

SAAS IN 2020: GROWTH TRENDS & STATISTICS



Wildly popular SaaS solutions aren't going away any time soon. Thanks to their ease and affordability, Gartner anticipates that SaaS solutions will generate revenue close to \$105 billion in 2020 alone. That is \$20 billion more than Gartner estimates for just a year ago, in 2019. Surely this jump is due to the global pandemic, forcing companies to pivot to remote work—with SaaS solutions among the easiest to adopt and roll out.

Let's take a look at other estimates, trends, and statistics that indicate how much we're pivoting to SaaS solutions.

SaaS spending vs overall IT spending

Though [global IT spending](#) might be down as businesses and economies suffer, [cloud growth](#) is the bright spot, with cloud spending expected to rise 6.3% year over year.

IT Spending in 2020



Cloud spend increase:
6.3%

8% global
decline



Nearly
\$300 billion

Hardest hit:
Hardware

Biggest spend:
DaaS & security

Among cloud options, the outlook for SaaS is arguably the brightest. After all, the overall growth of the SaaS industry will remain consistent through these years as more companies adopt SaaS solutions for a variety of business functions, extending far beyond the initial SaaS territory of core engineering and sales applications, fueled by SaaS trailblazer Salesforce's model and immense growth.

Cloud growth: SaaS vs other cloud services

But does SaaS remain the clear leader across all cloud services? That might be a harder argument to make.

Table 1. Worldwide Public Cloud Service Revenue Forecast (Millions of US Dollars)

	2019	2020	2021	2022
Cloud Business Process Services (BPaaS)	45,212	43,438	46,287	49,509
Cloud Application Infrastructure Services (PaaS)	37,512	43,498	57,337	72,022
Cloud Application Services (SaaS)	102,064	104,672	120,990	140,629
Cloud Management and Security Services	12,836	14,663	16,089	18,387
Cloud System Infrastructure Services (IaaS)	44,457	50,393	64,294	80,980
Desktop as a Service (DaaS)	616	1,203	1,951	2,535
Total Market	242,697	257,867	306,948	364,062

= infrastructure as a service; PaaS = platform as a service; SaaS = software as a service

Note: Totals may not add up due to rounding.

([Source](#))

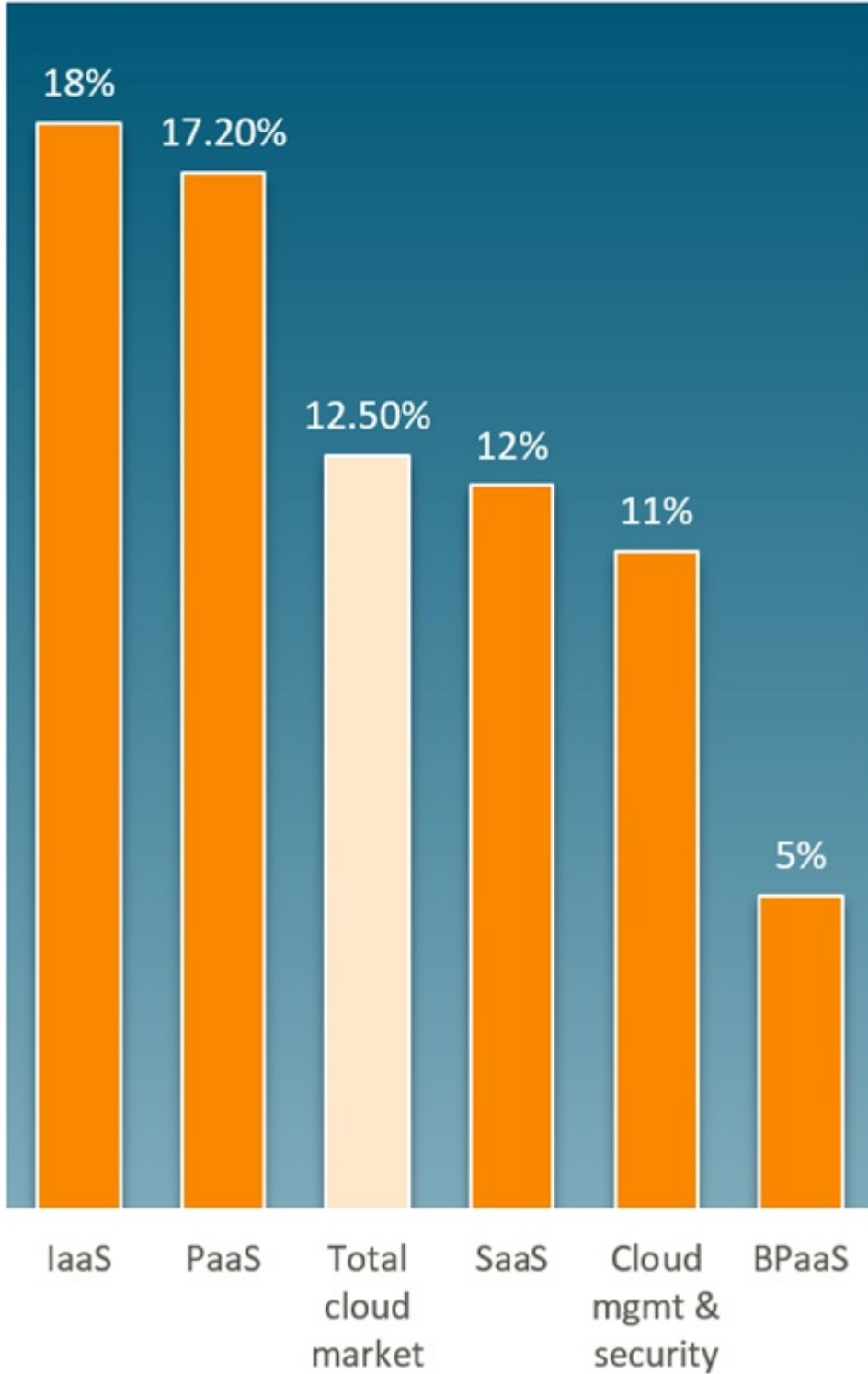
As the first cloud service to truly take off, SaaS has a significant lead on other cloud services. Gartner estimates that SaaS will continue to maintain its dominance. In terms of revenue:

- SaaS is expected to bring in nearly \$105 billion USD in 2020 alone.
- In 2022, SaaS will generate close to \$141 billion.

The SaaS growth rate—how quickly it is growing—is beginning to slow, however. Looking at compound annual growth rate (CAGR) projections over a five-year period, SaaS is expected to grow 12%. Other cloud services, notably [Infrastructure as a Service \(IaaS\)](#) and [Platform as a Service \(PaaS\)](#), will grow faster, as these initially immature technologies have reached the [Plateau of Productivity](#).



5 Year Cloud Growth, 2018-2022: Compound Annual Growth Rate



The SaaS market is reaching a higher revenue size than both IaaS and PaaS combined—at least for the time being. Ultimately, though SaaS might begin to slow this year, geo-economics may reverse that slowdown. By 2022, SaaS is still expected to generate double the revenue of PaaS and significantly more than IaaS.

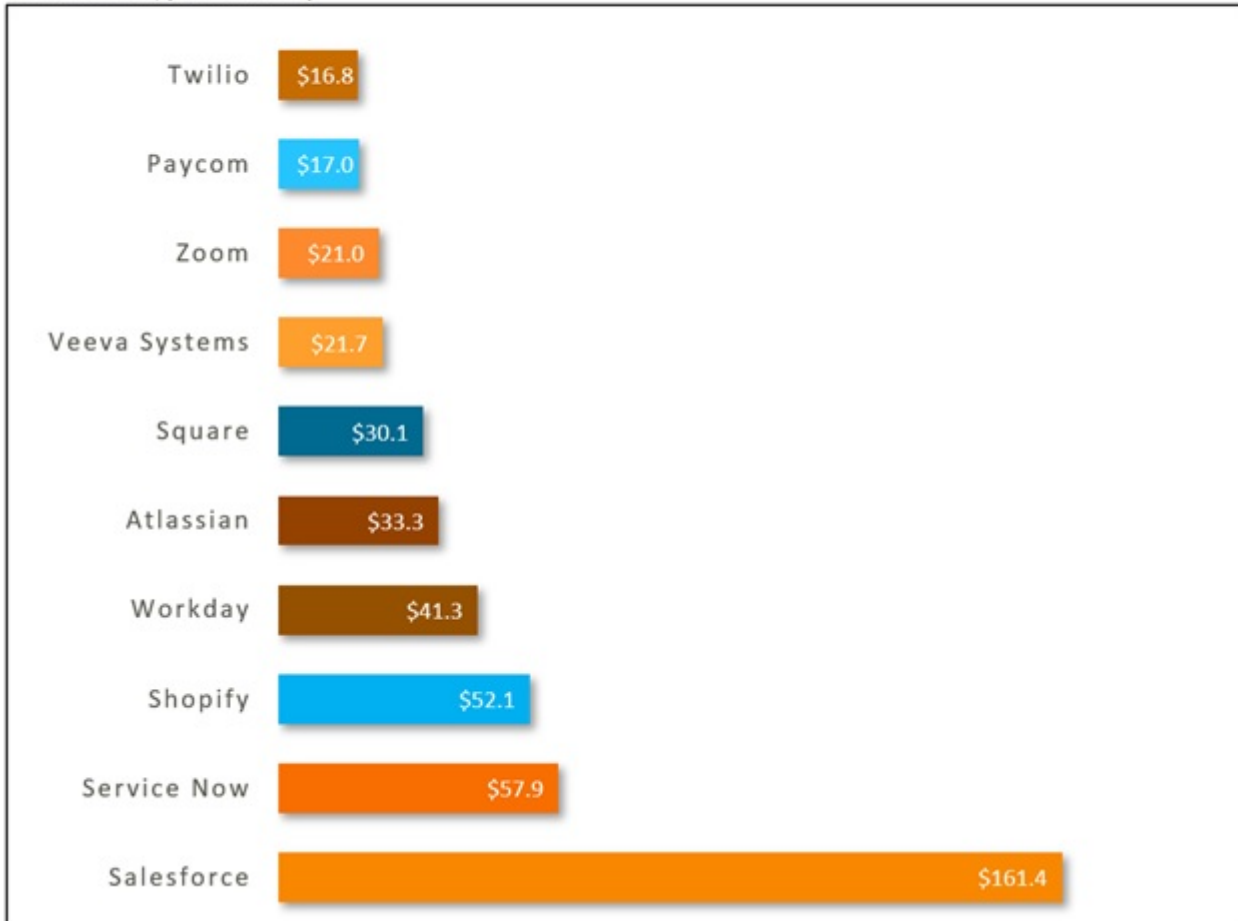
Largest SaaS companies

We can also look at SaaS success in terms of the companies that make those products. In January 2020, the 10 largest publicly owned SaaS companies, [per market cap](#), were:



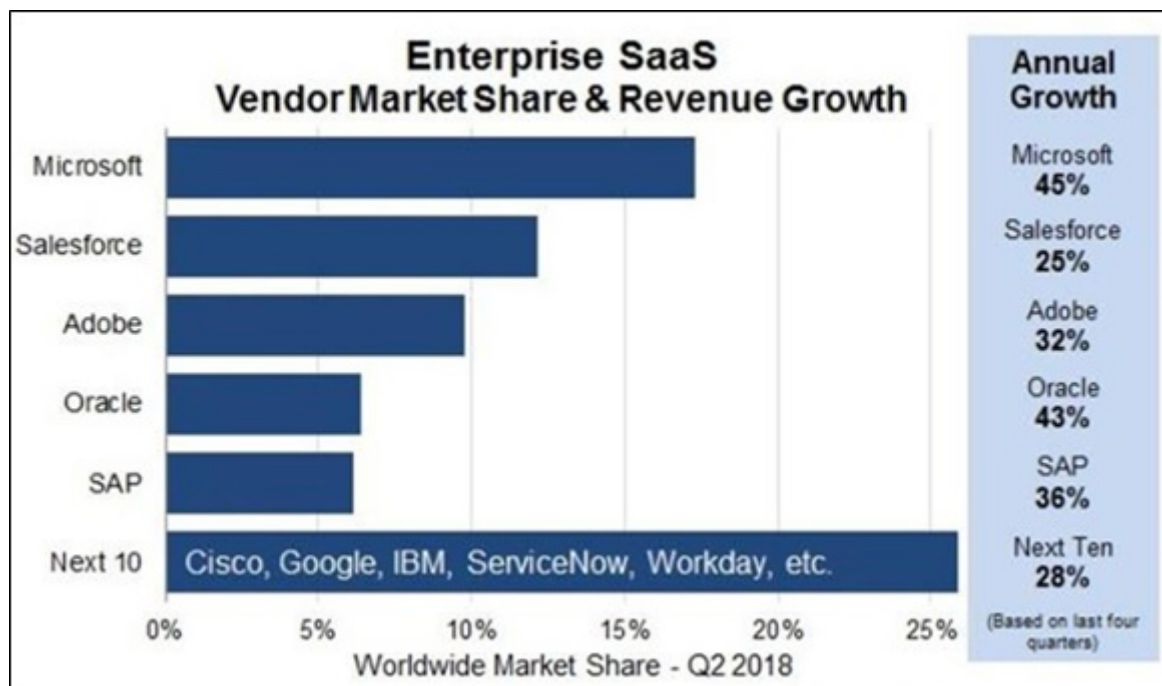
Largest SaaS Companies

In USD Billions; per market cap



A common misconception is counting Microsoft and Oracle among SaaS. We realize, however, that a significant portion of their revenue comes from selling on-premise software—so while they're huge tech companies, calling them SaaS providers is a misnomer.

This demand for subscription-based pricing model, however, is spurring legacy companies to rapidly migrate their software solutions to a SaaS consumption model.



(Source)

This means strong potential for growth of SaaS products in the coming years as their Total Cost of Ownership (TCO) matches that of the on-premise software deployment models. Organizations dominating the enterprise software space—IBM, Oracle, Microsoft, and SAP—will likely maintain their market share for enterprise software products, as a growing number of customers can take advantage of the same product capabilities with the feasible subscription-based pricing model.

SaaS acquisitions and IPOs

Of course, SaaS growth doesn't stop with revenue projections. SaaS acquisitions feels as if they're [happening daily](#), as bigger companies look for the next big SaaS thing. Stability of the economy and investor interest in scalable cloud solutions have encouraged entrepreneurs, innovators, and enterprises to develop new SaaS solutions.

SaaS acquisitions in 2020

Notable SaaS acquisitions from just the summer of 2020 include:

- Atlassian, a top 10 SaaS company, bought up Mindville, an asset management company.
- Square, another top 10, acquired Stitch Labs, which offers omni-channel operations management, as well as Verse, a European peer-to-peer payment app.
- Data management specialist Sweagle was acquired by ServiceNow, an ITSM provider.
- Zoom bought encryption startup Keybase to solve its [ongoing security disaster](#).

Recent SaaS IPOs

Significant SaaS IPO news of the last year:

- Zoom went public in April 2019, yet they've already entered the highest echelon of SaaS companies. (We suspect that's only going up.)
- The eight companies who first entered the top 50 biggest SaaS companies just this year, all went public only last year: Zoom, Slack, Datadog, Dynatrace, Medallia, PagerDuty, Change

Health, and CrowdStrike.

These numbers are expected to increase at similar growth figures in the coming years as organizations increase public cloud spending for the near future.

SaaS adoption and workforce size

We can also measure SaaS growth in terms of adoption: are customers using more, less, or the same number of SaaS products?

The number and type of users of SaaS products has increased rapidly in recent years. Though initially positioned as ideal for SMBs and startups, companies of all shapes and sizes are finding SaaS a palatable, affordable solution that empowers agility and [digital transformation](#).

[Recent research](#) finds that:

- By 2021, 73% of organizations will be using all or mostly SaaS solutions.
- Nearly 85% of small companies have already invested in SaaS options.
- Despite [security concerns](#), 93% of CIOs indicate they're already adopting or are soon planning to adopt SaaS solutions.
- Organizations with 250+ employees use more than 100 SaaS apps.
- Small firms of up to 50 employees use between 25-50 SaaS solutions, on average.

However, the rate of SaaS usage growth is consistent across organizations of all sizes. The growth is driven both by internal requirements attributed to:

- Tooling-focused product development methodologies such as Agile and DevOps.
- The growing availability of useful SaaS products in the enterprise IT market segment.



The proportionality of SaaS adoption to workforce size is attributed to several factors:

- Small organizations tend to work on a limited set of projects that naturally require a limited set of products. As the organization grows and the number of teams increase, users working on different projects may have their own requirement for the SaaS tools.
- To avoid the [issues resulting from Shadow IT](#)—the adoption of unapproved software at the workplace—including cost and security, large organizations make it easier to provision many SaaS resources as necessary.

- The complexity of large-scale projects at the enterprise level means that no single SaaS solution delivers all necessary functionality. Users who rely on multiple SaaS solutions to address their technology requirements may adopt several products designed for the same target audience and application use cases.

Why is SaaS so popular?

Customers are increasingly adopting the subscription-based pricing model to satisfy growing IT needs—despite limited IT budgets particularly for SMBs and startups. Established enterprises aren't looking down at SaaS either, despite their size. Instead, they're wholeheartedly embracing the 'as-a-Service' business model to satisfy diverse needs with agile, modern solutions.

The result is a suitable business environment that facilitates healthy competition among SaaS vendors while the market demand continues to increase exponentially.

[Research](#) suggests that the number of competitors for SaaS firms starting around 2012 were less than three on average. By the end of 2017, every SaaS startup faced competition from nine other firms competing in the same SaaS market segment. Considering the example of SaaS marketing solutions, the number of products increased from 500 to 8,500 between 2007 and 2017.

SaaS growth rates, IPOs, and acquisitions all indicate this trend is not ending anytime soon.

SaaS benefits for the customer

From a customer perspective, SaaS products offer a variety of benefits:

- **SaaS delivers higher strategic value as compared to on-premise software deployments.** The software deployment time has reduced from several weeks and days to a few minutes with the SaaS model.
- **The wealth of enterprise SaaS solutions available gives users have a diverse set of resources to address varied demands.** As a result, organizations are experiencing higher levels of employee engagement with feature-rich SaaS solutions designed for improved customer experience.
- **SaaS vendors are also able to push feature improvements, bug fixes, and security updates on the fly.** These capabilities with on-premise deployments were previously required to pass through several layers of organizational protocols and governance before eventually reaching end-users.

SaaS technologies have made it easier for enterprises and software vendors to effectively deliver the necessary features and functionality to end-users, ultimately contributing to the popularity of SaaS solutions over on-premise software products.

Additional resources

For more on SaaS and IT trends, explore these resources:

- [BMC Business of IT Blog](#)
- [Cloud Revenue & Market Share Trends in 2020](#)
- [State of the Cloud in 2020](#)
- [5 Practices for Controlling Costs as You Move to SaaS](#)

- [Hybrid Cloud Security: Challenges and Best Practices](#)