

Software as a Service Market: Technologies and Global Markets

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- The global software as a service (SaaS) market should reach \$223.7 billion by 2022 and more than \$571.9 billion by 2027, with a compound annual growth rate (CAGR) of 20.6% during the forecast period of 2022-2027.
- The banking, financial services and insurance (BFSI) segment of the global SaaS market should reach \$54.4 billion by 2022 and more than \$130.7 billion by 2027, with a CAGR of 19.2% during the forecast period of 2022-2027.
- The retail & e-commerce segment of the global SaaS market should reach \$48.1 billion by 2022 and more than \$138.9 billion by 2027, with a CAGR of 23.6% during the forecast period of 2022-2027.



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Chapter 1: Introduction

Introduction

Software as a service (SaaS), also known as software on-demand or cloud-based applications, is one of the three core cloud-based service models alongside Platform as a Service (PaaS) and Infrastructure as a Service (IaaS). Cloud computing is a general term used for any remote computing component or resources (hardware and software) that are hosted and delivered via the internet. At a fundamental level, a cloud is a collection of computers, servers and databases that are connected in a way that enables users to lease access to its combined capabilities.

While all cloud programs are run by an underlying software, SaaS specifically refers to a software licensing model of enterprise software or applications delivered via the cloud as a service. Some of the common examples of core business applications with widespread usage delivered via the cloud include Human Resources (HR), Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM). In the SaaS model, software and applications are centrally hosted by a third-party provider (software developer, distributor or reseller) either in their clouds or in partnership with other Cloud Service Providers (CSPs) or Managed Service Providers (MSPs). The hosted applications are delivered as a service to clients in different verticals on a subscription basis.

The cloud service model removes the need for organizations to purchase software licenses and eliminates the initial upfront cost involved in the implementation and maintenance of the complex IT infrastructure needed to deploy software or applications. This in turn helps the organizations reduce their capital and operational expenditure, namely, the costs associated with having software or applications running on-premises.

Some other benefits of the SaaS model include:

- **Scalable Usage:** End users or organizations can access remote subscribed applications or software via a web browser on any device such as smartphones, tablets or PCs at any place in real time.
- **Flexibility:** The cloud service model provides end users with the flexibility to choose any application from any vendor, thereby avoiding vendor lock-in. It also allows organizations to choose any payment method (monthly or annually) for their subscriptions — also known as the “pay-as-you-use” or “pay-as-you-go” model.
- **Efficient Managed Services:** SaaS vendors, CSPs or MSPs often provide managed services to their clients— without any extra charges— more efficiently than individual companies do for their on-premises resources. This in turn benefits clients with automatic bug fixes, updates, patch management, and adherence to security and regulatory mandates for the subscribed business application, thereby allowing them to focus more on their core business.

- **Resilience:** The cloud service model allows organizations to work and store their data offline, at times when the internet is slow or down. This data can later be synced with the cloud when connectivity speed improves.

Some of the major factors driving the market during the forecast period of 2022 to 2027 include the increasing number of SaaS vendors, the increasing Bring Your Own Device (BYOD) trends among organizations, and the increasing need among organizations to reduce costs and maximize time to market.

The types and number of users of SaaS products has improved rapidly in recent years. Though initially positioned as ideal for start-ups, small and medium enterprises of various sizes and shapes are finding SaaS an affordable and palatable solution that empowers agility and digital transformation. Customers are progressively adopting the subscription-based pricing model in an attempt to satisfy their increasing IT needs despite restricted IT budgets, particularly in the case of start-ups as well as small and medium enterprises. Established enterprises deploy software as a service (SaaS) business models to satisfy diverse needs with new, agile and advanced solutions. Consequently, the SaaS business environment is one in which healthy competition is accelerating among SaaS vendors while the market demand continues to increase exponentially.

Study Goals and Objectives

There is growing interest in the deployment of cloud computing across enterprises. For many organizations in 2021, the increased usage of cloud and online services became more essential to keep the lights on in virtual environments. This has significantly prompted organizations to overcome the inertia and red tape surrounding SaaS deployment. Factors such as software updates, flexible payment options, scalability, accessibility, adaptability, increased collaborations and security are key growth stimulants for the software as a service market.

BCC Research has followed the market for software as a service for eight years, reporting on key developments related to solutions, deployment, organization size and industry verticals. During the period 2022 through 2027, the market has expanded at a healthy CAGR of REDACTED%. With this study, BCC Research continues its commitment to monitoring market growth for these products.

The main goal of this report is to provide a current and detailed assessment of the market for software as a service that is developed using advanced technologies, including an objective analysis of industry and technological trends and prospects for future growth. In addition, an updated review of the most important advancements in production technologies is offered, with a focus on those activities that will contribute to market growth during the next five years.

Specifically, the objectives behind conducting the research study are to:

- Define the software as a service market.
- Identify market drivers, restraints and other factors impacting the global software as a service market.
- Analyze different software as a service market segments, including solutions, deployment, organization size and industry verticals.

- Provide a geographic market analysis and revenue estimation for software as a service technology.
- Study applications of software as a service in various industries or verticals.
- Discuss different business opportunities and avenues for the market growth.
- Track and compare the product offerings and market strategies of key players and stakeholders in the ecosystem.

Intended Audiences

The report will be of interest to the following stakeholders and audiences:

- Software and application developers.
- SaaS providers.
- Cloud Service Providers (CSPs).
- Managed Service Providers (MSPs).
- Networking companies.
- Value Added Resellers (VARs).
- Internet Service Providers (ISPs).
- Telecom providers.
- Research institutions.
- Government agencies.
- Independent consultants.
- Investors.

Report Scope

The report provides an overview of the global markets for Software as a Service (SaaS) and analyzes market trends. Using 2021 as the base year, the report provides estimated market data for the forecast period 2022 through 2027. Revenue forecasts for this period are segmented based on solutions, deployment, organization size, industry vertical, and geography.

The report also focuses on the major driving trends and challenges that affect the market and the vendor landscape. The report explains the value chain and current trends in the global markets for Software as a Service (SaaS). The report concludes with detailed profiles of the major players in the market.

Information Sources

To analyze the overall market and market segments, both primary and secondary research methodologies were used to obtain market data.

The technology section of this report is based on information derived from technical literature, related BCC Research reports, professional journals, the author's field experience and online sources.

Global market analysis, which is based on a combination of bottom-up and top-down methods, was performed by a thorough investigation of cloud computing products and solutions providers and developers of new technologies that accounted for at least REDACTED% of the global market. Data as obtained from the direct contribution of primary sources, including company executives, managers, engineers and other technical personnel representing developers and users of software as a service, and producers of related technology; representatives of academia and trade associations; and industry market analysts.

Additional data for each company was obtained by thoroughly analyzing Security and Exchange Commission (SEC) filings, websites, annual reports, industry directories, industry magazines and catalogs, government sources and other public sources.

Sources of information include but are not limited to:

Primary sources

- Selected experts from related industries.
- Market leaders.

Secondary sources

- Industry publications.
- Company websites.
- Directories.
- Research papers.
- White papers.
- Databases such as OneSource, Factiva, Bloomberg and SEC filings.

In addition to utilizing the above primary and secondary sources, market growth trends and forecasts were compiled by gaining additional insights from relevant financial and market information, related BCC Research reports and the author's own in-depth and comprehensive analysis of the collected information.

What's New in this Update

The previous version of the report, IFT160A *Software as a Service (SaaS): Technologies and Global Markets* featured 2017 as the base year and a market forecast from 2018 to 2022. The latest version of this report, IFT160B, was developed in 2022. In this update, 2021 serves as the base year, and market forecasting is done from the end of year 2022 to the end of 2027. The new market data from 2021 is in line with the accurate estimates of the previous version. However, due to the ongoing COVID-19 pandemic, the market growth for 2020 is reported as having increased. Overall, the compound annual growth rate (CAGR) is also observed to have slightly increased relative to that given in the previous version of the report.

While most of the sections are in line with the previous version of the report, the qualitative analysis is retained, updated and restructured in the new form of the chapters to make the study more readable and maintain the flow of the content. New market segmentations including solutions, deployment, organization size and industry verticals have been added and updated. Sections covering value chain

analysis, PESTEL analysis, PORTERS analysis, market dynamics, the future prospects of SaaS and the impact of COVID-19 have been added as new content in Chapter 3 (Industry Outlook). In Chapter 9 of this update, the patent analysis has been added along with the number of patents published across the countries in this report. In Chapter 10, the vendor landscape, market rank/share analysis has been expanded in detail to cover the leading developers of software as a service.

Research Methodology

This report is the result of an intensive study of the SaaS market, with a thorough analysis of products, solutions, services and players as well as related data collected from secondary sources as well as primary interviews. All critical data, including qualitative information, quantitative insights and future prospects, was obtained and verified by conducting primary source (expert) interviews. A market estimation was done by using both bottom-up and top-down approaches, followed by data triangulation and trend-based data forecasting.

- For the bottom-up approach, the global technological applications and trends of the past years have been tracked and the value of the overall market has been calculated.
- For the top-down approach, technology provider revenue was calculated based on market shares, and an overall market value was also calculated. Company websites, annual reports, SEC filings and primary interviews were tracked to get market player revenue.
- Product mapping was done during the study of players, which helped in triangulating the overall derived market data by different segments. Company presence and ongoing research activities were used to determine the regional trends.
- To forecast the market size, past data analysis and current market trends have been studied to provide an estimated market size over the coming years.

Company products, technology, connectivity, services offerings, revenue from the related market and recent developments have been used to perform competitive benchmarking.

The Software as a Service report analyzes key industry players and the patent landscape. The systematic research quantifies both the internal and external factors, and other market trends affecting the software as a service industry during the forecasted period. BCC Research collected data through extensive secondary and primary research to obtain important market information and trends.

A list of software as a service vendors operating globally has been tracked, and a product portfolio roadmap has been created to understand the market segments. The market share of major software as a service vendors is identified by analyzing their total and business segment revenues, which were collected through companies' annual reports. The global software as a service market size has been obtained through the consolidation of revenue comprising major technology vendors generated through their products, solutions and services offerings in segments across five regions. Percentage splits for various segments are based on companies' revenue mix, geographical presence and data collected through primary research. Forecasted values for all segments are based on current economic, technological, industry and macro-economic factors affecting the market as well as historical market size and growth rate.

The secondary sources referred to in the report include press releases, usage cases, white papers and other certified publications. The research process has primarily been used to understand the market

ecosystem, operating vendors, segments, key trends and developments related to the technology. However, the primary research has been conducted to collect and substantiate the information from Key Opinion Leaders (KOL) through telephone discussion and interviews and email. The research process has helped in procuring information from key executives such as CEOs, vice presidents, marketing directors and managers from various key companies operating in the software as a service market. The sources provided information regarding market-related strategies, development and other insights.

Geographic Breakdown

In this report, the geographic regions considered for market analysis include and only include:

North America

- U.S.
- Canada.

Europe

- U.K.
- Germany.
- Rest of Europe.

Asia-Pacific

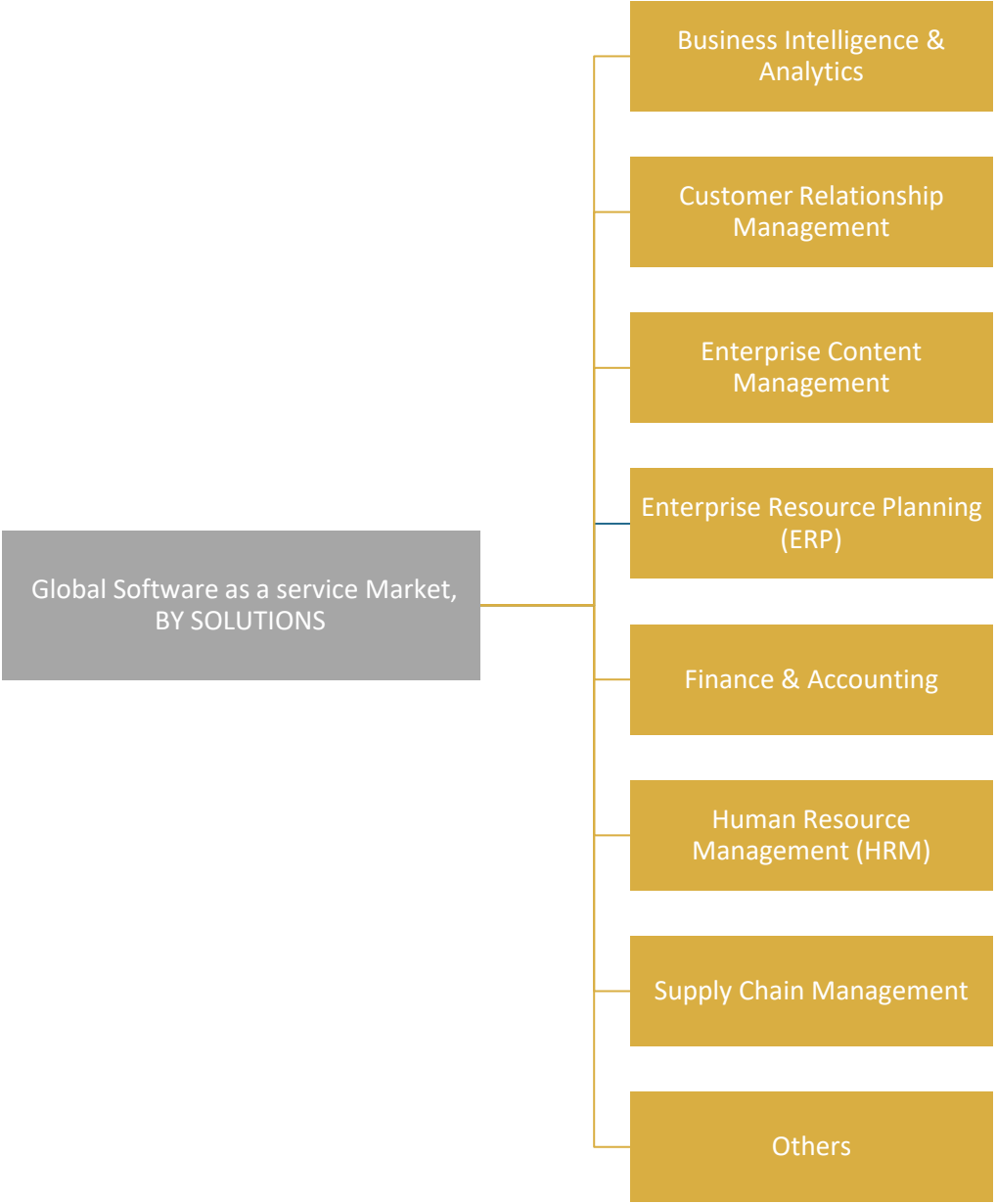
- China.
- India.
- Japan.
- Rest of Asia-Pacific.

Latin America

- Brazil.
- Mexico.

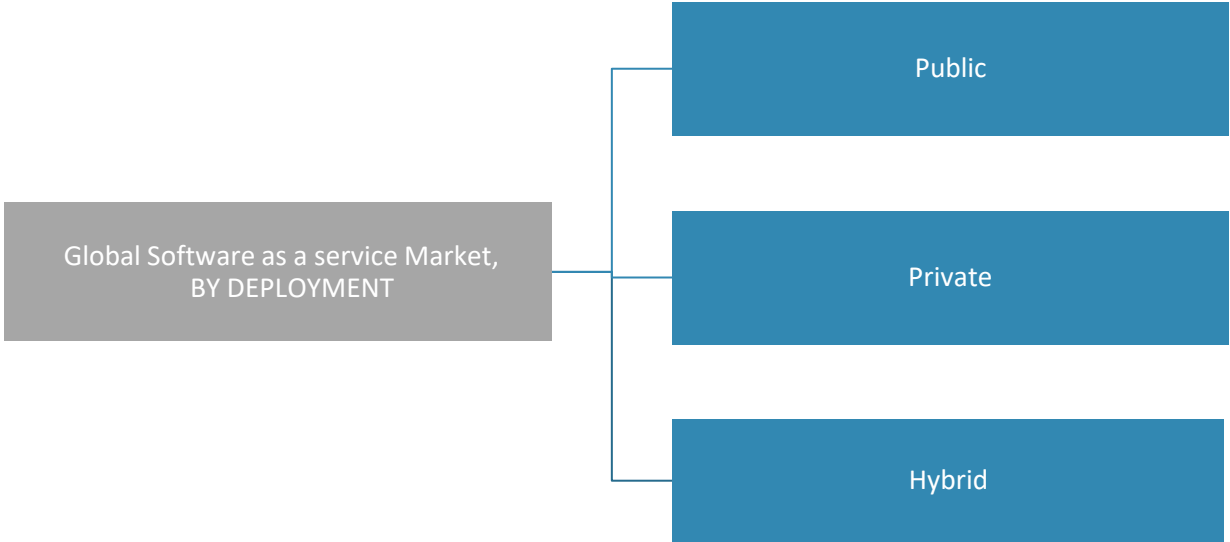
Middle East and Africa

Global Software as a Service (SaaS) Market, by Solutions

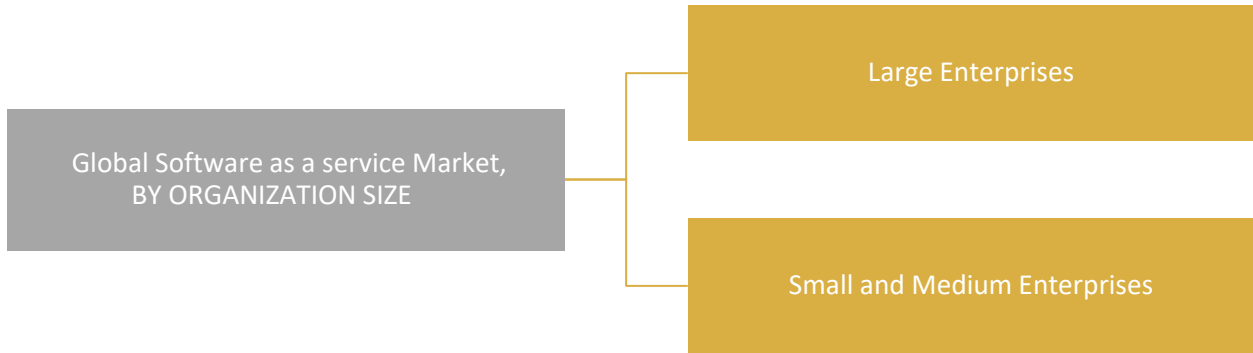


Note: Other solutions type includes unified communication & collaboration, project management, and talent acquisition.

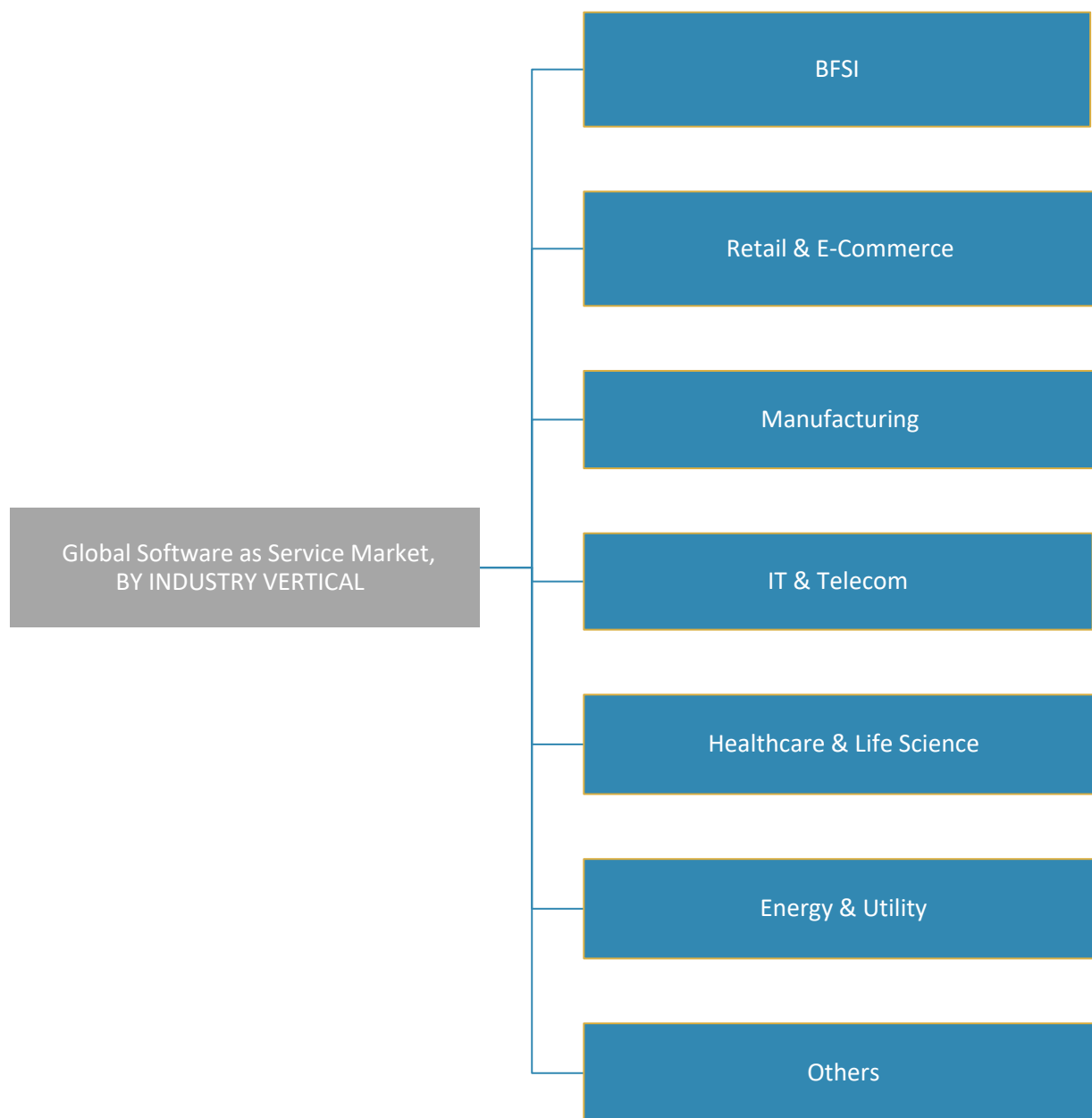
Global Software as a Service Market, by Deployment



Global Software as a Service Market, by Organization Size



Global Software as a Service Market, by Industry Vertical



Note: Other industry vertical includes education, travel & hospitality and media & entertainment.

Analyst's Credentials

BCC Publishing Staff comprises expert analysts who are skilled in conducting primary research, secondary research and data analysis and have decades of combined experience covering a wide range of industries, including healthcare, advanced materials and emerging technologies. Collectively, the team represents a diverse set of educational achievements with individual graduate work completed in fields such as microbiology, electrical engineering, business administration and surgery, among others.

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- IFT187A *Cloud Components and Services: Global Markets.*
- IFT247A *2021 Cloud Technology Research Review.*
- HLC202A *Healthcare Cloud Computing: Global Markets to 2022.*
- IFT103B *Data Center Networking Technologies: Global Markets.*
- IFT125A *Unified Communication and Collaboration: Technologies and Global Markets.*
- IFT156A *Managed IT Service Providers: Global Markets to 2021.*
- IFT158A *Enterprise Resource Planning (ERP) Technologies: Global Markets to 2022.*

Chapter 2: Executive Summary and Highlights

Executive Summary

According to BCC Research, the global software as a service market (SaaS) was valued at \$REDACTED billion in 2021 and will reach \$REDACTED billion by 2027. The compound annual growth rate (CAGR) of the market is estimated to be REDACTED% over the forecast period 2022-2027. An increasing usage of cloud computing across businesses, the introduction of emerging technologies such as machine learning and artificial intelligence, faster data recovery, data security and the need to meet compliance requirements are some of the major factors triggering growth in the software as a service market. However, improper integration of cloud system with customer relationship management systems may hamper the market growth in the long run. In addition, expansion in data security concern, increasing data breaches and cyber attacks, as well as the need for regulatory and compliance requirements, are hampering market growth.

In this report, the global SaaS market has been segmented by solutions, deployment, organization size, industry vertical and region.

Summary Table

Global Market for Software as a Service (SaaS), by Industry Vertical, Through 2027
(\$ Millions)

Industry Vertical	2021	2022	2023	2025	2027	CAGR% 2022-2027
Retail & E-Commerce	40,542.9					
BFSI	47,703.8					
Manufacturing	29,483.1					
Healthcare & Life Science	21,152.8					
IT & Telecom	18,923.2					
Energy & Utility	15,214.6					
Others	20,779.6					
Total	193,800.0					

Source: BCC Research

The table above represents the global SaaS market by industry vertical, which is expected to grow at a CAGR of REDACTED%. The combination of low budgets for up front IT infrastructure and lack of skilled resources to manage it with the increasing number of small and medium businesses(SMBs) across the globe demanding cost-effective IT applications and solutions is giving rise to the adoption of SaaS and other cloud services. Moreover, increasing demand for vertical-specific SaaS form organizations, especially among SMBs, and the exponential growth of artificial intelligence integration with SaaS-based solutions are presenting new business opportunities for the existing players in the market, and this is expected to further drive the revenue in the global SaaS market during the forecast period.

Despite the various benefits of adopting cloud-based business applications, there are certain constraints associated with the SaaS cloud delivery model. Some of the major organizations are skeptical of transferring their business data and workloads on a public cloud network, as this may lead to data breach and privacy issues. This factor may restrain the growth of the SaaS market.

Summary Figure
Global Market Share for Software as a Service, by Industry Vertical, 2021 (%)



Source: BCC Research

With several factors driving the market, there are some cons related to the technology that may hinder its growth or adoption. Lack of reliability and data confidentiality issues are the major factors contributing to skepticism among some enterprises about transferring their workload to the cloud. In contrast, the increasing number of SMBs in different verticals is giving rise to a new set of industry-specific challenges and business needs. The demand for Vertical SaaS is the other major factor that is expected to drive the adoption of SaaS during the forecast period.

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