



AI in SaaS Spend Management: The Full Picture

Chapter 1: Introduction - The SaaS Explosion and Its Challenges

The days when IT departments solely controlled software procurement are long gone. Today's agile teams have diverse needs, and the market offers an abundance of tools to address these requirements. Research indicates that the average organization now uses over 100 SaaS applications.

This proliferation of SaaS tools has created significant challenges:

- **Visibility:** Limited insight into the full scope of SaaS applications and associated costs.
- **Inefficiency:** Procurement processes often take over two weeks, causing delays and productivity losses.
- **Redundancy:** Multiple subscriptions to similar services across different departments.
- **Underutilization:** Paid licenses that are rarely or never used.

- **Compliance:** Difficulty ensuring all SaaS applications meet regulatory and security standards.
- **Budgeting:** Challenges in accurately forecasting and budgeting for SaaS expenditures.

Traditionally, finance teams relied on spreadsheets to track software subscriptions and spending. While this approach works in theory, it quickly becomes unwieldy and inefficient as the number of subscriptions grows. The consequences are significant: inflated costs, operational inefficiencies, and compliance risks that directly impact a company's bottom line.

Chapter 2: The AI Revolution in SaaS Spend Management

Artificial Intelligence has evolved from a buzzword to a powerful tool revolutionizing SaaS spend management. AI provides organizations with the capabilities they need to regain control, optimize costs, and drive strategic value from their SaaS investments.

Current State of AI Adoption

Our recent survey of over 130 business leaders, conducted for the State of SaaS Buying 2024 report, reveals interesting trends in AI adoption for SaaS spend management:

- 28% of respondents currently use AI technologies in their SaaS spend management processes.
- License management (20%) is the most popular use case, followed by contract review and approval (11%).
- Some organizations are also exploring AI for new product procurement, optimization, reminders, and user support.

Current State of AI Adoption

The survey also highlighted the outcomes realized from AI implementation:

What outcomes have you realized from AI thus far?	
Cost savings	53
Increased efficiency	69
Better employee experience	29
Risk mitigation through monitoring	09

This aligns with license management, contract review, and approval workflows that organizations automate with AI. What's exciting is the investment leaders are making and willing to make in AI for SaaS procurement and management.

These results align with the primary use cases of license management and contract review, indicating that AI is already delivering tangible benefits in these areas.

AI Investment Trends

While adoption is growing, many organizations are still in the early stages of AI implementation for SaaS buying:

What is your investment in AI for SaaS buying?	Current year	Next year
Nil investment	47	33
Unknown or unsure	43	42
1-50K	24	39
51-200K	11	7
200K+	4	9

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Chapter 3: The AI Effect - Transforming SaaS Spend Management

AI brings a powerful set of capabilities to SaaS spend management, including Natural Language Processing (NLP), Optical Character Recognition (OCR), and Large Language Models (LLMs). These technologies are being applied in various ways:

1. License Management

AI-powered systems can analyze usage patterns across an organization's SaaS portfolio. By processing large volumes of user data, these systems can identify:

- Underutilized licenses
- Opportunities for license consolidation
- Usage trends to inform future procurement decisions

For example, an AI system might detect that a department is only using 60% of its allocated licenses for a particular tool, allowing the organization to downgrade its subscription and save costs.

2. Contract Review and Approval

AI streamlines the contract review process through:

- OCR technology to extract key information from both digital and physical contracts
- NLP to analyze contract language and flag potential issues or opportunities
- Automated comparison of contract terms against organizational standards

This can significantly reduce the time spent on contract review. For instance, a process that once took days could be completed in hours, with the AI system highlighting key areas for human review.

3. Spend Analytics and Forecasting

AI algorithms can analyze historical spending data, usage patterns, and market trends to:

- Predict future SaaS expenses with greater accuracy

- Identify potential cost-saving opportunities
- Suggest optimal times for contract negotiations

4. Compliance and Risk Management

AI systems can continuously monitor SaaS usage across an organization to:

- Ensure compliance with licensing terms
- Detect potential security risks from unauthorized or shadow IT applications
- Track regulatory compliance across the SaaS portfolio

Chapter 4: Implementing AI in SaaS Spend Management - The Spendflo Approach

While various approaches to implementing AI in SaaS spend management exist, Spendflo offers a comprehensive solution that illustrates AI's potential in this space.

SmartScan: AI-Powered Contract Analysis

Spendflo's SmartScan uses OCR and NLP to:

- Automatically extract and categorize data from PDF contracts
- Map price and product details across the platform
- Sort contracts into long-term and monthly tabs for easier access

This streamlines the contract review process, potentially saving organizations hundreds of hours in manual review time.

Dynamic License Management

Spendflo's AI-driven license management system:

- Defines custom inactivity thresholds for licenses
- Provides real-time visibility into active, inactive, and unassigned licenses
- Offers AI-powered recommendations for license optimization based on feature-level usage data

Flo AI: AI-Powered Procurement Assistant

Flo AI, Spendflo's procurement co-pilot, integrates with communication platforms like Slack to:

- Facilitate on-the-go approval processes
- Provide real-time contract and usage data for informed decision-making
- Streamline the entire procurement workflow