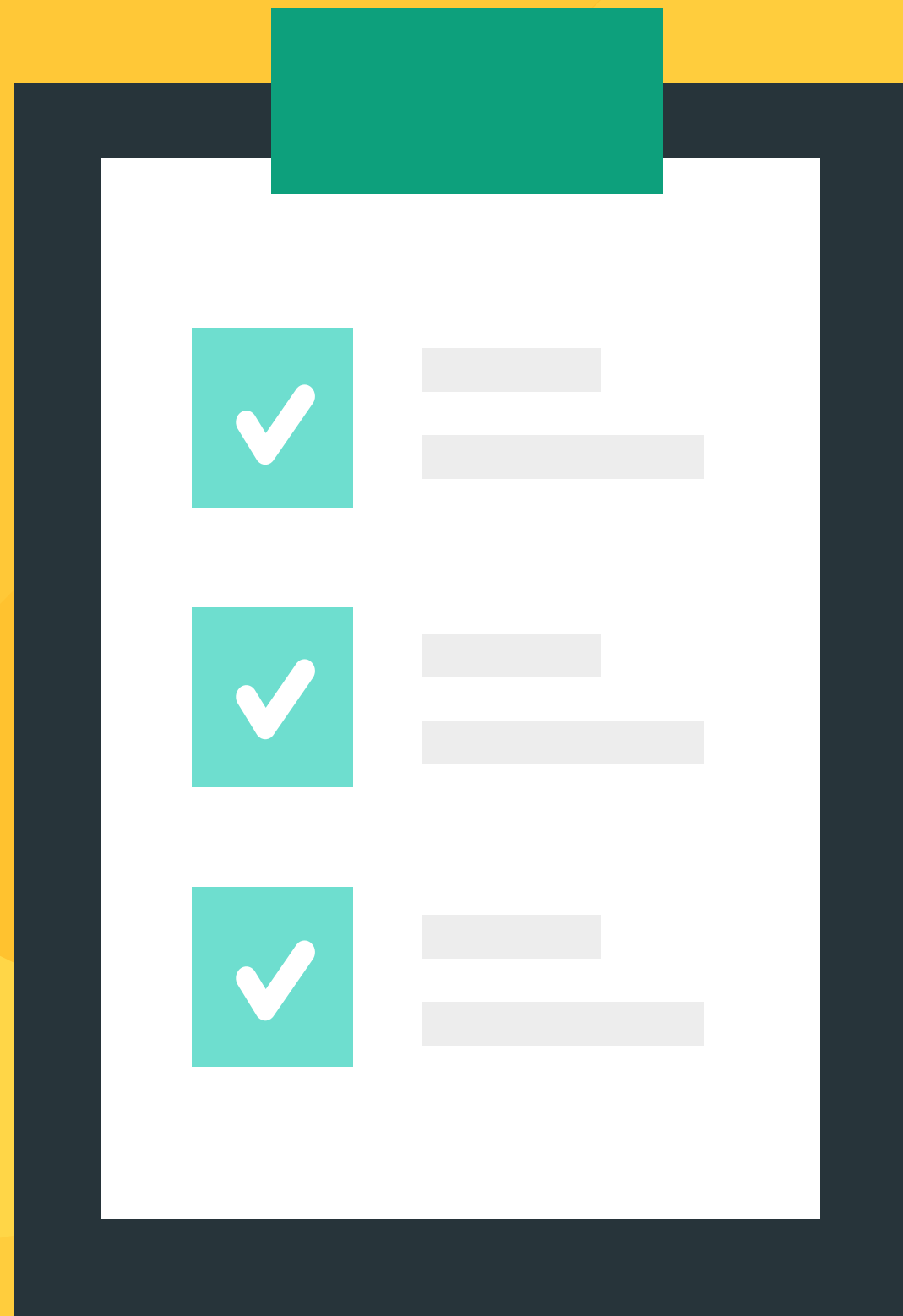
You'll eventually want to negotiate the full scope of the contract, but don't go into negotiations with a scattershot approach. Instead, **break the negotiation into small goals** that your company has, and then focus on meeting those small goals over specific steps.

Without focus, vendors will use their depth of experience to overwhelm you with information and attempt to upsell you on features you don't need.

### Smaller goals & steps that you can create include:

- Deciding on the **number of licenses** your company needs.
- Agreeing on **implementation costs**.
- **Outlining** the negotiation **process**.
- Negotiating a reasonable **subscription price** (based on benchmarks).
- Coming to **terms on payment**.
- Talking about **SLAs and additional training hours**.

There are likely to be other goals you should create and steps you should take that are unique to your business. Create a roadmap that includes these goals and steps as part of your initial negotiation plan.



## Go Into Negotiations Prepared

Starting early isn't enough. You need to create a strategic negotiation plan that will result in the best possible outcome for your company. **Your plan should include 3 things:**



### 1. A Ceiling

What's the highest price you're willing to pay for a SaaS tool? By setting a ceiling, you know your boundaries before negotiations ever begin.

Some companies aren't sure what a fair price would be for a given SaaS tool. That's where Sastrify can be immensely helpful. We offer a database of SaaS benchmarks that lets you know what to expect for different service levels of various SaaS products.



### 2. A List of Must-Haves

What are your must-have features and capabilities? In too many cases, companies pay a premium for access to features and capabilities that they don't want, need or use. By downgrading to a lower service plan with fewer features, these companies could discover savings without sacrificing functionality.

Make sure you're paying for the right number of licenses, that you are getting the level of support your team needs, that you have access to the features within the product that are essential, etc.

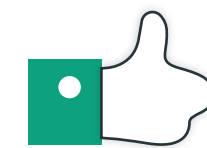


### 3. A Group of Credible Alternatives

Again, you need a credible group of alternatives to start any successful negotiation. You don't want to wait for negotiations with one SaaS product to reach an impasse before you start exploring other options.

Negotiation is an art form, something akin to playing chess. Go into the duel fully prepared for the back-and-forth that characterizes almost all negotiations. Without a plan and without preparing, you're ceding the advantage to the SaaS provider from the start.



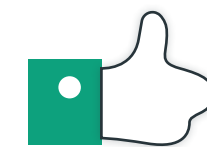


## Think Through What You'll Say

As mentioned above, SaaS providers are typically skilled negotiators because they are going through new contract and renewal processes all the time. It's vital that you plan out what you'll say before the actual negotiations begin — your words matter. Before negotiations, **think through your primary talking points**. Talking points might address:

- **What you need vs. what you don't need** from the tool.
- **Feedback** on how your company uses the tool and what **value it does (or does not) deliver**.
- **Rationales** for requesting a **lower price**.

Try to imagine the SaaS providers talking points, too. They will be prepared to meet your objections and to stand firm at prices higher than you'd like to pay. Create rejoinders for their talking points so that you can more effectively dictate the terms of the negotiation.

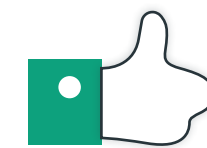


## Ask the Right Questions

Through the negotiation process, you need to ask the right questions. **Don't assume anything**.

Start by asking the right questions internally. How is the SaaS tool being used? What value is it creating for the organization? What do internal power users think about it? You can create a survey to capture quantitative data, and then follow-up by gathering qualitative data through conversations with stakeholders.

Then ask the right questions of the SaaS provider. Again, don't assume anything. If you have important must-haves around licenses, level of support, implementation support and costs, annual overage costs, key features, etc., make sure that you ask specific questions and that you get the answers in writing (as part of the contract).



## Understand What Your Company Needs

There's a huge difference between must-haves and nice-to-haves when you're negotiating SaaS contracts. Typically, vendors try to sell features that their users don't actually need — things like professional training sessions. End users within your company will appreciate these additional features, but they won't be aware of the additional cost and related ROI.

We've already stated the importance of asking questions internally. Ask probing questions about **how much your team members use certain features and what value those features deliver**. You may find that some of the features you thought were must-haves are actually nice-to-haves that you can eliminate to get down to a lower service level.

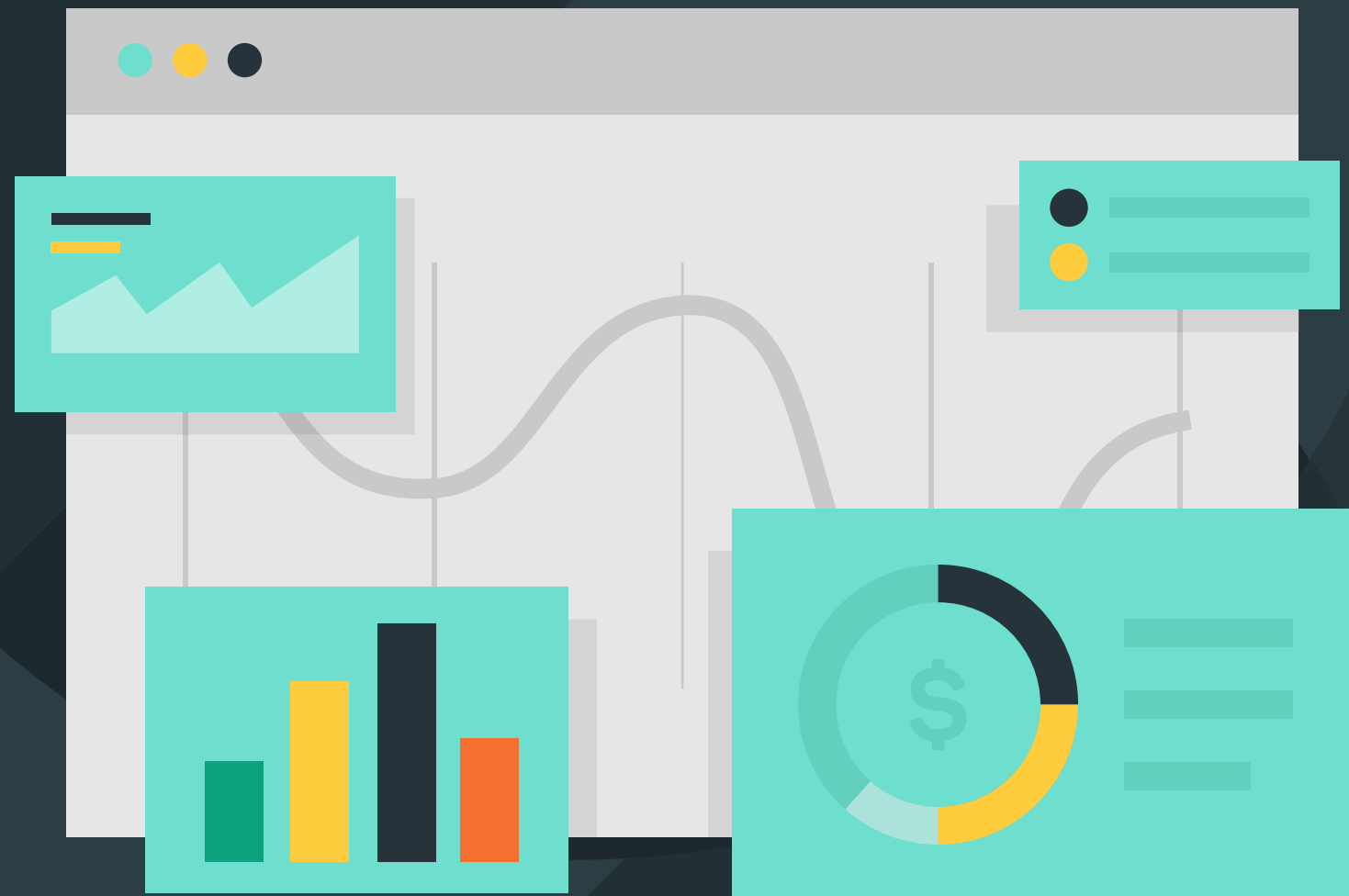


Must-have



Nice-to-have

**At Sastrify, we have a buy-less mentality. Eliminating unnecessary features to move down to a lower-priced plan is one of the fastest and easiest ways to reduce your spend and increase your ROI.**



## Create a Rationale for Lower Pricing

SaaS providers always have flexibility to provide discounts. **Getting a discount is all about negotiation tactics**, including picking the best time to haggle, dealing with the right person, and considering the perfect value. One thing for certain is that it is a give and take situation, only you start requesting to take first. You keep poking until the person on the other end gives in. You need a compelling reason why a discount makes sense — a rationale.

For example, imagine you've found a better price for a similar service through a competitor. It's completely natural to ask the provider to match or come close to matching that lower price. Or you can always offer to give in one area in exchange for a lower price — like offering to extend a 2-year contract to a 3-year contract for a lower rate. You can also offer to pay completely upfront or to accelerate the signing of the contract in exchange for a lower price.

Again, planning is essential. Think about the levers you have to use, the rationales you can create, in an effort to secure a lower subscription price.

## Find the Right Balance

Many novice negotiators are either too friendly or too tough. That is, they stray to the extremes of the relationship-building spectrum, which is not good for achieving the desired results. **It's always important to strike a balance — to be congenial without becoming a pushover.**

This is even more true in the digital age when negotiations are often conducted via Zoom or other online meeting software. It's harder to build relationships when you're not meeting face-to-face, so practice building a positive relationship while remaining as firm as possible. Strike the right balance, and you'll find that the negotiations go smoothly and that you get closer to achieving your objectives.



## Enter Negotiations Alone

We've already noted that SaaS providers have a great deal of negotiation experience. You can get experience on your side by **hiring support for your negotiation**. At Sastrify, that's one of the primary services we provide our clients — support that moves negotiations forward as quickly as possible and toward positive outcomes.



## Settle for Inaccurate Information

Be thorough and comprehensive as you prepare for SaaS negotiations. That means gathering complete and accurate information internally from your team — data on how SaaS tools are being used and what kind of return on investment they are delivering. Plus gathering complete and accurate information from the SaaS provider — details on what your company will get from the tool, and a realistic forecast of how it will impact efficiency, productivity and the bottom line.

SaaS providers are going through negotiation processes week after week with various users. Over time, SaaS providers become quite good at dictating the timeline, upselling their users, and generally coaxing as much revenue as possible from users. **If you go into the negotiation with incomplete or inaccurate information, you're putting yourself at an immediate disadvantage.**

# OFFER 1

[Placeholder text for Offer 1]

## Accept the First Offer

In almost all cases, skip the first offer and move to a second round. SaaS providers rarely (if ever) make their first offer their best offer.

When you get to the **second round, you'll start to get better pricing**, and you'll start to get a better feel for how the negotiation might progress.

Keep in mind the context, though. There are occasions when SaaS providers use urgency tools that really do create a better deal for users. Keep in mind that you have access to a database of price benchmarks when you work with Sastrify. These benchmarks provide the context you need to make an informed decision about SaaS contracts.





# Get the SaaS Negotiation Support You Need

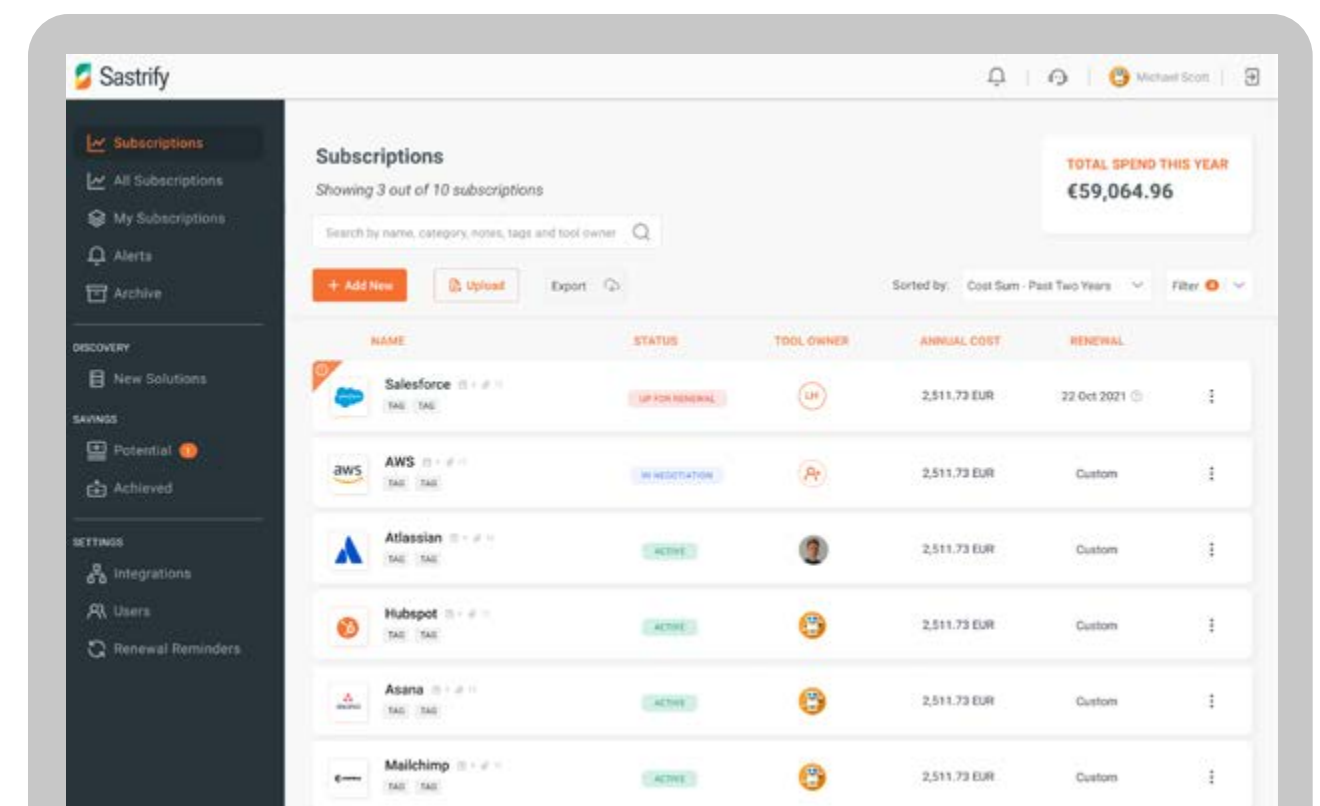
There's no reason for your company to go into SaaS negotiations alone. At Sastrify, we have a track record of helping companies properly benchmark SaaS pricing and navigate negotiations to reach the desired outcome.

Are you looking to save on your SaaS spend? Getting started with Sastrify is fast and easy.



Let us help you so that you can focus on what matters most: your business. Get in touch with us! [hello@sastrify.com](mailto:hello@sastrify.com) or [sastrify.com](https://sastrify.com)

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