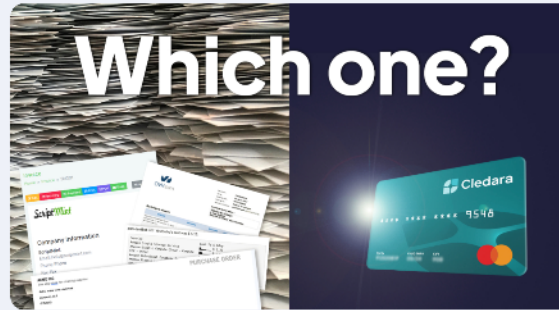


Finance Leaders March 7, 2022

Are POs and Invoices Driving Up Your SaaS Subscription Costs?



- According to Gartner, 30% of SaaS spend is wasted on unnecessary or unused SaaS, but companies still struggle to drive savings with seat numbers, renewals, and alternatives.
- Finance teams may want to switch to managing SaaS subscription payments with purchase orders and invoices, but this adds to AP workloads.
- Virtual cards can help finance teams cap spending on a software-by-software basis and automate repetitive accounting tasks.

Great software opens up a world of collaboration and productivity for you, your team, and your customers. It's easy today to find at least one piece of software that solves the functional problems we have.

And software's rise has helped us all do more efficient work. And it has helped companies to more quickly clear their path to growth. But there's no such thing as a free lunch. The more software platforms you use, the more unintended problems you can face.

SaaS creep is the start of it

The main one? Spiraling [costs](#).

The SaaS industry has boomed by onboarding new customers with free trials before gradually upselling them to enterprise tier pricing. Users and companies are attracted to different software through these trials, but pricing becomes more opaque as businesses reach a certain size. This "land and expand" approach sees software companies increase their net revenue retention with customers.

That's great for software companies. And it's great for their investors. It's not so great for you, if you're a CFO sweating your outgoings, or a project lead who just wants to take care of big problems with the best software available.

Our recent [SaaS subscriptions](#) research shows:

- Companies have an average of 66 software subscriptions they know about
- 60% believe employees have more SaaS subscriptions than they're aware of
- Only 14% believe all their SaaS subscriptions add business value.

The trouble comes when a subscriber decides the subscription doesn't deliver value. They often forget to cancel it and it could then be months before the finance team finds out. We estimate 30% of SaaS spend is wasted on unnecessary or unused SaaS. And it's this disconnect between SaaS spending and SaaS effectiveness that causes more knock-on problems.

Legacy software purchasing

Sadly, SaaS purchasing often makes the work of accounts payable a lot more frustrating. Your finance team is probably already feeling this. Especially if your business buys and manages software with the same processes you used before software moved from being an on-premise licensed product to a cloud-based subscription service.

Take manual payment processing and ongoing SaaS subscription management, for example. Early-stage businesses often pay for their SaaS subscriptions on a limited number of business credit cards. That's fine when the business is small and the founding team is more heavily involved in day-to-day financial management.

But when that business grows, the finance function naturally becomes more sophisticated. That's when more structured finance teams seek to gain some more control of spending. Payment processing, procurement, and contract management become bigger priorities.

Enter the purchase order (PO). And its close cousin, the invoice.

Why do finance teams use POs for SaaS?

Eventually, finance teams often want to push payments for software subscriptions off credit cards and onto POs and invoices. There are some understandable reasons for this:

- You're familiar with handling POs, and practices like three-way matching, where goods and services are cross-checked against line items on POs and invoices.
- You had poor past experiences with traditional business credit cards that incentivize spending with frequent flyer points and other non-cash rewards.
- POs and invoices give the appearance of control because your AP team has to check and reconcile all

your software payments month after month.

But it's 2022, not 2002. The sheer volume of SaaS subscriptions means AP teams end up getting bogged down in repetitive tasks. That's not good for [employee](#) satisfaction.

Our survey of finance managers shows 48% of respondents frequently chase other employees to attribute and reconcile SaaS spending. That might involve lots of back-and-forth emails or Slack exchanges. A further 62% say manually reconciling subscription spending keeps them from more strategic work.

Virtual cards can automate software savings

Our [research](#) shows only a tenth of companies with up to 100 employees give software spend control to individual employees. Yes, every finance leader has experienced someone who has been a source of maverick spending. But the problem is often the expense policy.

- Because they ask for responsible spending but have no ability to encourage it
- Because they force teams and supervisors to work with slow POs and invoicing
- Because business units don't understand these processes, even if finance does.

You can get the oversight you need, without accepting the drudgery of manual payment processing. By giving employees virtual cards with preset budgets for every subscription, you can stop SaaS creep before it becomes a sprint.

They can make finance's life a little easier, too. By keeping your SaaS subscription spending on virtual cards, your AP team can automatically capture and match invoices to payments, while automating how this information is recorded on the general ledger.

Outsmart subscription creep

Purchase orders will always have their place. And they can even be partially automated with certain spend management platforms. But even then, most spend management platforms are not designed to handle businesses' growing reliance on software. That's a problem when SaaS subscription spending is your business's second-highest expense after payroll.

Virtual cards, paired with dedicated subscription management automation software, can help you see unused seats, redundant subscriptions, hidden foreign exchange fees, and unexpected cancellations.

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