TYPEQAST

A Deep Dive into SaaS Trends that will Bring Big Breaks to the Business World

SaaS Trends For 2023

White paper

🌐 typeqast.com   ✉ info@typeqast.com

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Preface

Most digital services used today are based on SaaS solutions. When you're paying for something on the web, making an appointment through a healthcare platform, or browsing an e-commerce store, it's probably run on a SaaS model. With constant technological advancements and a fast-paced business environment, the cost of software and its maintenance is becoming increasingly expensive. That's why businesses see SaaS as an affordable way to save money by paying the software provider a monthly or annual fee to keep their software up to date, take advantage of new features, and ensure its stability.

Over the past years, Software as a Service (SaaS), along with Platform as a Service (PaaS) and Infrastructure as a Service (IaaS), has constantly been changing. Every day, new SaaS capabilities are added to improve the customer experience and provide more customized solutions to businesses. Companies that want to take full advantage of Software as a Service offering must keep up with the trends in this evolving marketplace.

Today, about 70% of enterprise applications are based on SaaS, and this number will increase to 85% by 2025.

It's essential for all SaaS companies to familiarize themselves with the upcoming trends to meet the new challenges and find fruitful solutions for the future. It's true that we don't have a crystal ball, but we do have a lot of experience in the SaaS industry. Thanks to our leadership in the SaaS industry and our ongoing work with SaaS providers, we've compiled a comprehensive list of SaaS procurement trends for 2023.

In this report, you'll learn what SaaS is, how it has evolved, and which SaaS trends will impact the industry in the coming year.

About SaaS

Software-as-a-Service, or SaaS, is an internet-based model (web, mobile or data-only) that allows internet access to data from any device. The SaaS solution connects users to data stored in the cloud so that you can use it like an on-premises app but running through an API, a web interface or mobile app. SaaS models are usually licensed on a subscription basis, which renew monthly or annually and often automatically.

In a short time, Software as a Service has evolved from simple cloud capabilities to entire platforms that offer advanced features and has become the ideal solution for any type of business.

Companies running purely on SaaS from 2018 to 2023

51%	58%	73%	75%	78%	86%
2018	2019	2020	2021	2022	2023
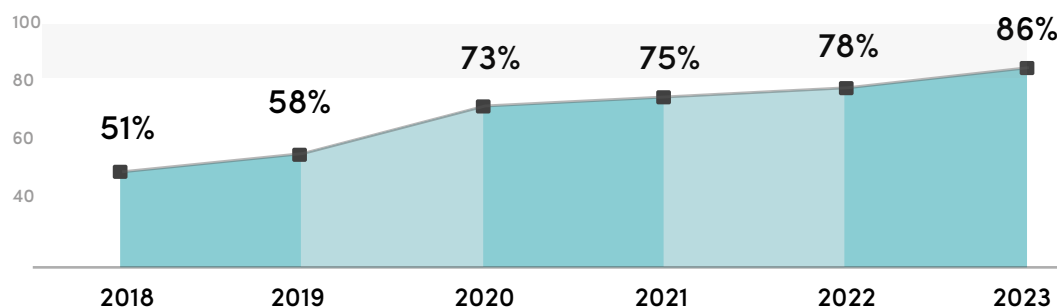
Source: SuperOffice

The recent growth of the SaaS market can be attributed to external factors such as the COVID pandemic. Even though the pandemic is said to be over, the SaaS market is growing due to a combination of technological innovation, customer behavior, and high demand that has forced companies to focus on preserving cash flow and optimizing IT costs, supporting and securing a remote workforce, and ensuring resiliency.

The reason why more and more companies are opting for Software-as-a-Service is not only because of the increased business agility compared to traditional software but because it also offers many advantages, such as:

Accessibility
When all your data is tied to your account and not your individual device, your teams can access the same software systems from different devices and locations. So SaaS supports hybrid working models and enables access across different departments, which is essential for smooth business operations today.

Ease of use
Often SaaS solutions are designed to be used by users with little or no technical knowledge. This enables practically anyone in the organization to easily work with SaaS platforms, not just technical experts.
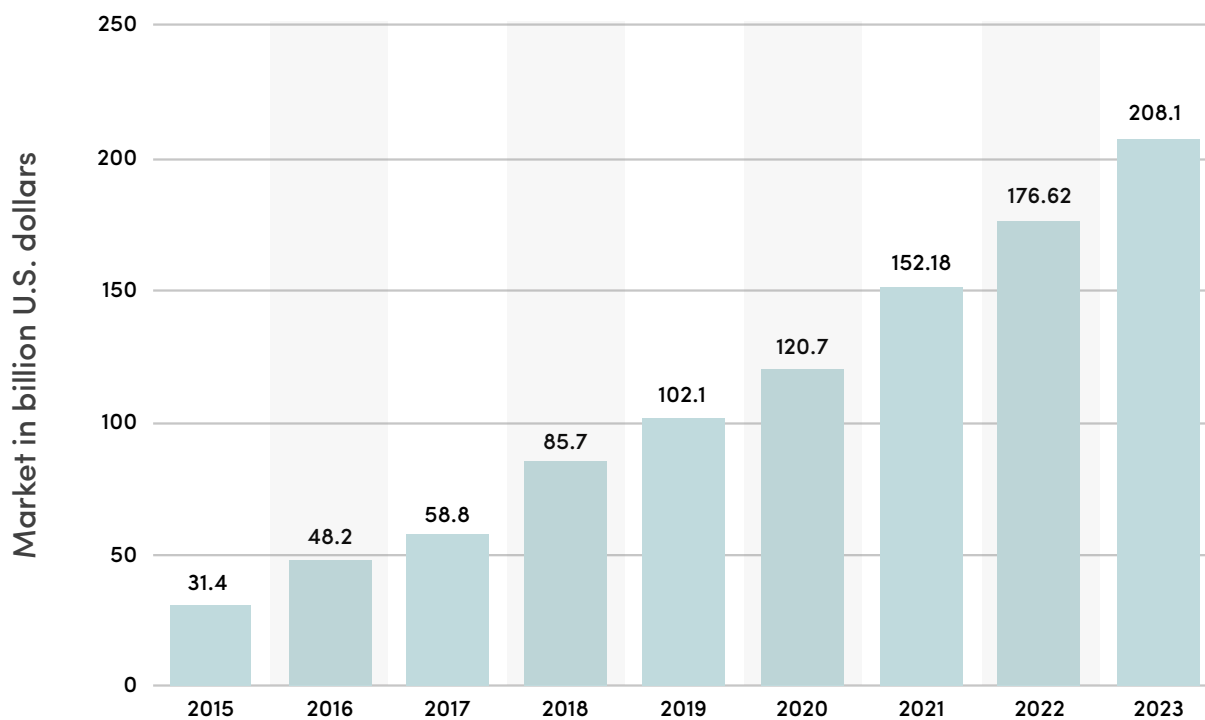
Security
With SaaS solutions, companies lower the risk of losing their data because everything is stored in the cloud. Plus, all your data is ultimately safe and secure because SaaS providers use the latest industry-standard security methods to protect your company's data from unauthorized users.

Cost-effectiveness
The price of using SaaS solutions depends on the number of users, the features, and the needs of your business. In general, they are less expensive than purchasing individual licenses for each machine or user.

Thanks to its benefits for businesses, SaaS offerings have shown unprecedented growth, which is proof that it's widely used by startups and corporations alike. According to *Statista*, the value of SaaS is estimated to reach 208 billion U.S. dollars by 2023.

Market in billion U.S. dollars

Year	Value
2015	31.4
2016	48.2
2017	58.8
2018	85.7
2019	102.1
2020	120.7
2021	152.18
2022	176.62
2023	208.1

Source: Statista 2022

But what's next for SaaS? That can be predicted based on the analyses of the most popular trends. In this white paper, you'll find a list of insightful trends that show what the future will look like for businesses and SaaS platforms in 2023.

The Top 5 SaaS Trends for 2023
AI & Machine Learning

As software-as-a-service companies grow, so do the challenges posed by rapidly expanding data volumes and the variety of tools available to monitor, analyze, pull back and use the data. Artificial intelligence (AI) and machine learning (ML) are becoming integral parts of the SaaS model, as they can prevent, detect and resolve potential outages or disruptions more quickly and seamlessly.

AI and machine learning built into SaaS solutions enable organizations to leverage their data better, automate and personalize services, improve security, and organize human resources.

AI and machine learning use predictive analytics to create a better user experience by providing innovative ways to learn from past user interactions and configure the user interface to tailor it to the individual. This data can guide potential customers through the entire journey from inquiry to visiting a product page to purchase.

AI and machine learning reduce the need to hire additional staff, as they can take over tasks that previously had to be done manually. For example, they enable automation through chatbots that provide users with answers to basic questions. A bot can respond to login reset questions with an automated answer in the form of a link to a knowledge base, allowing customer service representatives to focus on more sophisticated questions.

These are a few of the reasons why some of the world's largest and most innovative technology companies, such as Amazon, Google, and Microsoft, are investing heavily in integrating artificial intelligence and machine learning into their platforms.

AI and machine learning enable software and platforms to sift through a variety of internal operations so they can focus on delivering a flawless experience to their customers.

Ai and Machine learning in SaaS Key Takeaways:

- ☑ **Enable personalization**
- ☑ **Provide a better user experience**
- ☑ **Automatize processes and services**
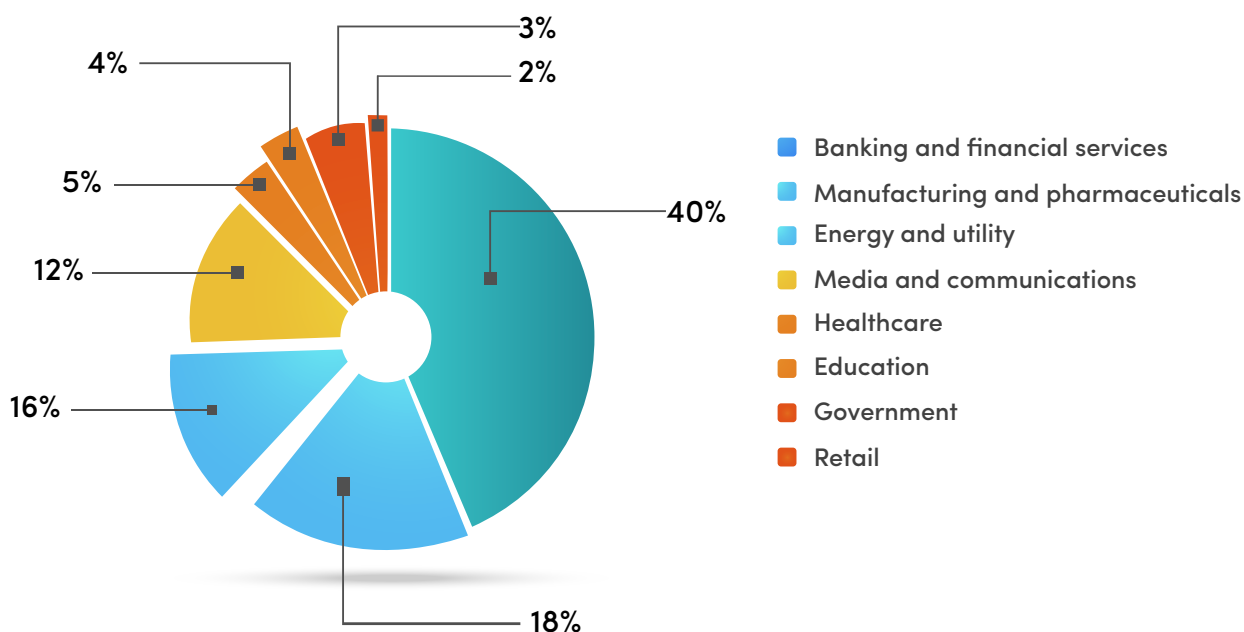- ☑ **Improve security**

Vertical SaaS

One of the SaaS trends that will continue to grow over the next year is the widespread adoption of vertical SaaS. Unlike horizontal SaaS, which targets a broad audience and covers multiple industries, vertical SaaS focuses on users in a niche industry and serves the needs of their ideal customer profile.

As companies strive to become fully customized, vertical SaaS capabilities are becoming more attractive to enterprises. Vertical SaaS tools are often developed by individuals with expertise in their target industry. An example of a vertical SaaS solution in the healthcare industry is Dokteronline. The eHealth platform is designed to make it easier for patients to get the best healthcare services online for specific health standards. End users can select medical conditions to receive consultations and order specific products through the checkout system.

Vertical SaaS Spending Breakdown by Segments

- Banking and financial services
- Manufacturing and pharmaceuticals
- Energy and utility
- Media and communications
- Healthcare
- Education
- Government
- Retail

Source: Nasdaq 2020

Based on the success of the most popular vertical SaaS companies for 2022, it can be concluded that this trend is growing by storm, especially in the **finance**, **insurance**, **healthcare**, **construction**, and **fitness industries**. Even though all of these industries have seen rapid value growth since 2020, **banking** and **financial services** retain the largest market share.

Vertical SaaS Key Takeaways

- ☑ **Vertical SaaS companies have experienced significant growth compared to horizontal software solutions due to the move away from on-premise solutions, and this trend will continue to grow over the next year.**

- ☑ **Currently, the banking and finance industries are spending the most on vertical SaaS solutions.**

Integrated API Connections

The aggregation of products, solutions, and services hasn't been possible in the past, leaving consumers dependent to use multiple applications from various vendors to complete single tasks. This was troublesome for both consumers and institutions, especially those that weren't ready to move all their data to the cloud. With the boom in cloud-based applications, sharing information and data between different software applications has become a major issue.

> **Because integration projects used to take a long time, more and more SaaS vendors are offering integration capabilities.**

An API (Application Programming Interface) makes it possible for a SaaS solution to request and manipulate data from third-party software in the cloud, which provides easier and more effective integration. For example, thanks to API connections, e-commerce platforms can create a robust online shopping experience by allowing developers to pass information from the website to server databases containing inventory and customer data via API connections.

Integrated API connections allow organizations to automate data flow and business processes, even between companies and applications.

Because integration projects have been complicated for a long time, more and more SaaS vendors are offering integration capabilities by exposing public API's.

According to a Google study, **56**% of decision-makers in IT see API's as a means to help companies build better digital experiences and products, **52**% say API's accelerate innovation by enabling partners to leverage digital assets at scale, **40**% see API's as a means of systems integration, and **36**% say they see API's as strategic assets for creating business value.

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Views of APIs

56%

APIs help us build better digital experiences and products

52%

APIs accelerate innovation by exposing assets with partners

40%

APIs are a way to do systems integration

36%

APIs are strategic assets for creating business value

22%

APIs are products that are directly leveraged by external customers

Source: Google, 2021

Integrated API Connections Key Takeaways

☑ **Improve workflows and automation, reduce human error, and enable applications to access information from other software.**

☑ **36% of decision-makers see APIs as a means of system integration to create business value.**

White-Labeled SaaS

White-label SaaS solutions are unbranded software that a company rents from a service provider and then rebrands into their own styling and offering for their customers. In other words, **this trend offers any business the ability to purchase software as a service without a defined label and use and rebrand it according to its own brand**.

For example, a single sign-on service (SSO) provider offers its solution as a white label. A company developing another SaaS solution wants to use this service for its users to log in, but the log-in should be part of the overall user experience, hence having the look and feel of the rest of the platform. An example of a white-label SaaS for e-commerce websites is Ecwid, which allows users to create an online store under their own label. Ecwid allows its customers to set up an online store where they can sell anything. Additionally, the white-label solutions offer the possibility of reselling their services at any price.

At a time when many companies are using the same software as a service, users of white-label solutions get a sense of uniqueness because they can customize their platform to match their business. Furthermore, the company can not only keep the white-label SaaS solution for its own use but also resell it under its brand.

How does White Label SaaS Work?

White label SaaS provider   **Agency or Reseller**   **Small Business**

Agency adds their own Brand,
repackages and set their own price

SMB buys the white label software
(and more) from the reseller

Source: www.emailvendorselection.com

White-labeled SaaS Key Takeaways

☑ **White-label SaaS solutions offer companies a sense of uniqueness by allowing them to design their software as they wish.**

☑ **Companies can rebrand the white-label SaaS solution and resell it under their brand.**

Unbundling

In contrast to bundling, where neighboring services are combined to offer a cheaper/holistic product or service, unbundling occurs when companies decide to focus only on a core product

Famous bundlers are **Microsoft** with **Excel**, **Skype**, and **Outlook** with **OneNote**, while unbundling examples are **Airtable**, **Zoom**, **Slack**, **Superhuman**, and **Notion**.

Unbundling SaaS features and products is a growing trend that aims to ensure that every user of software-as-a-service gets the best experience for their money by using only the features that are critical to their needs.

✓ **Users not only save money by using only the features they want and are willing to pay for, but they also improve the overall experience by selecting the ones that meet their specific business needs.**

The main idea behind this SaaS trend is that one software doesn't fit all business sizes. Unlike large companies that already know their core offering and focus on expansion and development, startups are constantly questioning the features they offer in order to achieve the best position in the market. It's clear that these two won't use the same features because they don't have the same needs. So the same feature will not work the same for each company, which is improved by unbundling. This trend will continue to grow, enabling SaaS providers to retain and attract new customers with personalized, value-based features, pricing, and packaging.

Unbundling SaaS Features Key Takeaways

☑ **This trend aims to ensure that every user of software-as-a-service gets the best experience by using only the features that are in line with their needs.**

☑ **It provides customers with personalized, value-based features, pricing, and packaging.**

SaaS is the Future.
Be Ready to Level Up!

The SaaS trends discussed here will propel the industry to new heights in the coming years. Enterprises will be at the center of the whirlwind of SaaS trends, so it's imperative that they prepare for these upgrades and changes. Staying on top of the competitive market and keeping up with the rapidly changing user experience in the SaaS industry requires an experienced technical team.

Typeqast is an IT company with more than 400 developers across Europe that can help you overcome your software development hurdles. As your IT partner, we can provide you with:

✓ DevOps engineers who understand the clouds and principles such as CI/CD and IaC;

✓ High-code experts with experience in Java, Angular, React, Vue.js, and .NET PHP;

✓ Low-code experts with experience in Mendix, Appian, and Pega;

✓ QA engineers;

✓ Cybersecurity and cloud consulting teams.

Let's meet!

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info@typeqast.com